

GASUM GROUP FINANCIAL RESULT **Q1 2020**



Gasum

GAS PLAYS A STRONG ROLE IN ENERGY SUPPLY

KEY FINANCIAL INDICATORS JANUARY 1 TO MARCH 31, 2020*

- The Group's operating profit totaled €12.3 million, down 29.7% year on year (March 31, 2019: €17.5 million).
- Operating profit margin in Q1 was 6.9%, up 1.4% compared with the reference year's continuing operations (March 31, 2019: 5.5%).
- Balance sheet total came to €1,133 million (March 31, 2019: €1,139 million)
- The Group's solvency remained strong in the reporting period, with the equity ratio being 44.1% (March 31, 2019: 40.7%).

KEY FIGURES*

€ million	1-3/2020	1-3/2019	Change	2019
Revenue	177.4	320.2	-44.6%	925.8
Operating profit	12.3	17.5	-29.7%	50.9
Operating profit (%)	6.9%	5.5%		5.5%
Equity ratio (%)	44.1%	40.7%		44.6%
Return on equity (%)**	4.1%	4.0%		5.3%
Return on investment (%)**	6.7%	6.5%		6.7%
Balance sheet total	1,133.0	1,139.2	-0.5%	1,163.2
Net interest-bearing debt** ***	428.1	417.6	2.5%	426.3
Gearing ratio (%)** ***	85.9%	90.8%		82.3%
Gearing ratio (%)**	76.6%	79.2%		72.1%
Net debt/EBITDA** ***	4.7	5.8		4.4
Personnel at the end of period	349	316	10.4%	344

* Including comparable figures for continuing operations

** Annualized

*** Including IFRS 16 liabilities for leases



GASUM GROUP CEO JOHANNA LAMMINEN COMMENTS ON THE FIRST QUARTER OF 2020:

“The first quarter saw us implement our strategy and continue the development of the Nordic gas market despite the uncertainties brought about by the COVID-19 pandemic. So far, the pandemic has only had minor impacts on our business, and we have been able to continue the implementation of our various projects as planned. We have taken numerous measures to ensure the health and safety of our employees and to safeguard the continuity of our business and progress in our projects. We have also made every effort to safeguard energy supply, gas sourcing and distribution as well as safe and secure logistics in our recycling and waste services, too. I am proud to see how strongly committed our employees are and how well cooperation between Gasum, our customers and our partners is working.

At the turn of the year, the Finnish pipeline gas market was opened up to competition and Gasgrid Finland Oy, the gas transmission network company unbundled from Gasum, became operational. Going forward, Gasum will focus on providing diverse, competitive and easily accessible energy solutions and energy market expert services for our customers in the Nordic countries.

During Q1/2020, the role of gas as a maritime transport fuel also continued to grow and we entered into an LNG delivery agreement with the Norwegian energy company Equinor. Biogas is also attracting interest among forerunners in maritime transport, and we are continuously developing our fuel offering and services to meet the maritime sector’s needs. In Sweden we started regular deliveries of renewable shipping fuel to one of our maritime transport customers, the fuel company Preem.

We also continued to build our Nordic gas filling station network by opening three new stations. We also made progress as planned in our Biogas business development and entered into an agreement with the environmental services company Encore Ympäristöpalvelut on the utilization of biowaste from the Helsinki Metropolitan Area at our Lohja biogas plant due to be completed in late 2020. In addition, we delivered liquefied biogas (LBG) to the cleantech company Forchem Oy.

We also expanded our role in the Nordic power market by becoming a member of the Nordic power exchange of Nasdaq OMX, which provides us with access to direct trading in the power derivatives market.”

FOR FURTHER INFORMATION PLEASE CONTACT:

Johanna Lamminen,
Chief Executive Officer,
Gasum
Olga Väisänen, Vice President,
Communications, Gasum
Phone: +358 40 554 0578,
firstname.surname(a)
gasum.com

GASUM IN BRIEF

The energy company Gasum is a Nordic gas sector and energy market expert. Gasum offers 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. The company helps its customers to reduce their own carbon footprint and that of their customers. Together with its partners, Gasum promotes development towards a carbon-neutral future on land and at sea.

www.gasum.com

OPERATING ENVIRONMENT

Energy market – Industry and power market

Power prices dropped considerably at the beginning of Q1 as the weather was exceptionally mild, rainy and windy. The total Nordic hydro balance rose to a very high level and pushed spot prices and front futures contracts very low. In March, the uncertainties created by the COVID-19 pandemic as regards the persistence of the crisis and the recession strengthened the downward effect on power prices for the years ahead. So far, the pandemic has had a relatively small impact on Nordic power consumption. Power production and transmission are well-prepared for continuity in all circumstances, and there are no signs of disruptions in access to power.

Fuel and emission allowance prices also dropped due to the pandemic in Q1. Oil prices plunged to an 18-year low. Natural gas prices also plummeted all the way to the lows seen in 2009. Emission allowance prices only declined moderately, but large emission reductions are projected for this year as the economy is slowing and natural gas remains cheaper than coal in power production.

Demand for natural gas was low in Q1 compared with the corresponding period a year earlier. Demand for Finnish pipeline gas decreased by an estimated 20% year on year. The drop was due to the mild winter and low power prices. Gas supply remained strong and Europe's gas stocks were exceptionally high. In addition, the supply of liquefied natural gas (LNG) has grown significantly due to low demand in Asian markets, and LNG cargoes intended for Asia have arrived at European reception ports. Therefore, market fundamentals were not in favor of high prices before the coronavirus outbreak, either. After the outbreak, the outlook for gas demand declined even further, and prices have dropped to historically low levels at the main European gas hubs such as the Dutch TTF and the British NBP.

Road and maritime transport

International regulation steers maritime transport towards the use of cleaner fuels. The International Maritime Organization's IMO 2020 regulation entered into force at the beginning of the year and has put a 0.5% cap on sulfur content in marine fuel. To comply with the new regulation, shipowners had to switch to expensive low-sulfur fuel or invest in exhaust gas cleaning systems (scrubbers) to continue using heavy fuel oils. Liquefied natural gas (LNG) became the main alternative fuel in the maritime market as it has zero sulfur emissions.

The spread of COVID-19 has had significant impacts on the shipping and transport industry. Ports around the world have issued travel restrictions and new policies to prevent the spread of the virus. Lockdowns resulted in lower use of fuel for transport, including private vehicles, as more people started working from home. However, transport of goods has not been impacted as much as essential goods supply

has been maintained. Gas vehicle registrations continued to increase despite the changes in the operating environment in Q1. The number of gas-fueled vehicles exceeds 11,000 in Finland and 50,000 in Sweden.

Circular economy – Waste and biogas

Promoting the circular economy has been on the agenda of the European Commission, and concrete measures are in the pipeline this year. Adopted last year, the EU's new Waste Framework Directive and its recycling targets provide concrete support to increases in biogas production. In addition, several national measures in the Nordic countries support the development of the biogas sector and create incentives for the channeling of waste and side streams to biogas production and for rapid increases in the transport use of biogas.

According to the updated Waste Framework Directive, the recycling of municipal waste must be increased to 50% by 2020, to 55% by 2025, to 60% by 2030 and to 65% by 2035.

PROGRESS MADE IN GASUM'S STRATEGY

Despite the challenges and changes in the operating environment, Gasum advanced its strategy in the Nordic countries in Q1 by developing the gas market and enabling an even broader offering of low-emission energy solutions in response to growing demand among industrial as well as road and maritime transport customers. Gasum updated its strategic priorities in order to respond to changes in its operating environment, expanding new growth opportunities geographically, too, and developing new power-related business opportunities.

At the turn of the year, the Finnish pipeline gas market was opened up to competition and Gasgrid Finland Oy, the gas transmission network company unbundled from Gasum, became operational. Going forward, Gasum will focus on offering diverse and easily accessible gas solutions and energy market expert services, such as physical power services and the 24/7 Control Room service. Gasum also expanded its role in the Nordic power market by becoming a member of the Nordic power exchange of Nasdaq OMX. The membership provides Gasum Ltd with access to direct trading in the power derivatives market.

We also continued to build our Nordic gas filling station network by opening three new stations. The opening of the new stations supports national emission reduction targets by facilitating a switch in Nordic transport to cleaner fuel solutions. Six biogas-fueled vehicles were introduced in waste collection in Kuopio, Finland. Interest in gas-powered heavy-duty vehicles has increased, but delays may be seen in fleet delivery times this year due to changes in the operating environment and shortage of components this year.

We made progress in our Biogas business development as planned and entered into an agreement with the environmental services company Encore Ympäristöpalvelut on the

utilization of biowaste from the Helsinki Metropolitan Area at our Lohja biogas plant due to be completed in late 2020. Together with Encore, we are building a biowaste transfer station that will enable a biowaste recycling chain for actors in the Helsinki Metropolitan Area. In addition, we delivered liquefied biogas (LBG) to the cleantech company Forchem Oy. Deliveries of liquefied biogas to customers started from the Turku biogas plant in Finland. Good progress was made in biogas plant construction in Lohja, Finland, and Nymölla, Sweden.

During Q1/2020, the role of gas as a maritime transport fuel also continued to grow and we entered into an LNG delivery agreement with the Norwegian energy company Equinor. Biogas is also attracting interest among forerunners in maritime transport, and we are continuously developing our fuel offering and services to meet the maritime sector's needs. We are continuing investments in the liquefied gas supply chain together with our partners. In Sweden we started regular deliveries of renewable shipping fuel to one of our maritime transport customers, the fuel company Preem. The fuel blend consists of liquefied natural gas (LNG) and 10% of liquefied biogas (LBG).

FINANCIAL DEVELOPMENT OF GASUM'S BUSINESS IN Q1

Our revenue in Q1 totaled €177.4 million, down 44.6% year on year (March 31, 2019: €320.2 million). The COVID-19 pandemic did not have a significant impact on the Gasum Group's operations in Q1. Instead, the decline in revenue was caused above all by gas prices plunging by almost 50% year on year. The decline in revenue was also affected by the trend in sales prices of power and the exceptionally warm first months of the year in Finland. The strong growth in road fuel gas sales volumes has been affected by increased demand in the various segments for cleaner transport solutions and the expansion of the gas filling station network.

Our Group's business profitability remained at a good level regardless of the global economic situation. Operating profit margin in Q1 was 6.9%, up 1.4% year on year (5.5%). Return on investment also rose to 6.7% (March 31, 2019: 6.5%).

BALANCE SHEET AND FINANCIAL POSITION

The Group's balance sheet total at March 31, 2020 came to €1,133 million (March 31, 2019: €1,139 million).

The Group's interest-bearing debt at the reporting date totaled €428 million (March 31, 2019: €417.6 million), including borrowings from financial institutions as well as finance lease liabilities. The Group's solvency remained strong in the reporting period, with the equity ratio being 44.1% (March 31, 2019: 40.7%).

CORPORATE RESPONSIBILITY

We published the Gasum Corporate Responsibility Report for 2019 during the period under review, in which we covered the steps forward taken by Gasum in corporate responsibility.

Our responsibility work is guided by our Corporate Responsibility Program and its objectives relating to economic, social and environmental responsibility. Our six focal themes in corporate responsibility have been derived from the company's strategy and materiality analysis: safety and security, climate change mitigation, circular economy, access to energy, people, and sustainable business. Gasum's objectives also support the Sustainable Development Goals (SDGs) of the UN 2030 Agenda.

We also renewed the Gasum Code of Conduct during the period under review. Our new Code of Conduct compiles our key principles and rules of play concerning responsible business. The Code of Conduct helps ensure we share a common view of the values and principles that all of us at Gasum comply with when working with our customers and partners and together as an organization. For Gasum, responsible business means committing to low-carbon and cost-effective energy alternatives and to transparent and ethical ways of working. Everyone at Gasum is expected to familiarize themselves with the updated Code of Conduct.

RISK FACTORS AFFECTING FINANCIAL PERFORMANCE

Gasum operates in the energy sector, and its financial performance entails financial, economic, operational, strategic and political risks.

The price of natural gas and associated products as well as demand for natural gas and liquefied natural gas (LNG) are the most important factors affecting the company's financial performance. In the long term, the economic environment and prices of alternative fuels affect demand for and, consequently, prices of natural gas, biogas and LNG. In the short term, gas prices are affected above all by the weather, prices of alternative fuels and the associated seasonal fluctuations. Besides economic factors, the demand for gas is also affected by energy policies as well as environmental factors.

Energy policy aims as well as customers' need to switch to cleaner fuels are steadily increasing interest in natural gas and boosting its demand as an industrial, maritime transport and road transport fuel. Compared to other similar fuels, the lower carbon dioxide emissions from natural gas as well as the availability of gas-related technologies are contributing to the growing demand for gas solutions.

Gasum aims to expand the Nordic gas market, which will bring strategic risks relating to the operating environment, technology and customers. The political risk mainly relates to changes in EU and national legislation, energy support and, in particular, taxation. The company prepares for these risks relating to its operating environment by actively monitoring related developments. In addition, Gasum seeks to continuously draw attention to the company's viewpoints as regards the impacts of proposed amendments to legislation or taxation.

Gasum is exposed to operational risks which relate to the fact that the company uses transmission pipelines, trucks and ships to distribute gas. As the company's logistics

operations take place both on land and at sea, the company is exposed to the operational risk of disruption to customers' energy supply. The company also prepares for potential disruptions in the supply of gas by having reserve fuel arrangements in place. Gasum monitors its operations, production and logistics on a daily basis. Employee health and safety at work are important factors mitigating operational risks. Oversight of compliance with environmental permits is also a continuous process in the company.

The Group and its operations are exposed to operational as well as financial and economic risks. Operational risks relating to Gasum's business include risks relating to the market price development of oil and gas products. Financial risks include interest rate, price, foreign currency, liquidity and credit risks. The Group's commodity risks (including price risk) are managed by the Portfolio Management & Trading business. The Group's interest rate, foreign currency, credit and liquidity risks are managed by the Group Treasury.

Gasum's general risk management framework is described in the Gasum Group's Risk Management Policy, which has been adopted by the Gasum Board of Directors. The priority of the Group's Risk Management Policy is to help Gasum's businesses, management and employees to better safeguard the company's operations and support the implementation of the company's growth strategy. The main principle of the company's risk management policy is to take responsibility for risks and respond to risks where they arise. Each business unit and Group function is responsible for identifying, assessing and managing its own risks.

The Audit and Risk Committee is responsible for oversight of the company's risk management system. The Risk Controller coordinates the risk management process and reports to the CFO. The Risk Controller is also responsible for monitoring all Group risks and for the instructions and tools to ensure an effective risk management process in the company's business activities.

FUTURE OUTLOOK

The outlook of global economic development is weak due to the COVID-19 pandemic. We expect the uncertainties to continue in the energy market and demand to be weakened by the pandemic.

The role of gas as an energy source will increase further over the longer term as action is taken against climate change and the Nordic countries are moving towards carbon-neutral energy production. Both the industrial as well as transport use of gas is projected to grow strongly in the years ahead. Gasum has prepared 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 growth in the future. The capacity to operate more broadly in the energy market strengthens Gasum's position comprehensively as an energy company of the future. As a low-emission fuel, gas together with renewable power will gain a bigger role in the future as action against climate change requires a transition to cleaner solutions.

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	1-3/2020	1-3/2019	1-12/2019
Revenue	177.4	320.2	925.8
Other operating income	61.3	6.7	62.9
Materials and services	-145.3	-282.9	-805.2
Personnel expenses	-9.0	-9.2	-34.1
Depreciations and amortization	-11.3	-11.8	-46.1
Other operating expenses	-61.3	-6.5	-53.6
Share of result from investments accounted for using the equity method	0.5	0.9	1.2
Operating profit	12.3	17.5	50.9
Finance items - net	-3.5	-0.5	-15.8
Profit before taxes	8.7	17.0	35.1
Taxes	-1.7	-4.2	-9.9
Profit for the period	7.0	12.8	25.3
Profit for the period attributable to:			
Owners of the parent	7.0	12.8	25.3
Non-controlling interest	0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET

€ million	31.3.2020	31.3.2019	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	206.9	213.4	208.5
Tangible assets	686.1	670.9	697.0
Equity-accounted investments	11.8	11.4	11.7
Other investments at fair value through the statement of income	0.1	0.1	0.1
Derivative financial instruments	17.1	0.5	5.6
Other non-current assets	0.2	1.5	1.5
Total non-current assets	922.2	897.7	924.3
Current assets			
Inventories	29.1	19.1	39.2
Derivative financial instruments	67.7	9.9	34.3
Trade and other receivables	100.6	176.9	159.5
Current tax assets	10.3	0.2	0.8
Assets held for sale	3.1	3.3	3.1
Cash and cash equivalents	0.0	32.0	1.9
Total current assets	210.7	241.4	238.9
Total assets	1,133.0	1,139.2	1,163.2

CONSOLIDATED BALANCE SHEET

€ million	31.3.2020	31.3.2019	31.12.2019
EQUITY AND LIABILITIES			
Share capital	10.0	178.3	178.3
Paid-up unrestricted equity reserve	158.2	0.0	0.0
Fair value reserve	-0.5	4.9	6.8
Retained earnings	331.7	267.3	222.6
Profit for the period	7.0	12.8	25.3
Translation differences	-7.9	-3.2	85.1
Total equity attributable to owners of the parent	498.6	460.1	517.9
Non-controlling interest	0.0	0.0	0.0
Total equity	498.6	460.1	518.0
Liabilities			
Non-current liabilities			
Loans	229.5	233.2	229.4
Other non-current liabilities	178.7	188.0	186.0
Derivative financial instruments	13.5	2.5	2.3
Deferred tax liabilities	32.5	23.4	30.7
Provisions	10.5	10.1	10.5
Post-employment benefits	3.9	5.5	3.9
Total non-current liabilities	468.6	462.8	462.8
Current liabilities			
Loans	0.0	19.8	0.0
Derivative financial instruments	44.5	6.0	13.5
Trade and other payables	119.9	187.0	168.6
Current income tax liabilities	1.4	3.5	0.3
Total current liabilities	165.8	216.3	182.4
Total liabilities	634.4	679.0	645.2
Total equity and liabilities	1,133.0	1,139.2	1,163.2

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	$\frac{\text{Profit for the period (12m rolling)}}{\text{Total equity (average for the period)}}$
Return on investment (%) =	100 x	$\frac{\text{Profit for the period} + \text{Finance costs (12m rolling)}}{\text{Total equity} + \text{Interest-bearing debt (average for the period)}}$
Net interest-bearing debt =		Interest-bearing debt – Cash and cash equivalents
Gearing ratio (%) =	100 x	$\frac{\text{Interest-bearing debt} - \text{Cash and cash equivalents}}{\text{Total equity}}$
Net debt/EBITDA =	100 x	$\frac{\text{Interest-bearing debt} - \text{Cash and cash equivalents}}{\text{EBITDA (12m rolling)}}$

GASUM GROUP

Revontulenpuisto 2 C, P.O. Box 21

FI-02100 Espoo, FINLAND

Phone +358 20 44 71

www.gasum.com