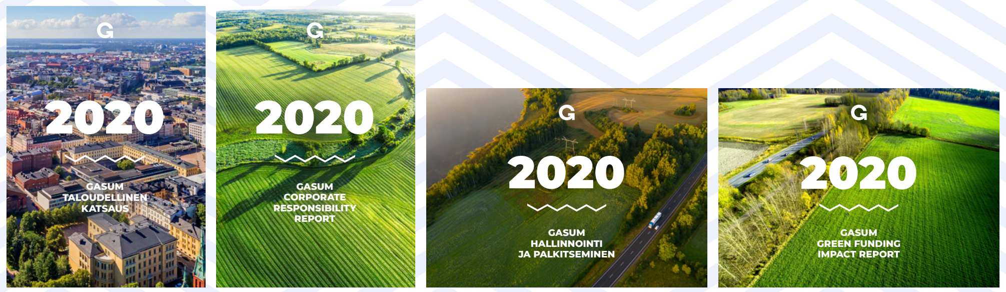
2020

GASUM FINANCIAL REVIEW

CONTENTS



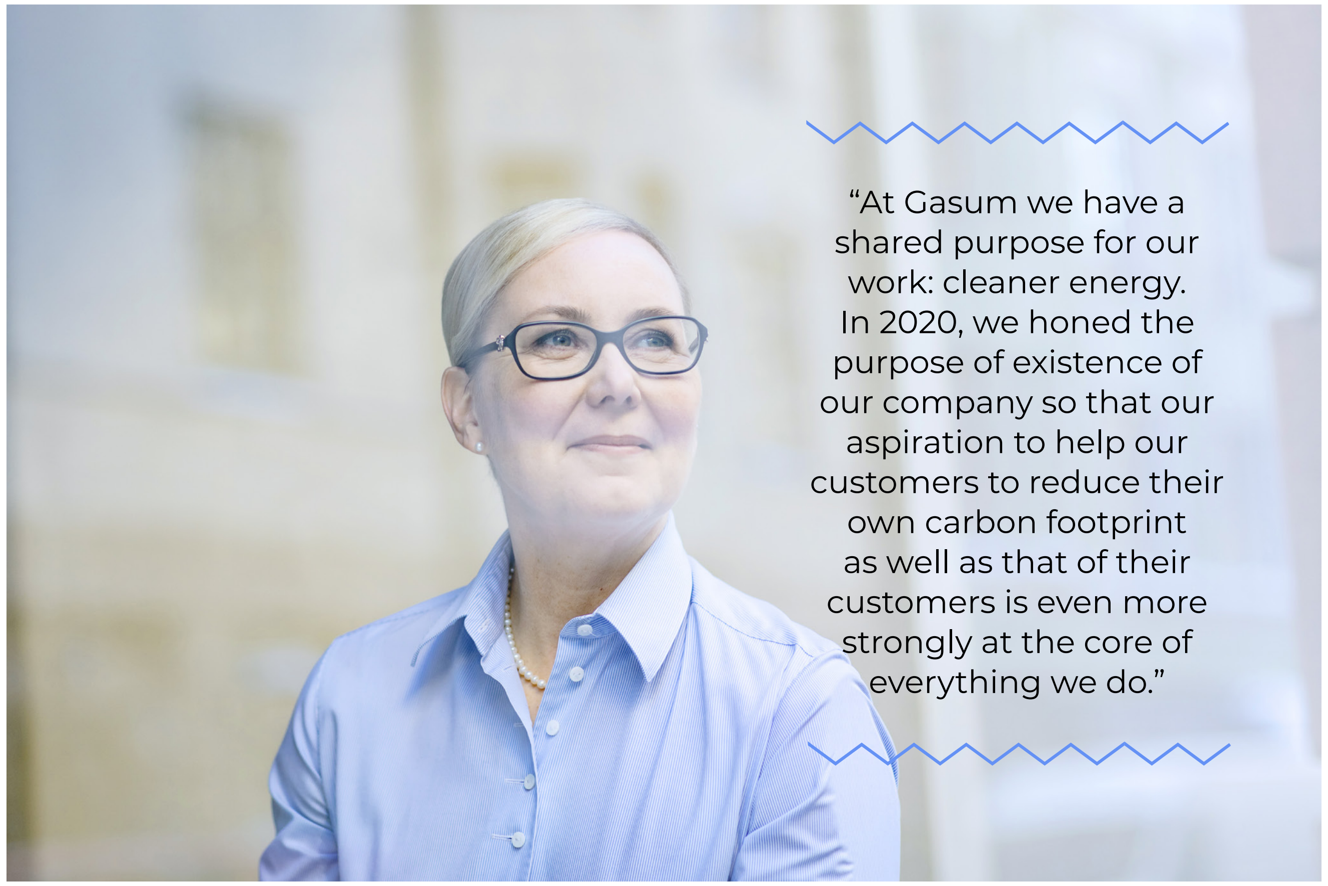
Information about Annual Reporting for 2020
Gasum's Annual Reporting for 2020 comprise Gasum Financial Review, Governance and Remuneration Report , Green Funding Impact Report and Corporate Responsibility Report, which is available on the Gasum webpage, Publications and Key figures.

Gasum

Visiting address: Revontulenpuisto 2 C, FI-02100 Espoo, Finland
Postal address: PO Box 21, FI-02100 Espoo, Finland

WWW.GASUM.COM

DEMAND FOR CLEANER GAS SOLUTIONS GREW IN EXCEPTIONAL CIRCUMSTANCES



"At Gasum we have a shared purpose for our work: cleaner energy. In 2020, we honed the purpose of existence of our company so that our aspiration to help our customers to reduce their own carbon footprint as well as that of their customers is even more strongly at the core of everything we do."

Regardless of the uncertainties caused by the COVID-19 pandemic, Gasum continued to develop the Nordic gas market as planned and was able to ensure business continuity and progress in projects.

The year 2020 was in many ways exceptional for Gasum. While the uncertainty caused by the COVID-19 pandemic was being reflected in the entire operating environment, a genuine breakthrough of gas took place in Europe as well as globally, particularly in heavy-duty and maritime transport. Demand for cleaner energy solutions continued to grow in these sectors that play key roles in our strategy. More and more shipping companies have ordered LNG-powered vessels, and interest in gas-fueled heavy-duty road vehicles is increasing. Despite the exceptional circumstances, we succeeded in reaching our profitability targets and advancing our strategy as planned, which required hard work from us in an increasingly competitive market.

Amidst the exceptional circumstances caused by the coronavirus pandemic, we have sought to safeguard business continuity by ensuring the health and safety of our employees and have done everything we can to secure the smooth functioning of business operations. I would like to thank our employees, customers and partners for well-functioning cooperation in a challenging operating environment. The impacts of the pandemic were mainly reflected in our business as regards our growth targets. Mobility restrictions have been seen in the transport sector as lower fuel consumption and also caused us to push back with bringing our new plants into use. At the same time, there have been delays in our new customers' projects, which in turn has impacted the start-up of Gasum's deliveries.

At Gasum we have a shared purpose for our work: cleaner energy. In 2020, we honed the purpose of existence of our company so that our aspiration to help our customers to reduce their own carbon footprint as well as that of their customers is even more strongly at the core of everything we do. Responsibility is a key component of the Gasum strategy, and in January 2021 we announced new responsibility targets to curb climate change. Gasum aims for cumulative carbon emission reductions of a million tonnes by increasing biogas availability. By 2025, we intend to make 4 TWh of biogas available on the market from our own production and that of certified European partners. In our own operations, we aim to reduce emissions in liquefied natural gas (LNG) and biogas production chains and to implement energy efficiency measures.

As part of our strategy execution, we closed the acquisition of Linde AG's LNG and Biogas business and Nauticor's Marine Bunkering business in 2020. The transaction expanded our supply of gas solutions in the Nordics particularly in maritime transport and heavy-duty road transport while also considerably expanding our gas filling station network. Other key events for our segments during the year included the acquisition of a biogas plant in Skövde, Sweden, and the investment decision to construct an industrial-scale biogas plant in Götene, Sweden; our partnership with Pavilion Energy Singapore will expand the supply of LNG, and we entered into our first long-term Power Purchase Agreement (PPA) with ABO Wind Oy on the output of a wind farm located in North Ostrobothnia, Finland.

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. The opening up has taken place as expected, and the market has proved to be of interest to many actors. Going forward, Gasum wants to remain a significant actor in the pipeline gas market and serve its customers in the best possible way.

The importance of gas as an energy source over the longer term will increase further in the context of action against climate change, as the Nordic countries are moving towards carbon-neutral energy production. Although there is still much work to be done, it has been great to notice that the Nordic countries have also made political decisions concerning gas regulation that strengthen the role of gas as a low-emission fuel in the future. Gasum in turn plays a key role in developing the expanding gas infrastructure, which lays a good foundation for increases in the production and use of biogas, too.

Johanna Lamminen
Chief Executive Officer

FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT 2020

BOARD OF DIRECTORS' REPORT

FINANCIAL DEVELOPMENT OF GASUM GROUP'S BUSINESS IN 2020

Regardless of the uncertainties caused by the COVID-19 pandemic, in 2020 Gasum continued to develop the Nordic gas market as planned. The company was able to ensure business continuity and progress in projects by offering low-emission energy solutions in response to growing demand among industrial as well as road and maritime transport customers. The importance of gas as an energy source will increase further in industry and transport as the Nordic countries are moving towards carbon-neutral energy production.

The Finnish pipeline gas market was opened to competition and Gasum's transmission business was unbundled at the beginning of 2020. The gas transmission network company Gasgrid Finland Oy became operational on January 1, 2020.

As part of its strategy execution, Gasum acquired Linde AG's LNG and Biogas business and Nauticor's Marine Bunkering business. The transaction expanded Gasum's supply of gas solutions in the Nordics particularly in maritime transport and heavy-duty road transport while also considerably expanding the company's gas filling station network. Gasum also continued the expansion of the gas filling station network serving heavy-duty vehicles and opened eight new filling stations in the Nordic countries.

Gasum is continuously developing the supply of fuels and services in response to the growing needs of maritime transport. To provide its shipping customers with a flexible service across an even more extensive geographical area, Gasum entered into partnership with Pavilion Energy Singapore. The partnership enables Gasum to provide customers with liquefied natural gas (LNG) in Singapore and Northern Europe.

Gasum seeks to increase the supply of biogas by building new production facilities and expanding sourcing from other actors' production plants. During the period under review, Gasum acquired a biogas plant in Skövde, Sweden, from Torran Gas Holding AB. Gasum also made an investment decision concerning the construction of an industrial-scale biogas plant in Götene, Sweden.

Gasum entered into its first long-term Power Purchase Agreement (PPA) with ABO Wind Oy on the output of a wind farm located in North Ostrobothnia, Finland.

In total, the Group's gross income in the financial year were €772.0 million, of which other operating income €107.7 million, including among others realized and unrealized commodity derivatives results (2019: €988.7 million). The Gasum Group's revenue for the period under review totaled €664.3 million, down 28.2% on the corresponding period a year earlier (2019: €925.8 million). The decline in revenue was caused primarily by the European trend in the sales price of gas.

The Group's adjusted operating profit was €33.8 million (2019: €28.9 million) and operating profit €5.7 million (2019: €50.9 million). The adjusted operating profit margin was 5.1% (2019: 3.1%) and operating profit margin 0.9% (2019: 5.5%). Adjusted return on investment (Adjusted ROI) was 2.8% (2019: 2.6%) and return on investment (ROI) was 0.6% (2019: 4.6%). The operating profit compared to adjusted operating profit included net amount of €28.1 million in unrealized commodity derivative losses in 2020 and net amount of €22.0 million in unrealized commodity derivative gains in 2019. The Group did not apply hedge accounting in these according to IFRS 9.

The Group's balance sheet total at December 31, 2020 came to €1,362.0 million (December 31, 2019: €1,163.2 million). The main factors behind the increase were the business acquisitions and the investments in biogas plants and the gas filling station network.

The Group's net interest-bearing debt at the reporting date totaled €597.6 million (December 31, 2019: €426.3 million), including borrowings from financial institutions as well as finance lease liabilities. The Group's financial position in the reporting period remained strong despite the business acquisitions, with the equity ratio being 36.0% (December 31, 2019: 44.6%).

KEY FINANCIAL INDICATORS

€ thousand	2020	2019
Revenue	664,313	925,823
Adjusted operating profit*	33,828	28,876
Operating profit	5,682	50,893
Adjusted operating profit (%)*	5.1%	3.1%
Operating profit (%)	0.9%	5.5%
Equity ratio (%)	36.0%	44.6%
Adjusted return on equity (%)*	2.7%	1.6%
Return on equity (%)	-1.8%	5.3%
Adjusted return on investment (%)*	2.8%	2.6%
Return on investment (%)	0.6%	4.6%
Balance sheet total	1,362,026	1,163,202
Net interest-bearing debt	597,643	426,265
Gearing ratio (%)	121.9%	82.3%
Gearing ratio (%) excluding the impact of IFRS16 Leases	108.0%	72.1%
Adjusted net debt/EBITDA*	6.6	5.7
Net debt/EBITDA	9.6	4.4
Personnel at the end of the period	384	344

* Operating profit calculated without unrealized commodity derivatives

Key financial indicators in above table concern only continuing operations.

OPERATING ENVIRONMENT

Energy market – Industry and power market

The combined effect of a warm winter and high gas stock levels pushed natural gas prices down in early 2020. From early March onwards, gas prices were affected by reduced demand due to the global spread of the COVID-19 pandemic. Exceptionally low-price levels were seen in the global energy market, and the North American oil index WTI turned negative for the first time in history. In the middle of the summer, gas prices plunged into a record-low level below €5/MWh, and at the same time LNG shipments from North America came to an almost total halt, affecting the restoration of balance in the European gas market. Gas prices climbed from August onwards, and the autumn saw major fluctuations in gas price levels caused by uncertainty relating to demand.

In Q4 of 2020, natural gas prices rose as cold weather affected the market in Northeast Asia in particular. At the end of the year, the prices of LNG delivered to Asia were pushed to six-year highs exceeding €40/MWh, as the spike in demand for gas caused by cold weather coincided with lower LNG delivery volumes and local nuclear power production problems. LNG cargoes were diverted from European destinations to Northeast Asia, as European gas prices were falling behind the pace of increase seen in Asian prices

Power prices also dropped considerably at the beginning of Q1, as the weather was exceptionally mild, rainy, and windy. The Nordic hydro balance rose to a very high level and pushed spot prices and front futures contracts very low. The downward effect on power prices was strengthened by the COVID-19 pandemic, although the decrease in Nordic electricity consumption was relatively small. In the summer, power prices remained low, but the Finnish and Swedish area prices settled at higher levels due to the continuation of the nuclear power plant maintenance season. Mid-August saw a strong upswing in the prices of power futures due to drier weather conditions combined with emission allowance prices moving to higher levels.

Nordic power prices were very volatile during Q4. A very mild and wet October–November drove power prices to levels that are very low for the Nordic winter period. At the same time, the Nordic hydro balance was at record-high levels compared with the long-term average. December saw the situation change as weather forecasts quickly turned colder and drier, resulting in the hydro balance starting to normalize rapidly. By mid-December, power prices had rocketed up, supported by higher emission allowance prices, and prolonged dry weather conditions. Uncertainty relating to economic recovery has still remained very high.

Road and maritime transport

The COVID-19 pandemic has continued to have a major impact on shipping and the entire logistics industry, even though China has already shown year-on-year growth in economic activity despite the pandemic. S&P Global Platts expects the global LNG demand to grow by 3% during 2021, as Asian demand in particular is more than offsetting a possible decline in Europe. The situation is improving gradually and the sentiment on the LNG market is optimistic, as more and more maritime logistics companies are taking steps towards cleaner fuel solutions. Companies are investing in LNG-powered vessels to meet the stricter requirements set by IMO regulations. Gasum also made maritime history by conducting the first ever ship-to-ship LNG-LBG blend bunkering to a cargo vessel. This demonstrates that the maritime industry is committed to the increased uptake of renewable fuel solutions and working towards the decarbonation of cargo transport at sea.

New orders for gas-fueled heavy-duty vehicles (HDVs) have also increased substantially especially in Finland as a government subsidy for HDV purchases became available from December onwards. This follows the same pattern as in Sweden where a similar government subsidy program significantly increased new orders of gas-powered HDVs. The delays that were still seen in gas-fueled fleet delivery times during Q3 have ended, and deliveries are currently taking place in the normal timeframe. Alongside the growing numbers of vehicles, the expansion of the network of gas filling stations has also continued in the Nordics, making it easier to reach the stricter transport emission reduction targets. A similar trend can also be seen in Central Europe, indicating an increasing shift in long-haul traffic to gas-powered HDVs.

The COVID-19 pandemic slightly slowed the pace of new gas vehicle registrations in the Nordic countries. Around

3,200 new gas-fueled vehicles were registered in Finland and more than 1,200 in Sweden during 2020. The number of gas-fueled vehicles totals almost 14,000 in Finland and more than 50,000 in Sweden.

Circular economy – Waste and biogas

Circular economy promotion plays an important role in biogas production. Utilising biowaste in biogas production is a way of mitigating climate change. The Nordic countries have put in place several national measures to support the development of the biogas sector and to create incentives for the channeling of waste and side streams to biogas production as well as for rapid increases in the transport use of biogas.

Implemented during 2021, the EU Renewable Energy Directive (RED II) will set new targets for greenhouse gas emission reductions from renewable energy as well as for the range of feedstocks used in biogas production. RED II will result in the introduction of an EU-wide Guarantee of Origin (GO) scheme for biogas, facilitating the cross-border transmission of biogas. The GO scheme for biogas still requires measures to ensure its functioning as well as the inclusion of not only origin information but also of other aspects relating to biogas, such as eligibility for emission allowance trading and national taxation.

The methane strategy presented by the EU in October as well as the measures prepared for its implementation will have a positive impact on biogas production, delivery and use. At the same time, the EU wants to promote the use of recycled nutrients and has for that purpose introduced a regulation on fertilizing products that facilitates the fertilizer use of digestate created in biogas production. The regulation makes it possible for digestate to be eligible for utilization status, which allows the use of the CE marking as well as EU-wide use of the product.

GASUM'S STRATEGY

There is a common purpose for Gasum's work: cleaner energy. Gasum's growth strategy is to promote development towards a carbon-neutral future in selected segments, industry as well as road and maritime transport together with customers and partners. The company expands the gas market and creates new innovations and services for the selected segments. Gasum 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. The company's carefully considered growth strategy is managed through the selected focus areas. Renewal and agile management and leadership are key components of the Gasum strategy.

In 2020, Gasum continued the development of the Nordic gas market as planned. The mobility restrictions during the pandemic have caused Gasum to push back with bringing new plants into use, and at the same time there have been delays in projects of the company's new customers, which in turn has impacted the start-up of Gasum's deliveries. The company has sought to ensure business continuity by ensuring the health and safety of its employees, energy supply, gas sourcing and distribution as well as recycling and waste services.

As part of its strategy execution, Gasum closed the acquisition of Linde AG's LNG and Biogas business and Nauticor's Marine Bunkering business. The transaction expanded Gasum's supply of gas solutions in the Nordics particularly in maritime transport and heavy-duty road transport while also considerably expanding the company's gas filling station network. At the same time, Gasum continued the expansion of the Nordic gas filling station network serving heavy-duty vehicles and opened eight new filling stations in the Nordic countries during the year.

Gasum entered into partnership with Pavilion Energy Singapore and is now able to provide customers with LNG in Singapore and Northern Europe, too. The company also started regular deliveries of a fuel blend containing renewable liquefied biogas (LBG) to maritime transport customer Preem in Sweden.

Gasum seeks to increase the supply of biogas in the Nordics by building new production facilities and expanding sourcing from other actors' production plants. The company improved access to renewable energy and acquired a biogas plant in Skövde, Sweden. Gasum also made an investment decision concerning the construction of an industrial-scale biogas plant in Götene, Sweden. In Finland, the commercial use of the expanded Turku biogas plant began and a transfer station for biowaste was taken into use in Vantaa the biowaste transfer station enables a biowaste recycling chain for actors in the Helsinki Metropolitan Area. Gasum has nine biogas plants in Finland and six in Sweden. The commercial use of the Lohja biogas plant in Finland began in January 2021, and the Nymölla biogas plant in Sweden will enter commercial production during 2021.

Gasum also entered into its first long-term Power Purchase Agreement (PPA) with ABO Wind Oy on the output of a wind farm located in North Ostrobothnia, Finland.

CAPITAL EXPENDITURE AND ACQUISITIONS

The Gasum Group's capital expenditure on intangible and tangible assets in 2020 totaled €185 million (2019: €32 million). In addition to the transactions made, the capital expenditure was related to the construction of new biogas plants and the expansion of existing plants as well as the construction of the Nordic filling station network.

Gasum received a total of €9 million in investment support in Finland and Sweden during the financial year (2019: €56.3 million in total for continuing and discontinued operations).

On April 30, 2020, Gasum and Linde AG closed a transaction where Gasum acquired Linde AG's LNG and Biogas business in Sweden and Norway and Nauticor's Marine Bunkering business in Germany. In the transaction, an LNG production plant, an LNG terminal, two LNG bunkering vessels and a total of 48 gas filling stations in Sweden and Norway were transferred to Gasum's ownership.

On October 31, 2020, Gasum Ltd and Torran Gas Holding Ab completed a transaction under which Gasum acquired Skövde Biogas AB's biogas plant business in Skövde, Sweden.

QUALITY, THE ENVIRONMENT, SAFETY AND SECURITY AND RESPONSIBILITY

The basic principles guiding responsibility at Gasum are the Code of Conduct, the Integrated Management System (IMS) and the Corporate Responsibility Program. The Gasum Code of Conduct was updated during 2020. The new Code of Conduct helps to ensure there is a shared view in the company of the values and principles that everyone complies with when working with customers, partners and together as an organization. The quality, environmental, energy, and occupational health and safety management systems of the IMS as well as the biogas sustainability scheme were audited externally.

The Gasum Corporate Responsibility Program is derived from the Gasum strategy and stakeholder materiality analysis, and supports the Sustainable Development Goals (SDGs) of the UN 2030 Agenda. Focus areas of the program are safety and security, climate change mitigation, circular economy, access to energy, people, and responsible business. The company has set targets and follows achievements in each responsibility focus area. The company aims at zero harm to people, increasing access and availability of low-carbon energy solutions, and enabling climate change mitigation through greenhouse gas emission reductions for customers and increasing the energy efficiency. In addition, Gasum aims at ensuring compliance and accountability in own operations and with business partnerships, and promoting leadership and competence among employees.

The development of the company's safety and security culture continued through the promotion of safety and security awareness among employees as well as contractors and transport service providers. In 2020, the total recordable injury frequency (TRIF) decreased by 71% year on year. The company also reviewed its business continuity and emergency preparedness plans in order to strengthen its preparedness to respond to unforeseen situations.

Gasum is committed to action against climate change with its low-carbon products and to reducing emissions from its own operations. The company aims for cumulative carbon emission reductions of a million tonnes by increasing biogas availability. By 2025, Gasum intends to make 4 TWh of biogas available on the market from its own production and that of certified European partners. In its own activities, the company uses 100% renewable electricity and has made a commitment to the Energy Efficiency Agreement for Industries under the Energy-Intensive Industry Action Plan for 2017–2025. During the year under review, the company implemented energy efficiency measures and achieved significant energy savings in its own operations.

RESEARCH AND PRODUCT DEVELOPMENT

During 2020, the focus in Gasum's research and product development was on the development of the Biogas business, particularly in Finland and Sweden. The circular economy and recycled nutrients as well as the opportunities arising from renewable gases are at the core of Gasum's research and product development.

Gasum supports research and development in the gas sector through the Gasum Gas Fund. In 2020, eight research grants, amounting to a total of €75,000 (2019: €62,200), were given out from the Gasum Gas Fund administered by the Finnish Foundation for Technology Promotion.

PERSONNEL

At December 31, 2020, the Gasum Group had a total of 384 employees (December 31, 2019: 373). Of these, 56% worked in Finland, 26% in Sweden, 17% in Norway and 1% in Germany.

One of Gasum's strategic focus areas is agile management and leadership. In 2020, the company introduced the Gasum Pulse Survey, which is used to regularly measure the employee experience. This enables continuous open dialogue and supports the principle of continuous improvement in a changing operating environment for the entire personnel. The Gasum Pulse Survey has been taken actively into use among the entire personnel.

Agile ways of working, active cooperation and feedback have been tools used throughout the company to respond to the challenges caused by the COVID-19 pandemic.

Gasum also continued the anchoring of the Gasum leadership principles into the company's practices and everyday work. The leadership principles are a tool for every employee and help to improve corporate culture and leadership. The company also boosted the utilization of the leadership principles by strengthening and developing the Gasum corporate culture by setting targets for agile leadership and management. Gasum management received leadership and management tools they can use in their day-to-day work to build an agile approach.

OWNERSHIP STRUCTURE AND GOVERNANCE

Gasum is fully (100%) owned by the State of Finland. Of the shares, 73.5% are held by the state-owned Gasonia Oy and 26.5% directly by the State of Finland. There were no changes in shareholding during the period under review.

The Annual General Meeting (AGM) of Gasum Ltd was held in Helsinki on March 5, 2020. The AGM confirmed the number of members of Gasum's Board of Directors as being seven. The current members of the Board of Directors Stein Dale, Elina Engman, Torbjörn Holmström, Päivi Pesola and Elisabet Salander Björklund were re-elected. Minna Pajumaa and Ari Vanhanen were elected as new members of the Gasum Board. Elina Engman was elected as the Chair of the Board of Directors. The Board's work is supported by the Audit and Risk Committee and the HR Committee.

RISK FACTORS AFFECTING FINANCIAL

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. Gasum's business also involves risks relating to the market price development of oil and gas products. Financial risks include interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. The Group's commodity risks (including price risk) are managed by the Portfolio Management & Trading business unit. The Group's interest rate, foreign currency, credit and liquidity risks are managed by the Group Treasury.

Gasum's general risk management development is described in the Gasum Group's Enterprise Risk Management Policy, which has been adopted by the Gasum Board of Directors. The priority of the Enterprise 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 challenging due to the COVID-19 pandemic. We expect the uncertainties to continue in the energy market and demand to be weakened further by the pandemic.

The importance of gas as an energy source over the longer term will increase further as the Nordic countries are moving towards carbon-neutral energy production. The use of gas is projected to grow strongly in the years ahead, particularly in industry and transport. 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. Going forward, gas as a low-emission fuel together with renewable electricity will gain a bigger role, as action against climate change requires a transition to cleaner solutions.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFITS

At December 31, 2020, the parent company had distributable funds of €477,761,256.40. The Board of Directors proposes to the general meeting of shareholders that no dividend be paid for the financial year from January 1 to December 31, 2020.

GASUM GROUP

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

TAX FOOTPRINT

Gasum complies with country-specific legislation and regulations in tax payment, collection, remitting and reporting.

GASUM AS A TAXPAYER

Gasum complies with country-specific legislation and regulations in tax payment, collection, remitting and reporting. Taxation is always a consequence of business activity and taxes are paid in compliance with legal provisions in the country where the activity is located. Gasum's tax strategy aims to ensure the realization of investments, flexibility of operations and capability to pay dividends to shareholders.

Gasum makes efforts to manage and reduce any taxation-related uncertainties, and our aim is to manage tax issues in a manner enabling timely response to future challenges. Taxation-related matters are evaluated continuously whenever changes take place in external regulation and our operations expand to new areas.

We participate continuously in the development of tax legislation and policies and want to be involved in the development of a fair, clear and consistent tax system. As part of tax management, in spring 2018 Gasum entered into an enhanced customer relationship with the Tax Office for Major Corporation in Finland. Enhanced customer relationship is an ongoing collaboration between Gasum and tax office and has continued during 2019.

The Collaboration with Tax Office for Major Corporation supports Gasum's tax strategy and intent to be a responsible taxpayer and promote smooth and interactive collaboration with the authorities. In our tax reporting, we also comply with the guidelines concerning state-owned companies issued by the Ownership Steering Department in the Prime Minister's Office.

TAX ENVIRONMENT IN 2020

As part of the implementation of the government program in Finland, tax increases for heating fuels were decided in 2020 and they came into force in January 2021. Taxation of natural gas increased by approximately EUR 2.7 per megawatt hour. However, at the same time the increased tax burden on coal will improve the competitiveness of natural gas in combined heat and power generation. Biogas is still a tax-free fuel in Finland. At the end of 2020, the government proposed the inclusion of biogas in the national blending mandate for road transport. This means that biogas consumed in road transport will be taxed from the beginning of 2022, but the business opportunities that come with the blending mandate are expected to offset this tax burden. The taxation of biogas used for industrial and heating purposes was widely discussed during 2020 and political decisions are expected to be taken during 2021.

In Sweden, the national tax system encourages a shift from oil and coal to gas. Natural gas is subject to a full CO2 tax, but is exempt from the energy tax in the transport sector, which encourages the transition from diesel to gas-powered vehicles. Biogas has been exempted from both, carbon and energy taxes in all sectors, and in the summer of 2020 the European Commission approved the tax exemption of biogas until 2030.

CO2-based tax increases for natural gas continued in Norway also in 2020 and have a direct impact on industry, maritime and road transport sectors. Biogas is a tax-free fuel in Norway and the country's government is currently planning various measures to promote the production and consumption of biogas.

TAX FOOTPRINT

The tax footprint illustrates the taxes and tax-like payments, by country, received by society from the company's operations.

Gasum is striving transparency in its tax reporting and ensure that the tax footprint is correctly understood and reported. In our communication we report our taxes transparently, consistently and reliably. Our quantitative tax data is presented in the following table.

The periods are not directly comparable with each other:

- In April 2020, Gasum acquired AGA's Clean Energy and Nauticor Marine Bunkering businesses from Linde AG. In addition, in October 2020, Gasum acquired all the shares in Skövde Biogas AB.
- In February 2019, Gasum sold its subsidiary Gasum Tekniikka Oy to the industrial maintenance partner Viafin Service Oyj.
- In August 2018, Gasum acquired the energy market services business of Enegia, which covered the shareholdings in Enegia Consulting Oy (currently Gasum Consulting Oy), Enegia Portfolio Services Oy (currently Gasum Portfolio Services Oy) and IntStream Oy. In addition, Gasum acquired a further holding in Skangas AS (currently Gasum AS), raising Gasum's holding in the company to 100%.
- Acquired and divested companies are included in the figures reported for the periods during which they have been part of the Gasum Group.

TAX FOOTPRINT*

€ thousand	Finland			Norway		
	2020	2019	2018	2020	2019	2018
Taxes paid						
Corporation taxes	1,662	27,356	31,435	770	161	122
Asset-related taxes*	89	185	330	48	52	58
Employer contributions	3,292	4,722	5,095	-119	203	192
Total taxes paid	**5,043**	**32,263**	**36,860**	**700**	**416**	**371**
Taxes collected						
Value-added tax, sales	121,621	234,811	241,315	13,256	19,202	22,679
Value-added tax, purchases	66,014	67,218	38,725	16,246	25,980	38,542
Value-added tax, net	55,607	167,594	202,589	-2,990	-6,778	-15,863
PAYE deductions from salaries	5,713	7,152	7,464	1,834	1,724	1,722
Employee's social security contributions	1,523	653	1,246	0	0	0
Energy taxes, sales**	1,695	63,052	67,180	12,780	6,390	6,390
Energy taxes, purchases**	2,071	65,793	68,556	-5,717	15,421	896
Energy taxes, net	-376	-2,742	-1,376	18,496	-9,031	5,494
Taxes at source	0	0	34	0	0	0
Total taxes collected	**62,467**	**172,656**	**209,957**	**17,340**	**-14,086**	**-8,648**
Total taxes paid and collected	**67,510**	**204,920**	**246,817**	**18,040**	**-13,670**	**-8,276**
Revenue by country, € thousand	459,245	945,185	940,839	64,896	76,032	86,102
Profit before tax	16,696	89,713	114,439	-10,069	25,433	-15,132
Personnel on average	216	244	329	66	53	62

* Includes continued and discontinued operations.

** Real estate tax and asset transfer tax.

*** Includes energy tax, strategic stockpile fee and carbon dioxide tax.

TAX FOOTPRINT*

€ thousand	Sweden			Other countries			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Taxes paid									
Corporation taxes	739	0	-158	0	0	0	3,171	27,517	31,399
Asset-related taxes*	91	66	74	0	0	0	228	303	462
Employer contributions	2,672	2,055	1,480	-47	0	0	5,798	6,980	6,767
Total taxes paid	**3,502**	**2,121**	**1,396**	**-47**	**0**	**0**	**9,198**	**34,800**	**38,628**
Taxes collected									
Value-added tax, sales	34,204	22,842	32,556	14	0	0	169,095	276,855	296,550
Value-added tax, purchases	12,713	35,664	33,700	385	0	0	95,359	128,862	110,968
Value-added tax, net	21,491	-12,822	-1,144	-371	0	0	73,737	147,993	185,582
PAYE deductions from salaries	0	0	1,470	0	0	0	7,547	8,875	10,656
Employee's social security contributions	2,092	0	796	62	0	0	3,677	653	2,042
Energy taxes, sales**	742	742	742	0	0	0	15,216	70,184	74,312
Energy taxes, purchases**	0	0	46	0	0	0	-3,646	81,214	69,498
Energy taxes, net	742	742	697	0	0	0	18,862	-11,031	4,814
Taxes at source	0	0	0	0	0	0	0	0	34
Total taxes collected	**24,325**	**-12,080**	**1,819**	**-309**	**0**	**0**	**103,823**	**146,491**	**203,129**
Total taxes paid and collected	**27,828**	**-9,958**	**3,216**	**-356**	**0**	**0**	**113,021**	**181,291**	**241,757**
Revenue by country, € thousand	139,127	106,383	150,507	710	0	0	663,977	1,127,599	1,177,448
Profit before tax	-17,014	8,539	1,247	-1,358	0	0	-11,744	123,685	100,554
Personnel on average	99	76	56	3	0	0	384	373	446

* Includes continued and discontinued operations.

** Real estate tax and asset transfer tax.

*** Includes energy tax, strategic stockpile fee and carbon dioxide tax.

The Group companies at December 31, 2020 by country are as follows:

- Finland: Gasum Ltd, Gasum LNG Oy, Gasum Consulting Oy, Gasum Portfolio Services Oy
- Norway: Gasum AS, Gasum Clean Gas Solutions AS
- Sweden: Gasum AB, Gasum Västerås AB, Skövde Biogas AB, Gasum Clean Gas Solutions Holding AB, Gasum Clean Gas Solutions AB
- Germany: Blue LNG GmbH & Co. KG, Nauticor Beteiligungs-GmbH, Blue LNG Beteiligungsgesellschaft GmbH
- Estonia: Gasum Oü

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

€ thousand

	Note	1.1.–31.12.2020	1.1.–31.12.2019
CONTINUING OPERATIONS			
Revenue	2.1	**664,313**	**925,823**
Other operating income	2.2	107,657	62,919
		,	,
Materials and services	2.3	-542,505	-805,176
Personnel expenses	2.4	-34,388	-34,137
Depreciation, amortization and impairment	2.5	-56,384	-46,101
Other operating expenses	2.6	-133,973	-53,638
Share of profit/loss of investments accounted for using the equity method		964	1,203
Operating profit		**5,682**	**50,893**
Finance income		26,883	13,257
Finance expenses		-41,515	-29,027
Finance items – net	2.8	-14,633	-15,770
Profit/Loss before taxes		**-8,950**	**35,123**
Current income tax expense	2.9	-3,196	-5,673
Change in deferred taxes	3.9	3,178	-4,196
Profit/Loss for the period from continuing operations		**-8,968**	**25,254**
Profit/Loss for the period from discontinued operations			69,911
Profit/Loss for the period		**-8,968**	**95,165**
Profit/Loss for the period attributable to:			
Owners of the parent		-8,973	95,163
Non-controlling interest		5	1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand

	Note	1.1.–31.12.2020	1.1.–31.12.2019
Profit/Loss for the period		**-8,968**	**95,165**
Other items in comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	3.11	328	938
Taxes related to items that will not be reclassified to profit or loss		-66	-188
Total		262	750
Items that may be reclassified subsequently to profit or loss			
Translation differences		2,378	616
Cash flow hedges		-8,523	11,014
Taxes related to items that may be reclassified subsequently to profit and loss		1,526	-2,207
Total		-4,620	9,422
Total comprehensive income for the period		**-13,325**	**105,338**
Total comprehensive income for the period attributable to:			
Owners of the parent		-13,330	105,336
Non-controlling interest		5	1
Total comprehensive income for the period attributable to owners of the parent:			
Profit/Loss for the period from continuing operations		-13,330	35,425
Profit/Loss for the period from discontinued operations		0	69,911

CONSOLIDATED BALANCE SHEET

€ thousand

	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	3.1	213,412	208,510
Property, plant and equipment	3.2	849,521	696,994
Equity-accounted investments	3.3	11,266	11,652
Other investments at fair value through profit or loss		50	56
Derivative financial instruments	4.3	11,277	5,556
Other non-current assets		207	1,542
Total non-current assets		**1,085,733**	**924,309**
Current assets			
Inventories	3.5	55,859	39,203
Derivative financial instruments	4.3	39,595	34,351
Trade and other receivables	3.4	166,105	153,133
Current tax assets		135	826
Assets held for sale and discontinued operations	3.7	1,561	494,656
Cash and cash equivalents	3.8	13,038	1,852
Total current assets		**276,293**	**724,021**
Total assets		**1,362,026**	**1,648,330**

CONSOLIDATED BALANCE SHEET

€ thousand

	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Share capital	4.4	10,000	178,279
Reserve for invested unrestricted equity		159,739	26,280
Fair value reserve	4.5	-338	6,660
Profit (loss) from previous financial periods		332,098	435,302
Profit (loss) for the period		-8,973	95,163
Translation differences		-2,406	-4,784
Total equity attributable to owners of the parent		**490,120**	**736,900**
Non-controlling interest		24	19
Equity		**490,144**	**736,919**
Liabilities			
Non-current liabilities			
Loans	4.6	344,833	229,411
Other non-current liabilities	4.7	192,090	186,005
Derivative financial instruments	4.3	11,115	2,298
Deferred tax liabilities	3.9	31,009	30,685
Provisions	3.10	19,817	10,463
Post-employment benefits	3.11	3,457	3,917
Total non-current liabilities		**602,321**	**462,778**
Current liabilities			
Loans	4.6	0	0
Derivative financial instruments	4.3	51,641	13,610
Trade and other payables	3.6	216,905	162,094
Current income tax liabilities		1,015	322
Liabilities associated with assets held for sale and discontinued operations			272,607
Total current liabilities		**269,561**	**448,633**
Total liabilities		**871,882**	**911,412**
Total equity and liabilities		**1,362,026**	**1,648,330**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Attributable to owners of the parent							
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Translation differences	Total	Non-controlling interests	Total shareholders' equity
Equity at January 1, 2020	**178,279**	**26,280**	**6,660**	**530,465**	**-4,784**	**736,900**	**19**	**736,919**
Profit/Loss for the period				-8,973		-8,973	5	-8,968
Other items in comprehensive income								
Remeasurement of post-employment benefits				262		262		262
Translation differences					2,378	2,378		2,378
Cash flow hedges			-6,998			-6,998		-6,998
Total comprehensive income for the period			**-6,998**	**-8,711**	**2,378**	**-13,330**	**5**	**-13,325**
Transactions with owners								
Profit distribution				-20,002		-20,002		-20,002
Effect of demerger*	-10,000	-26,280		-182,657		-218,937		-218,937
Reduction of share capital	-158,279	158,279						
Other changes		1,460		4,030		5,489		5,489
Equity at December 31, 2020	**10,000**	**159,739**	**-338**	**323,125**	**-2,406**	**490,120**	**24**	**490,144**

€ thousand	Attributable to owners of the parent							
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Translation differences	Total	Non-controlling interests	Total shareholders' equity
Equity at January 1, 2019	**178,279**	**26,280**	**-2,147**	**467,263**	**-5,400**	**664,275**	**206**	**664,481**
Profit/Loss for the period				95,163		95,163	1	95,165
Other items in comprehensive income								
Remeasurement of post-employment benefits				802		802		802
Translation differences					616	616		616
Cash flow hedges			8,807			8,807		8,807
Total comprehensive income for the period			**8,807**	**95,965**	**616**	**105,387**	**1**	**105,389**
Transactions with owners								
Profit distribution				-32,902		-32,902		-32,902
Other changes				140		140	-189	-49
Equity at December 31, 2019	**178,279**	**26,280**	**6,660**	**530,465**	**-4,784**	**736,900**	**19**	**736,919**

* For more information see 5.2 Discontinued operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand

	Note	1.1.–31.12.2020	1.1.–31.12.2019
Cash flows from operating activities			
Profit/Loss before income tax		-8,950	123,685
Adjustments			
Depreciation, amortization and impairment	2.5	56,384	64,129
Finance items - net	2.8	14,964	17,708
Unrealized gains/losses on financial instruments		9,718	-21,777
Other adjustments		31,859	-829
Change in working capital		-29,803	-10,177
Cash inflow from operating activities before financial items and taxes		74,172	172,739
Interest paid, leasing interest and other financial items		-25,149	-19,250
Received financial income		5,090	919
Taxes paid		1,882	-44,926
Cash flow from financial items and taxes		-18,177	-63,256
Net cash flows from operating activities		**55,995**	**109,483**
Cash flows from investing activities			
Investments in tangible assets		-77,540	-124,138
Investments in intangible assets		-1,921	-218
Investment grants received			56,341
Proceeds from sale of tangible assets		9,717	112
Business acquisitions and disposals		-119,996	-553
Net cash flows from investing activities		**-189,740**	**-68,456**
Cash flows from financing activities			
Proceeds from non-current borrowings		122,104	408,000
Repayments of non-current borrowings			-403,239
Proceeds from current borrowings		60,469	20,000
Repayments of current borrowings		-841	-31,978
Payment of leasing liabilities		-12,316	-8,701
Dividends paid		-20,002	-32,902
Net cash flows from financing activities		**149,414**	**-48,821**
Net decrease (-)/increase (+) in cash and cash equivalents		**15,668**	**-7,793**
Cash and cash equivalents at the beginning of the period		10,057	17,850
Cash left in the demerger		-12,686	
Cash and cash equivalents at the end of the period	3.8	13,038	10,057

The cash flow statement for the reporting and reference periods contains both continuing and discontinued operations. Cash flows relating to discontinued operations are presented in Note 5.2 Discontinued operations. Net debt reconciliation is presented under 4.1 Capital management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General accounting policies

1.1 General information

Gasum Ltd is a Finnish limited liability company and the parent company of the Gasum Group ('Gasum', the 'Group' or the 'Company', unless otherwise stated) domiciled in Espoo, Finland, and with its registered address in Revontulenpuisto 2 C, FI-02151 Espoo, Finland.

The energy company Gasum is a Nordic gas sector and energy market expert. Together with its partners, Gasum is building a bridge towards a carbon-neutral society on land and at sea. Gasum imports natural gas to Finland and promotes the circular economy by processing waste and producing biogas and recycled nutrients in Finland and Sweden. The company offers energy for heat and power production, industry as well as road and maritime transport. Gasum is the leading supplier of biogas in the Nordic countries. The company has a gas filling station network that also serves heavy-duty vehicles. Gasum is also the leading liquefied natural gas (LNG) player in the Nordic market. The company continues to strengthen the position and infrastructure of LNG and supplies LNG to maritime transport, industry and heavy-duty vehicles in Finland, Sweden and Norway. Gasum also offers the most comprehensive expert services and solutions in the energy market.

Gasum Ltd is 100% owned by the State of Finland directly and through the state-owned Gasonia Oy. Copies of the consolidated financial statements are available at Gasum's head office in Revontulenpuisto 2 C, 02150 Espoo, Finland, and on the company website at www.gasum.com in Finnish and English. The consolidated financial statements of the Gasum Group are the highest level to which Gasum Ltd and its subsidiaries are consolidated.

The Board of Directors of Gasum Ltd approved these financial statements for issue at its meeting on March 10, 2021.

1.2. Basis of preparation

Gasum Ltd's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in compliance with the standards and interpretations applicable as at December 31, 2020. Accounting standards have not been applied in the consolidated financial statements before their effective date. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish accounting and corporate legislation supplementing the IFRS.

The consolidated financial statements have been prepared primarily under the historical cost convention unless otherwise indicated. Financial assets and liabilities recognized at fair value through profit or loss have been measured at fair value. The consolidated financial statements are presented in thousands of euros unless otherwise stated.

The gas transmission business was unbundled from the Gasum Group into a separate company on January 1, 2020. The demerged entity relating to the transmission business was disclosed as discontinued operations in the financial statements at December 31, 2019. Unless otherwise stated, all of the figures relating to the income statement presented in the consolidated financial statements only cover continuing operations. The balance sheet is reported in accordance with the IFRS 5 standard, i.e. the figures for the reference periods include as discontinued operations the assets and liabilities transferred in the demerger disclosed using the one-line principle.

1.3. Consolidation principles

The consolidated financial statements are for the parent company and all of its subsidiaries. Subsidiaries are all such entities over which the parent company has direct or indirect control. Gasum controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. Any retained interest in any difference between the consideration and the acquired assets is goodwill. Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. The share of non-controlling interests within the equity of subsidiaries is presented separately from the equity attributable to the shareholders of the parent. The share attributable to non-controlling interests is determined at the date of acquisition as the proportionate share of the non-controlling interests in the net value of the assets acquired. Following the acquisition, the share of the non-controlling interests is the share determined in the acquisition plus the share of changes in equity attributable to those interests.

An associated company is an entity where the Group has a holding of 20–50% or over which it has significant influence. Joint venture is an arrangement where two or more parties have contractually agreed joint control of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associated companies and joint ventures have been consolidated using the equity method. Under the equity method, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture or associated company equals or exceeds its interest in the joint venture or associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the entity.

Unrealized gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

FOREIGN CURRENCY ITEMS

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The determination of the functional currency requires some management judgment, but often the currency of the economic environment is clearly identifiable. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at reporting dates. Non-monetary items are translated at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and translation of monetary items are recognized in the income statement. Foreign exchange gains and losses arising from transactions in the ordinary course of business are included in respective items above operating profit. Translation differences related to financial items are recognized in finance income and costs.

The income statements of foreign subsidiaries have been translated into euros at average exchange rates for the reporting period and their balance sheets at the exchange rate prevailing at the reporting date. The resulting translation difference as well as other translation differences arising from the translation of a subsidiary's equity are recognized in other comprehensive income. Translation differences are presented as a separate item under equity.

The Group also has companies operating in Norway and Sweden, with the euro determined as their functional currency.

1.4. New and revised standards

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2019.

Other new standards, interpretations and amendments to existing standards effective from 2020 did not affect the Group.

FORTHCOMING IFRS STANDARDS, INTERPRETATIONS AND AMENDMENTS

Several new standards, amendments and interpretations will only take effect later than in the reporting period which started on January 1, 2020 and have not been applied in the preparation of these financial statements. Other forthcoming standards, interpretations and amendments to existing standards are not expected to have significant effects on the Group.

1.5. Critical accounting estimates and judgmental items

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates as well as management judgement in the process of applying the accounting policies when preparing financial statements. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most critical estimates and assumptions and judgmental items are discussed in more detail in the following.

PENSION BENEFITS

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The discount rate is one of the significant assumptions in determining the net cost (or net income) arising from pensions. Any changes in these assumptions will impact the carrying amount of pension obligations.

GOODWILL AND IMPAIRMENT TESTING

At December 31, 2020 Gasum had goodwill of €122.7 million (2019: €117.7 million) recorded on its balance sheet. Goodwill is tested annually or whenever there are indications of impairment. The assumptions used in impairment testing require the exercise of management judgement. The most significant discretionary assumptions are related to the terminal year growth rate and the discount rate used. Further information on the sensitivity of the recoverable amount to changes in assumptions is provided under Note 3.1 Intangible assets.

Significant assets in property, plant and equipment and in intangible assets with indefinite lives (including goodwill) are tested for impairment whenever there are indications of impairment and at least once a year. Tangible and intangible assets with finite useful lives are tested for impairment only when indications exist that their carrying value may be impaired.

The nature of the estimates depends on which business the tested assets belong to. The most critical judgements regarding sales activities relate to future cash flows and the discount rate.

TAXES

The Group companies are liable to income tax in Finland, Sweden, Norway and Germany. The utilization of tax losses calls for judgement on the part of management and impacts on the extent to which deferred income tax assets are recognized for these. The Group's balance sheet at December 31, 2020 includes a deferred income tax asset of €15.8 million recognized for adopted losses (2019: €15.1 million). Further information regarding taxes is presented under Note 2.9 Income tax expenses and Note 3.9 Deferred taxes.

The Group has a difference in interpretation at €7.1 million in legal proceedings with the local authorities relating to energy consumption tax of an LNG liquefaction plant located in Risavika, Norway. Further information is provided in Note 5.6 Legal proceedings and claims.

2 Notes to the income statement

2.1. Revenue

Accounting policies

Revenue recognition

Sales revenue is recognized in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue from contracts with customers adjusted for discounts and indirect taxes is recognized as revenue. The company uses the five-step recognition model in accordance with the IFRS 15 standard when determining the recognition of sales revenue. Performance obligations are identified specifically for each contract and sales revenue is recognized when control of a good or service transfers to a customer. Accordingly, revenue is as a general rule recognized at the time of delivery in accordance with the terms and conditions of delivery. The recognition of the various performance obligations is described in greater detail below. Discounts are included in sales prices and any variable consideration is recognized in accordance with the time of recognition. In the context of gas sales, variable considerations are typically linked to various indices, whereby the variable consideration is determined on the basis of the indices applicable at any given time and is therefore known at the time of revenue recognition.

The company does not have any significant financing components or rights to return in its contracts with customers. The company does not have any non-standard payment terms.

Natural gas sales

Natural gas is transmitted via the transmission network owned by Gasgrid (since the demerger effective from January 1, 2020) and invoiced to customers monthly according to actual consumption. Revenue is recognized on the basis of quantities supplied as indicated by measuring equipment and the prices in effect at the time or depending on the sales channel on the basis of the time of delivery.

Sales revenue is recognized monthly on the basis actual invoiced unit quantities. As a general rule, uncertainty relating to variable considerations is resolved each month when Gasum recognizes monthly revenue, for example, based on the price index in accordance with the sales agreement and the volume or the quantity of services or units supplied. In some cases, the estimation of variable consideration requires management judgment regarding the timing of performance obligations e.g. in situations where which Take-or-Pay clauses apply. An amount of variable consideration is adjusted for the effects of the time value of money if its significance is material. The management estimates transaction prices under sales agreements and amounts of money allocated to one or more performance obligations.

Liquefied natural gas (LNG) sales

Liquefied natural gas (LNG) is invoiced to customers according to deliveries and revenue is recognized on the basis of the time of delivery. The time of delivery varies customer-specifically according to the terms and conditions of their respective contracts. In addition to gas, LNG sales may also contain other performance obligations, including terminal and delivery services. Revenue from terminal services is recognized over time and revenue from delivery services once the service has been performed.

Gasum has control of the LNG until the time of delivery. LNG sales revenue is recognized when control is transferred to the customer. LNG sales agreement types include several fixed and variable considerations and pricing models. At the time of invoicing, however, pricing is fixed as any uncertainty relating to considerations is resolved every month on the basis of, for example, updated indices.

Sales revenue from contracts with a Take-or-Pay clause is not recognized before the customer exercises its remaining rights as regards any undelivered quantities. However, sales revenue is recognized when the likelihood of the customer exercising its remaining rights becomes very remote. If Gasum expects to be entitled to a penalty, the amount of expected penalty is recognized in proportion to the rights exercised by the customer.

Biogas sales

Biogas is transmitted via the transmission network and tanks, and invoiced to customers monthly according to actual consumption. Revenue from biogas sales is recognized on the basis of quantities delivered as reported by the metering systems. The transaction price is fixed at the time of monthly invoicing, whereas variable considerations are determined on the basis of indices.

Waste processing

The price of the waste processing service includes variable considerations, such as the proportion of dry solids in waste, and annual incentives. At the time of monthly invoicing, however, the price is fixed. The effects of annual incentives on sales revenue are confirmed during the year. The effect of incentives is not projected in the recognition of sales revenue as the impacts are immaterial.

In the waste processing service, the customer at the same time receives and consumes the benefits of the service provided by Gasum. Revenue from the waste processing service is recognized over a period of time and, because the timing difference is not significant, sales revenue is recognized at the time of receiving waste.

Energy market services

Energy market services cover power market portfolio management and brokering services, market analyses, balance services in the wholesale physical power market, control room services for electricity balance risk management, demand-side management services for electricity consumption optimization, energy market software solutions, Guarantees of Origin services for electricity, and expert services for emissions trading.

Customers can choose which of the above services they buy, whereby they are treated as separate performance obligations. Because Gasum has control of the performance obligations until their transfer, it acts as a principal in accordance with IFRS 15 and applies the no-netting principle to the revenue recognition of performance obligations.

Participation and connection fees
(until the unbundling on January 1, 2020)

Gasum's customers pay participation and connection fees when connecting to the transmission network. Participation fees are recognized to revenue over the expected life of the customer contract based on Gasum's accumulated experience. Connection fees are recognized to revenue when there is reasonable certainty that the related economic benefits will flow to Gasum.

Trade receivables relating to sales revenue are presented in Note 3.4 Trade and other receivables. Contract liabilities are presented in Note 3.6 Trade and other current payables.

€ thousand

Revenue by business unit	2020	2019
Gas & Power Sales	436,528	760,206
Portfolio Management and Trading	145,631	112,873
Biogas	40,934	42,751
Traffic	41,219	9,458
Other	1	534
Total	**664,313**	**925,823**

€ thousand

Revenue by region	2020	2019
Finland	445,940	739,567
Other countries	218,372	186,256
Total	**664,313**	**925,823**

2.2. Other operating income

Accounting policies

Insurance recovery

Insurance recovery is recognized when there is a reasonable assurance that the compensation will be received. Insurance recovery is recognized in the income statement under other operating income in the same reporting period as the corresponding costs incur.

Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to costs are recognized under other operating income in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the acquisition of tangible assets are deducted from the cost of the asset and recognized in the income statement by deducting the depreciation for the respective asset. Investment subsidy (yet to be received) related to unfinished investments is recognized where there is a reasonable assurance that the subsidy will be received and corresponding costs have incurred. Support is recognized as current or non-current receivables and as reduction of unfinished investments.

€ thousand

Other operating income	2020	2019
Gains from sale of fixed assets	1,477	201
Gains from realized derivative financial instruments	71,589	30,396
Gains from unrealized derivative financial instruments	23,177	23,410
Other income	11,413	8,912
Total	**107,657**	**62,919**

Other income includes production subsidies received by biogas plants and insurance recovery.

2.3. Materials and services

€ thousand

Materials and services	2020	2019
Materials and supplies	-527,003	-789,256
External services	-15,502	-15,920
Total	**-542,505**	**-805,176**

2.4. Personnel

€ thousand

Personnel expenses	2020	2019
Salaries and remunerations	-27,295	-27,440
Pension costs – defined contribution pension plans	-3,898	-3,722
Pension costs – defined benefit pension plans	-74	-192
Statutory employer contributions	-3,122	-2,783
Total	**-34,388**	**-34,137**

€ thousand

Salaries and remunerations of CEO and Members of the Board of Directors	2020	2019
CEO	570	561
Members of the Board of Directors	200	225
Total short-term employee benefits	**770**	**786**

PERSONNEL ON AVERAGE

Personnel on average	2020	2019
White collar	295	285
Blue collar	70	63
Personnel on average	**365**	**348**

PERSONNEL AT THE END OF THE PERIOD

Personnel at the end of the period	2020	2019
White collar	309	281
Blue collar	74	63
Personnel at the end of the period	**383**	**344**

2.5. Depreciation and amortization

Accounting policies

Depreciations, amortization and impairment
Items are depreciated straight-line over their estimated useful lives. Land and water areas are not depreciated. Depreciations of right-of-use assets are included in depreciation of fixed assets in the statement of income. Right-of-use assets associated with land areas recognized on the balance sheet in accordance with IFRS 16 standard are depreciated straight-line on the basis of the lease terms determined. Leases are presented in Note 3.2 Tangible assets.

The estimated useful lives are:

- Software 3–5 years
- Customer relationships 10–25 years
- Pipelines related to gas distribution 40–65 years
- Terminal-related pipelines 25 years
- Terminal-related buildings and structures 40–52 years
- Terminal-related tanks 40 years
- Other buildings and structures 30–40 years
- Filling stations 15–25 years
- Production plant machinery and equipment 25 years
- Other machinery and equipment 3–25 years

€ thousand

Depreciations, amortization and impairment	2020	2019
Depreciation of land	-2,660	-2,427
Depreciation of buildings and structures	-19,876	-13,553
Depreciation of machinery and equipment	-26,267	-21,867
Depreciations of other tangible assets	-868	-980
Depreciation of tangible assets	-49,671	-38,828
Amortization of intangible assets	-6,713	-6,213
Impairment	0	-1,061
Total	**-56,384**	**-46,101**

2.6. Other operating expenses

€ thousand

Other operating expenses	2020	2019
Rents	-1,300	-1,048
Maintenance costs	-13,692	-9,208
External services	-16,427	-16,702
Loss from realized derivative financial instruments	-40,516	-21,158
Loss from unrealized derivative financial instruments	-51,323	-1,393
Other	-10,716	-4,159
Total	**-133,973**	**-53,638**

The item 'Other' contains other normal operating expenses.

2.7. Audit fees

€ thousand

Audit fees	2020	2019
Statutory audit fees	-420	-337
Audit opinions	-59	-76
Tax services	-113	-272
Other services	-63	-237
Total	**-655**	**-922**

2.8. Finance income and finance costs

€ thousand

Finance income	2020	2019
Foreign exchange gains	20,062	11,547
Realized and unrealized losses on interest rate derivatives	6,387	1,266
Other finance income	433	444
Total	**26,883**	**13,257**

€ thousand

Finance costs	2020	2019
Interest expenses on finance loans	-2,568	-2,188
Foreign exchange losses	-13,746	-9,153
Finance lease interests	-11,300	-11,585
Realized and unrealized losses on interest rate derivatives	-12,033	-4,342
Other finance costs	-1,869	-1,759
Total	**-41,515**	**-29,027**
Total finance income and finance costs	**-14,633**	**-15,770**

2.9. Income tax expenses

Income taxes (IAS 12)

Accounting policies

Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Temporary differences arise from issues including depreciation differences, provisions, defined benefit pension plans and confirmed losses.

€ thousand

Taxes	2020	2019
Current tax	-3,244	-5,706
Taxes for previous periods	48	33
Change in deferred taxes	3,178	-4,196
Total	**-18**	**-9,869**

Income taxes recognized in the consolidated income statements differ from the income taxes calculated using the Finnish corporation tax rate as follows:

€ thousand

Taxes	2020	2019
Profit/Loss before income tax	-8,950	35,123
Mathematical tax based on Finland's corporate tax rate	1,790	-7,025
Effect of different tax rates applied to foreign subsidiaries	213	-601
Tax exempt income	13	505
Non-deductible expenses	-969	-423
Unrecognized deferred taxes	1,080	235
Unrecognized deferred tax receivables on losses	-474	-1,275
Taxes for previous periods	39	75
Effect of tax rate change	-467	33
Permanent differences	0	667
Differences in tax rate due to functional currency	-459	251
Other items	-784	-2,238
Total	**-18**	**-9,869**

The impacts of taxes relating to components of other comprehensive income are as follows:

€ thousand	2020			2019		
Tax effects relating to components of other comprehensive income	Before tax amount	Tax effect	After tax	Before tax amount	Tax effect	After tax
Remeasurement of post-employment benefits	328	-66	262	938	-188	750
Cash flow hedges	-8,523	1,526	-6,997	11,014	-2,207	8,807
Other comprehensive income	**-8,195**	**1,460**	**-6,735**	**11,952**	**-2,395**	**9,557**

3 Capital employed

3.1. Intangible assets

Accounting policies

Intangible rights consist primarily of patents and licenses as well as value allocated to customer accounts from business combinations. Other long-term expenditures during the reference period include compensatory allowances to landowners for the expropriation of long-term usufructs for the accommodation of natural gas pipelines as well as for other restrictions of land usage arising from natural gas pipelines.

Intangible assets are recognized at cost if the cost of the item can be measured reliably and it is likely that future economic benefits associated with the item will flow to the Group. Assets are amortized over their estimated useful lives. The assets' residual values, useful lives and amortization method are reviewed at a minimum at the end of each reporting period and adjusted, if appropriate, to reflect changes in the expected economic benefits. Compensatory allowances to landowners are accounted for as intangible assets with an indefinite useful life. They are not subject to amortization and are tested annually for impairment.

The estimated useful lives are:

- Software 3–5 years
- Customer relationships 10–25 years

Impairment

Intangible assets with finite useful lives are tested for impairment only when indications exist that their carrying value may be impaired. Recoverable amount is additionally assessed annually for the following asset classes regardless of whether indications of impairment exist: goodwill, intangible assets with indefinite useful lives, and intangible assets in progress. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. Impairment loss recognized for other assets is reversed in case there is a material change in the estimates used for assessing the recoverable amount.

RECONCILIATION OF INTANGIBLE ASSETS

€ thousand

2020	Goodwill	Intangible rights	Other long-term expenditure	Total
Cost at January 1	117,712	113,680	6,047	237,439
Additions	0	0	1,921	1,921
Businesses acquired	1,683	1	0	1,684
Disposals	0	-8	-98	-107
Reclassifications	0	0	5,880	5,880
Adjustments	0	-205	-1,030	-1,234
Changes in exchange rates	3,329	29	0	3,358
Cost at December 31	**122,724**	**113,496**	**12,719**	**248,946**
Accumulated depreciation at January 1	0	26,175	2,752	28,928
Depreciations	0	5,094	1,619	6,713
Disposals	0	-8	-98	-107
Changes in exchange rates	0	0	0	0
Accumulated depreciation at December 31	**0**	**21,261**	**4,273**	**35,534**
Net book value at January 1, 2020	117,712	87,505	3,295	208,510
Net book value at December 31, 2020	122,724	82,236	8,447	213,412

€ thousand

2019	Goodwill	Intangible rights	Other long-term expenditure	Total
Cost at January 1	117,405	113,765	35,740	266,910
Additions	0	91	127	218
Disposals	0	0	-6,937	-6,937
Reclassifications	0	-37	2,921	2,884
Adjustments	0	-14	10	-4
Acquisition cost of discontinued operations	0	-90	-25,815	-25,905
Changes in exchange rates	307	-34	0	273
Cost at December 31	**117,712**	**113,680**	**6,047**	**237,439**
Accumulated depreciation at January 1	0	20,937	19,702	40,639
Depreciation of continuing operations	0	5,275	938	6,213
Depreciation of discontinued operations	0	0	479	479
Accumulated depreciation of discontinued operations	0	-37	-12,031	-12,068
Impairment	0	3	601	605
Disposals	0	0	-6,937	-6,937
Reclassifications	0	-7	0	-7
Changes in exchange rates	0	3	0	3
Accumulated depreciation at December 31	**0**	**26,175**	**2,752**	**28,928**
Net book value at January 1, 2019	117,405	92,828	16,038	226,271
Net book value at December 31, 2019	117,712	87,505	3,295	208,510

GOODWILL

Accounting policies

The acquisition method of accounting is used to account for business combinations. Goodwill is recognized at the excess of cost over the Group's share of the acquisition-date fair value of the net identifiable assets of the acquired subsidiary. Goodwill is measured at original cost less impairment. Goodwill is tested annually and whenever there are indications of impairment. Towards this end, goodwill is allocated to cash-generating units (CGU). Any negative goodwill is recognized immediately. Any impairment of goodwill recognized is not reversed.

ALLOCATION OF GOODWILL

In the Gasum Group, goodwill relating to acquisitions of business units is allocated to cash-generating units (CGU) which are expected to benefit from the business combination generating the goodwill. Gasum's CGUs are the LNG business, which is part of the Gas & Power Sales business unit, and the Energy Market Services business, which is part of the Portfolio Management and Trading business unit. Goodwill is subjected to testing at these levels in internal management reporting. The LNG business CGU contains goodwill relating to the Clean Gas business functions acquired in spring 2020. Biogas business CGU includes the acquisition of Skövde Biogas in autumn 2020.

€ thousand

Goodwill	2020	2019
CGU: LNG business	119,491	115,233
CGU: Energy Market Services business	2,479	2,479
CGU: Biogas business	754	0
Total	**122,724**	**117,712**

RECONCILIATION OF GOODWILL

€ thousand

Reconciliation of goodwill	2020	2019
Net book value at January 1	117,712	117,405
Additions	1,683	-
Changes in exchange rates	3,329	307
Book value at December 31	**122,724**	**117,712**

IMPAIRMENT TESTING

Goodwill is subjected to impairment testing whenever there are indications of impairment and always at least once a year. If any such indications exist, the recoverable amount of the respective asset is assessed. An impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying value exceeds its recoverable amount. The useful life of the asset is reviewed in connection with recognition of impairment losses. Prior impairments of assets other than goodwill are reversed in case there has been a change in the estimates used for assessing the recoverable amount.

Recoverable amounts are based on management estimates of future cash flows at the cash generating unit (CGU) level and forecast cash flows prepared concerning them. In impairment testing, the recoverable amount is based on value-in-use calculations (expected future net cash flows derived from the asset or CGU in question discounted to net present value). The forecast period is five years and the terminal value has been determined on the basis of the final year. Cash flows beyond the forecast period are extrapolated using a long-term estimated growth rate of 1%, which is judged suitable to the Group's growing energy-sector business in the Nordic countries. The forecast business volumes are based on the current structure including investments that have already been started.

Future cash flows have been discounted by using Weighted Average Cost of Capital (WACC), a reflection of the market view of the time value of money and the risks associated with the sector. The pre-tax discount rate is applied. The parameters used to determine the discount rate (risk-free interest rate, risk factor, risk premium and capital structure) are based on observed factors of energy-sector businesses engaging in equivalent or rival business operations and on the market conditions prevailing at the end of 2020. The pre-tax discount rate used in the calculations for both CGUs is 5.76% (2019: 6.66% for LNG and 7.12% for Energy Market Services).

Any impairment is recognized as an expense in the income statement. Goodwill impairment losses are not reversed. There were no impairments of goodwill during the 2020 and 2019 reporting periods. The recoverable amounts in the testing model exceeded the carrying amounts of the assets of the CGUs by several tens of percent or more.

SENSITIVITY ANALYSES

Sensitivity analyses for key assumptions – discount rate, EBITDA development and residual value growth factor – were performed in connection with impairment testing. The key variables in the calculations are a change of two percentage points in the discount rate, poorer than estimated development of EBITDA, and decline of two percentage points in growth in the period beyond the forecast period. On the basis of the sensitivity analyses, the probability of impairment losses on goodwill is very low. Examined individually, foreseeable changes in no key variable would lead into a situation where the recoverable amount would be below the carrying value and result in the recognition of an impairment loss.

3.2. Tangible assets

Accounting policies

Tangible assets

Tangible assets mainly consist of LNG distribution terminals and liquefaction plant, biogas production plants, pipelines relating to gas distribution and other machinery and equipment. Property, plant and equipment (PPE) items are recognized at historical cost less depreciation and impairment charges.

The cost includes expenditure that is directly attributable to the acquisition, construction and production of the item of PPE and capitalized borrowing costs arising from these. In addition, the cost includes any estimated costs arising from obligations to dismantle, remove and restore the items of PPE. The cost for self-constructed assets includes material costs, directly attributable employee benefit costs and other directly attributed costs arising from development to completion for the intended use. In case an item of PPE consists of multiple assets with different useful lives, each asset is accounted and measured as separate item of PPE. Any replacement costs are capitalized and remaining value in the balance sheet at the date of replacement is derecognized.

Costs incurred subsequently to add to, replace part of or service an item of PPE are included in the item's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of servicing, i.e. repair and maintenance costs, are recognized in profit or loss as incurred. Grants received are recognized as reductions of the cost where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. There are no material borrowing costs capitalized in PPE.

Items are depreciated straight-line over their estimated useful lives. Land and water areas are not depreciated.

The estimated useful lives are:

- Pipelines related to gas distribution 40–65 years*
- Terminal-related pipelines 25 years
- Terminal-related buildings and structures 40–52 years
- Terminal-related tanks 40 years
- Other buildings and structures 30–40 years
- Filling stations 15–25 years
- Production plant machinery and equipment 25 years
- Other machinery and equipment 3–25 years

* Not applicable to cushion gas accounted for as an item of PPE which is depreciated only when the expected residual value is lower than the acquisition cost or carrying value at reporting date. Cushion gas means the smallest volume of gas required for flawless gas transmission delivery.

The assets' residual values, useful lives and amortization method are reviewed at a minimum at the end of each reporting period and adjusted, if appropriate, to reflect changes in the expected economic benefits. Recognition of depreciations is commenced when the asset is ready for its intended use.

Impairment

Tangible assets with finite useful lives are tested for impairment only when indications exist that their carrying value may be impaired. Recoverable amount is additionally assessed annually for the following asset classes regardless of whether indications of impairment exist: intangible assets with indefinite useful lives, and intangible assets in progress. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. Impairment loss recognized for other assets is reversed in case there is a material change in the estimates used for assessing the recoverable amount.

RECONCILIATION OF TANGIBLE ASSETS

€ thousand

2020	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at January 1	53,267	371,746	376,177	36,196	70,903	908,289
Additions	5,475	4,937	4,545	133	48,422	63,513
Businesses acquired	5,747	108,401	28,914	0	3,512	146,573
Disposals	-1,884	-12,792	-1,161	0	0	-15,838
Reclassifications	-27	31,425	19,573	-698	-43,681	6,591
Adjustments	38	0	-8	0	0	30
Changes in exchange rates	212	1,857	0	0	0	2,069
Cost at December 31	**62,828**	**505,573**	**428,040**	**35,631**	**79,156**	**1,111,228**
Accumulated depreciation at January 1	2,463	115,329	78,944	6,840	7,720	211,295
Depreciations	2,660	19,867	26,267	863	0	49,667
Accumulated depreciation on disposals	0	-18	-1,079	0	0	-1,097
Reclassifications	0	-399	2,041	0	0	1,642
Adjustments	212	0	0	0	0	212
Changes in exchange rates	0	-13	0	0	0	-13
Accumulated depreciation at December 31	**5,335**	**134,775**	**106,173**	**7,703**	**7,720**	**261,707**
Net book value at January 1, 2020	50,805	256,417	297,233	29,356	63,183	696,994
Net book value at December 31, 2020	57,493	370,798	321,866	27,928	71,436	849,521

Tangible assets include right-of-use assets in accordance with IFRS 16 Leases.

€ thousand

2019	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at January 1	3,837	958,055	490,726	44,667	68,019	1,565,304
Additions	55,509	10,567	6,882	741	67,639	141,344
Disposals	-3,176	-5,434	-2,806	-5	0	-11,421
Reclassifications	0	59,053	-30,998	48	-31,024	-2,921
Adjustments	0	-10,135	19,628	200	-101	9,592
Acquisition cost of discontinued operations	-3,170	-640,903	-107,464	-9,515	-33,540	-794,592
Changes in exchange rates	268	542	211	61	-91	991
Cost at December 31	**53,267**	**371,746**	**376,177**	**36,196**	**70,903**	**908,289**
Accumulated depreciation at January 1	0	382,180	153,174	9,414	7,500	552,267
Depreciation of continuing operations	2,427	12,733	21,867	978	0	38,005
Depreciation of discontinued operations	64	14,597	2,630	258	0	17,549
Impairment	0	236	0	0	220	456
Accumulated depreciation of discontinued operations	0	-309,040	-89,134	-4,162	0	-402,336
Accumulated depreciation on disposals	0	-2,992	-1,810	0	0	-4,802
Reclassifications	0	12,864	-12,857	0	0	7
Adjustments	0	4,866	5,227	356	0	10,449
Changes in exchange rates	-28	-114	-153	-4	0	-299
Accumulated depreciation at December 31	**2,463**	**115,329**	**78,944**	**6,840**	**7,720**	**211,295**
Net book value at January 1, 2019	3,837	575,875	337,552	35,254	60,519	1,013,036
Net book value at December 31, 2019	50,805	256,417	297,233	29,356	63,183	696,994

Tangible assets include right-of-use assets in accordance with IFRS 16 Leases.

Accounting policies

Leases where the Group is the lessee

In accordance with the IFRS 16 standard, the Group recognizes, for almost all contracts classified as leases, on the balance sheet the receivable based on the right-of-use asset and the corresponding lease liability by measuring future lease payments at the present value. Lease liabilities have been discounted using the Group's incremental borrowing rate. Contracts providing the Group with the right to control the use of an identified leased asset for a specific period of time in exchange for consideration are classified as leases; service agreements are not classified as leases. Lease payments receivable are depreciated on a straight-line basis for the remaining lease term, which transfers part of the lease costs recognized as other operating expenses under depreciation and amortization and the part of the payments that reflects interests under finance costs. The Group has both fixed-term and indefinite-term leases. Management judgement is exercised when determining the actual term of a contract, taking into account contractual penalties, lease incentives and renewal options.

The Group applies the exemptions allowed by the standard concerning short-term leases with a lease term of 12 months of less and leases for which the underlying asset is of low value, such as IT hardware, which is recognized to profit or loss under other operating expenses.

The leases recognized on the balance sheet comprise carriers and trailers used for LNG transport, land areas, facilities, vehicle leasing agreements and other leased machinery and equipment.

Carriers are typically leased for a period of 20–25 years. Lease terms of other right-of-use assets are typically as follows: office equipment 3–5 years, facilities 3–5 years, vehicles 3–15 years, land areas 10–20 years.

The Group does not act as a lessor in the manner referred to in IFRS 16.

IFRS 16 IMPACT ON PROPERTY, PLANT AND EQUIPMENT

€ thousand

2020	Land and water	Buildings	Machinery and equipment	Other tangible assets	Total
Net book value at January 1, 2019	**48,793**	**2,582**	**1,321**	**15**	**52,711**
Additions	8,492	2,351	16,740	0	27,583
Disposals	-3,303	0	-16	0	-2,112
Depreciations	-2,660	-1,307	-3,753	-11	-8,937
Changes in exchange rates	0	0	0	0	0
Discontinued operations	0	0	0	0	0
Net book value at December 31, 2019	**51,323**	**3,626**	**14,292**	**4**	**69,245**

€ thousand

2019	Land and water	Buildings	Machinery and equipment	Other tangible assets	Total
Net book value at January 1, 2019	**48,863**	**5,184**	**2,035**	**717**	**56,799**
Additions	6,214	814	911	13	7,952
Disposals	-3,176	-2,322	-919	-5	-6,422
Depreciations	-2,491	-1,090	-708	-36	-4,325
Changes in exchange rates	321	-4	65	0	382
Discontinued operations	-938	0	-62	-674	-1,674
Net book value at December 31, 2019	**48,793**	**2,582**	**1,321**	**15**	**52,712**

LEASE LIABILITIES

€ thousand	2020	2019
Lease liability non-current	192,090	186,005
Lease liability current	13,289	8,216
Total	**205,379**	**194,221**

3.3. Share of investments consolidated using the equity method

Accounting policies

Joint ventures and associated companies

Associated companies and joint ventures have been consolidated using the equity method. Under the equity method, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Accounting policies of joint ventures and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group. When the Group's share of losses in a joint venture or associated company equals or exceeds its interest in the joint venture or associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the entity.

Joint ventures and associated companies 31.12.2020	Country of incorporation	% of ownership interest	Measurement method	
Manga LNG Oy	Finland	25.0	Equity method	Joint venture
Vadsbo Biogas AB	Sweden	50.0	Equity method	Joint venture

€ thousand

Interests in joint ventures	2020	2019
Net book value at January 1	11,652	10,530
Share of profit for the period	964	1,203
Disposals	-1,363	-83
Changes in exchange rates	14	2
Net book value at December 31	**11,266**	**11,652**

SUMMARIZED FINANCIAL INFORMATION FOR JOINT VENTURES

€ thousand	Non-current		Current		Revenue	Profit/ Loss	Ownership interest
Summarized financial information for joint ventures	Assets	Liabilities	Assets	Liabilities			
2020							
Manga LNG Oy*	83,518	50,669	21,087	21,705	46,041	2,095	25%
Hirtshals LNG A/S**					0	-46	
Vadsbo Biogas AB	2,512	1,083	1,140	643	1,338	296	50%
Total	**86,029**	**51,752**	**22,227**	**22,348**	**47,379**	**2,345**	

€ thousand	Non-current		Current		Revenue	Profit/ Loss	Ownership interest
Summarized financial information for joint ventures	Assets	Liabilities	Assets	Liabilities			
2019							
Manga LNG Oy*	87,633	57,276	27,039	24,472	47,036	0	25%
Hirtshals LNG A/S	2,143	0	3	7	0	111	50%
Vadsbo Biogas AB	3,106	1,672	1,028	787	1,496	585	50%
Total	**92,882**	**58,948**	**28,070**	**25,267**	**48,532**	**696**	

* Manga LNG Ltd forms a group together with its subsidiary. The figures presented are group figures.

** Gasum sold its share in the company in May 2020. The revenue and profit/loss of the company until the sale are presented in the table.

3.4. Trade and other receivables

Accounting policies

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized at invoiced amounts and impairment is recognized if there is objective evidence that an impairment loss has incurred.

The fair values of trade and other receivables equal their carrying amount. The maximum exposure to credit risk is the carrying value of each receivable. Credit losses incurred from trade receivables have been immaterial at Gasum, and credit losses recognized by Gasum have been based on expected future credit losses.

During 2020, Gasum Oy entered into factoring arrangement with a well-known Scandinavian bank to sell a limited amount of certain trade receivables. This cost-efficient arrangement enables Gasum to enhance the working capital circulation. In this arrangement, Gasum sells selected clients' trade receivables borne by most recent natural gas sales transactions to the bank and receives cash on immediate basis. The bank carries the credit risk of these sold trade receivables and is not able to return these to Gasum except when the performance obligations are not satisfied against clients. Gasum is responsible for satisfying these performance obligations, i.e. that the client receives the promised goods and services in the agreed way.

€ thousand

Trade and other receivables	2020	2019
Trade receivables	117,539	135,978
Accrued income	11,724	10,011
Energy tax receivables	7,144	6,805
Other receivables	29,698	339
Total	**166,105**	**153,133**

Energy tax receivables include a receivable of €7.1 million relating to energy consumption tax paid in Norway. Gasum LNG Production AS paid energy consumption tax in Norway on the basis of a classification relating to the company's activities. The company's industrial classification is determined by Statistics Norway, and the amount of tax is determined by the tax administration on the basis of this classification. The classification of the production plant has been changed retroactively since 2014, also resulting in an increase in the tax determined for the production plant.

The matter is still under consideration, and the company is of the view that the new classification is not appropriate and results in the payment of taxes that are too high in its reference group. Therefore, a receivable based on the tax difference between the reclassification and the classification that in the company's view is the correct one has been recognized in the financial statements. Further information is also provided in 1.5 Critical accounting estimates and judgmental items and in 5.6 Legal proceedings and claims.

Other receivables include company's derivative operations related deposits, among others.

The ageing analysis of trade receivables after impairment is as follows:

€ thousand

Ageing analysis of trade receivables after impairment	2020	2019
Not due	102,281	133,602
Overdue by		
Less than 3 months	14,884	2,340
More than 3 months	374	36
Total	**117,539**	**135,978**

3.5. Inventories

Accounting policies

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined asset-specifically using the average or the first-in first-out (FIFO) method and comprises all costs incurred in bringing the inventories to their present location and condition.

€ thousand

Inventories	2020	2019
Product inventories	26,373	17,542
Other inventories	1,183	6,700
Prepayments	28,304	14,961
Total	**55,859**	**39,203**

Gasum has concluded a long-term gas supply contract under which, in addition to the contracted volumes of natural gas supply, the minimum annual volume of natural gas supplied is agreed. In case Gasum does not use the minimum annual volume of gas, Gasum will pay a prepayment for the difference, which gives Gasum the right to receive the unused amount of the agreed annual supply volume in later years. Reported under inventories are prepayments of €28.3 million (2019: €15 million) as required under the contract.

3.6. Trade and other current payables

€ thousand

Current liabilities to others	2020	2019
Trade payables	82,389	75,851
Contract liabilities	668	0
Participation fee revenue recognition liability	171	217
Other liabilities	30,649	35,289
Accruals and deferred income	29,270	38,037
Bank overdraft facility	60,469	4,484
Financial lease liabilities – current portion	13,289	8,216
Total	**216,905**	**162,094**

The revenue recognition liability for participation fees is related to fees that customers pay when connecting to the network and which are recognized over the average life of the customer contract.

Other liabilities consist mainly of a value-added tax liability (€15 million) and advances received related to Take-or-Pay contracts of LNG (€8 million). Accruals and deferred income include investment support received in advance relating to the Biogas business unit's investing activities in Sweden. Contract liabilities include advance payments related to transfers of goods taking place in the future.

3.7. Assets held for sale

Accounting policies

The Group has classified assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. There are no liabilities related to the assets classified as held for sale.

€ thousand

Assets held for sale	2020	2019
Assets held for sale	1,561	3,113
Total	**1,561**	**3,113**

3.8. Cash and cash equivalents

Accounting policies

Cash and cash equivalents
The Group's cash and cash equivalents includes cash on hand and in bank accounts. Bank overdraft limits used are presented under other current payables on the balance sheet.

€ thousand

Cash and cash equivalents	2020	2019
Cash and cash equivalents	13,038	1,852
Total	**13,038**	**1,852**

3.9. Deferred tax

Accounting policies

Deferred tax
Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are not, however, recognized if they arise from the initial recognition of goodwill or undistributed earnings of subsidiaries where the difference will not materialize in the foreseeable future.

The most significant temporary differences in the Group arise from the depreciation of property, plant and equipment, from the fair valuation of derivative financial instruments, from defined benefit pension plans and from unused tax losses.

Deferred taxes are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. A deferred income tax asset is not recognized if it arises from the initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. The Group assesses the recognition criteria of deferred income tax assets respectively at the end of each reporting period.

Deferred income tax assets and liabilities are offset in the Group if and only if there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax asset and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to set off deferred income tax assets and liabilities or realize the tax receivable and pay the tax liability simultaneously on such future period during which a significant amount of deferred income tax liabilities are expected to be paid or a significant amount of deferred income tax assets are expected to be deducted.

€ thousand

Deferred tax	2020	2019
Deferred tax assets:		
Financial instruments	5,341	3,459
Pensions and employee benefits	691	886
Adopted losses	15,753	15,075
Provisions	1,836	1,595
Fixed assets	2,351	85
Finance lease	4,451	3,883
Other temporary differences	1,075	204
Total	**31,498**	**25,188**
At January 1	25,188	26,786
Business acquisitions and disposals	476	-242
Recognized in income statement	4,595	-758
Recognized in other comprehensive income	1,240	-599
Translation differences	0	0
Book value at December 31	**31,498**	**25,188**
Netted from deferred tax liability	31,498	25,188
Total, net	**0**	**0**
Deferred tax liabilities:		
Tangible assets	33,484	64,926
Intangible assets	18,827	17,726
Provision	2,464	0
Financial instruments	2,876	8,448
Other temporary differences	4,856	1,762
Effect of discontinued operations	0	-36,989
Total	**62,507**	**55,873**
At January 1	55,873	90,722
Business acquisitions and disposals	7,065	0
Effect of discontinued operations	0	-36,989
Recognized in income statement	-392	245
Recognized in other comprehensive income	-39	1,809
Translation differences	0	86
Book value at December 31	**62,507**	**55,873**
Netted from deferred tax assets	31,498	25,188
Total, net	**31,009**	**30,685**
Deferred tax assets and liabilities, net	**-31,009**	**-30,685**

Deferred tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

A large share of the Group's tax liabilities is related to fixed assets. There is a time difference between taxation and accounting in the depreciation of fixed assets, resulting in deferred tax liability.

At December 31, 2020 the Group had no material temporary differences for which no deferred tax asset had been recognized.

3.10. Provisions

Accounting policies

Provisions

Provisions for environmental restoration, asset retirement obligations, restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the obligation can be made. The amount of provision is the current value of those costs that the settlement of the obligation is expected to require.

€ thousand

Provisions	2020	2019
Provisions at the beginning of period	**10,463**	**10,049**
Increase in provisions	595	286
Business acquisitions	8,706	
Unwinding of discount	32	91
Translation differences	23	38
Provisions at the end of period	**19,817**	**10,463**
Of which current provisions	0	286
Of which non-current provisions	19,817	10,177

The provisions are primarily to do with contractual terminal and plant dismantling obligations.

3.11. Post-employment benefits

Accounting policies

Post-employment benefits

The Group operates various post-employment benefit schemes, including both defined benefit and defined contribution schemes. Pension arrangements are managed through external pension and life insurance companies.

Defined contribution schemes mean pension plans under which fixed contributions are paid to a separate pension insurance company and the Group does not have any legal or constructive obligations to make further contributions on later dates. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. Statutory pension costs are expensed in the year they are incurred. Pension schemes other than defined contribution plans are defined benefit plans.

Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in statement of income.

Finnish statutory earnings-related pension cover is arranged through a pension insurance company and accounted for as a defined contribution plan in the consolidated financial statements. The supplementary pension scheme provided by Gasum is accounted for as a defined benefit plan.

€ thousand

Post-employment benefits	2020	2019
Balance sheet obligations for:		
Post-employment benefits	3,457	3,917
Liability in the balance sheet	**3,457**	**3,917**

€ thousand

Income statement charge included in operating profit for:*	2020	2019
Defined benefit pension plans	74	192
Total	**74**	**192**

* The income statement charge included within operating profit includes current service cost, net interest income and expense, past service costs and gains and losses on settlement and curtailment.

DEFINED BENEFIT PENSION PLANS

Gasum operates a supplementary pension scheme which is classified as a defined benefit pension plan and is arranged with Mandatum Life Insurance Company. In the arrangement the targeted level of pension benefit is set in percent terms whereby the benefit payable is not linked to the contribution payments Gasum makes into the scheme. The scheme was closed in 1994.

€ thousand

Defined benefit pension plans	2020	2019
Present value of funded obligations	20,769	20,987
Fair value of plan assets	-17,312	-17,070
Deficit of funded plans	3,457	3,917
Liability in the balance sheet	**3,457**	**3,917**

The movement in the defined benefit obligation over the year is as follows:

€ thousand	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit obligation
January 1, 2020	**20,987**	**17,070**	**3,917**
Current service cost	52		52
Interest expense or income (-)	123	101	22
	21,162	17,171	3,991
Remeasurements:			
Gain (-)/ loss from change in demographic assumptions			0
Gain (-)/ loss from change in financial assumptions	676		676
Experience gains (-) / losses	0		0
Return on plan assets, excluding amounts included in interest expense or income		1,004	-1,004
Contributions:			
Employers		206	-206
Plan participants			
Payments from plans:			
Benefit payments	-1,069	-1,069	0
31.12.2020	**20,769**	**17,312**	**3,457**

The discount rate used to calculate the situation at December 31, 2020 was 0.30%, while for the year before it had been 0.6%. The change of discount rate created a gain of €0.6 million for the defined benefit pension liability.

€ thousand	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit obligation
January 1, 2019	**25,368**	**18,626**	**6,742**
Current service cost	170		170
Interest expense or income (-)	347	260	87
Discontinued operations	-79	14	-93
	25,806	18,900	6,906
Remeasurements:			
Gain (-)/ loss from change in demographic assumptions			0
Gain (-)/ loss from change in financial assumptions	1,287		1,287
Experience gains (-) / losses	24		24
Return on plan assets, excluding amounts included in interest expense or income		2,313	-2,313
Business disposals	-3,754	-2,683	-1,071
Discontinued operations	-1,494	-1,072	-422
Contributions:			
Employers		494	-494
Plan participants			
Payments from plans:			
Benefit payments	-882	-882	0
31.12.2019	**20,987**	**17,070**	**3,917**

Significant actuarial assumptions:	2020	2019
Discount rate	0.3%	0.6%
Inflation	1.0%	1.1%
Pension growth rate	1.3%	1.4%
Wage coefficient	2.2%	2.3%

Assumptions regarding future mortality are based on actuarial advice in accordance with mortality models for the insured under the Employees Pensions Act (K2008) as well as experience. These assumptions translate into an average life expectancy in years for a person retiring at the age of 65. Life expectancy is defined as the life span prediction of a person of a particular age and its calculation is based on the Gompertz mortality model:

Life expectancy at the age of 65	Male	Female
Aged 45 at balance sheet date	22.0	27.0
Aged 65 at balance sheet date	21.4	25.4

The tables below present the sensitivity analyses concerning 0.5% changes in the key assumptions, the discount rate and the wage coefficient. The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

€ thousand	Financial period ending December 31, 2020				
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation	Current service cost	Net interest
Discount rate 0.30%	20,769	17,312	3,457	46	10
Discount rate +0.50%	19,416	16,291	3,125	42	24
Discount rate 0.50%	22,274	18,440	3,834	51	-7
Impact in percentage terms					
Discount rate 0.30%	0.0%	0.0%	0.0%	0.0%	0.0%
Discount rate +0.50%	-6.5%	-5.9%	-9.6%	-8.6%	140.3%
Discount rate 0.50%	7.2%	6.5%	10.9%	9.8%	-174.2%

€ thousand	Financial period ending December 31, 2020				
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation	Current service cost	Net interest
Wage coefficient 2.20%	20,769	17,312	3,457	46	10
Wage coefficient +0.50%	20,805	17,312	3,493	48	10
Wage coefficient 0.50%	20,733	17,312	3,422	45	10
Impact in percentage terms					
Wage coefficient 2.20%	0.0%	0.0%	0.0%	0.0%	0.0%
Wage coefficient +0.50%	0.2%	0.0%	1.0%	2.7%	1.1%
Wage coefficient 0.50%	-0.2%	0.0%	-1.0%	-2.7%	-1.0%

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase the plan liabilities. If the bond yields used as bases for discount rates change, the Group may need to change the discount rates respectively. This will have an impact on the net defined benefit obligation as well as the amount of remeasurements recognized in other comprehensive income.

INFLATION RISK

Some of the Group's defined benefit obligations are linked to inflation, and higher inflation will lead to higher defined benefit obligations. If the development of employer productivity lags behind inflation, the acceleration of inflation may increase the deficit of defined benefit plans.

The expected maturity breakdown of undiscounted pension benefits is as follows:

December 31, 2020	Less than 1 year	1–5 years	5–10 years	10+ years	Total
Pension benefits	1,074	3,554	4,196	12,885	21,709
Total	**1,074**	**3,554**	**4,196**	**12,885**	**21,709**

4 Capital structure

4.1. Capital management

The Group aims to support profitable growth with an efficient capital structure, the management of which is based on assessments of the Group's material risks. Changes in the capital structure result from investments in business operations and dividend payments to the owner.

The following table presents Gasum's net debt and gearing, which the company monitors as part of its capital management. The Group's gearing is restricted by a covenant of a borrowing facility concerning the Group's gearing ratio. In other respects, there is no specific target level determined for the Group's capital structure. Instead, the aim is to ensure a high credit rating and, consequently, capacity to support the business growth objectives and generate shareholder value.

€ thousand

Capital management	2020	2019
Interest-bearing liabilities	610,681	428,177
Cash and cash equivalents	-13,038	-1,852
Net debt	**597,643**	**426,265**
Total equity	490,144	517,982
Total capital	1,087,787	944,247
Gearing ratio	**122%**	**82%**

€ thousand

Interest-bearing liabilities	2020	2019
Loans from financial institutions	344,833	229,411
Financial lease liabilities	205,379	194,222
Bank overdraft facility	60,469	4,484
Interest-bearing liabilities	**610,681**	**428,117**

NET DEBT RECONCILIATION

The below sets out an analysis of net debt and the movements in net debt for the current period.

€ thousand

Net debt	2020	2019
Cash and cash equivalents	-13,038	-1,852
Current interest-bearing liabilities	73,758	12,700
Non-current interest-bearing liabilities	536,924	415,416
Net debt	**597,643**	**426,265**

	Other assets	Liabilities from financing activities				
€ thousand	Cash and cash equivalents	Current financial lease liabilities	Non-current financial lease liabilities	Current interest-bearing liabilities	Non-current interest-bearing liabilities	Total
Net debt at December 31, 2018	**-17,850**	**4,427**	**141,219**	**19,808**	**415,111**	**562,715**
Cash flows	7,793	-1,152	-7,550	-11,978	4,761	-8,126
Foreign exchange adjustments			-292	2,171	271	2,151
Net debt, discontinued operations	12,686	-101	-1,583	-40,000	-161,009	-190,007
Other non-cash movements*	-4,482	5,042	54,210	34,484	-29,723	59,531
Net debt at December 31, 2019	**-1,852**	**8,216**	**186,005**	**4,484**	**229,411**	**426,265**
Cash flows	-5,268	-11,780		55,985	116,540	155,476
Acquisitions	-5,918	5,235	14,243			13,560
Foreign exchange adjustments		-591	-3,287		18	-3,860
Other non-cash movements*		12,209	-4,871		-1,136	6,202
Net debt at December 31, 2020	**-13,038**	**13,289**	**192,090**	**60,469**	**344,833**	**597,643**

* Mainly includes transfers between non-current and current borrowings in 2019 and 2020 as well as in 2019 and 2020 increases and decreases in lease liabilities not involving cash flows.

4.2. Finance risk management

The purpose of the Gasum Group Commodity Risk and Treasury Policy is to identify and analyze the Group's risks and establish the appropriate risk level and controls. Both risk policies are regularly assessed to ensure that they support the Group's various business functions in the pursuit of their objectives and respond to any changes in market conditions or Group functions.

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. In addition, business functions acquired involve risks relating to their business development. Financial risks include interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. The Group's commodity risks (including price risk) are managed by the Portfolio Management & Trading business unit. The Group's interest rate, foreign currency, credit and liquidity risks are managed by the Group Treasury. The overall monitoring of risks within the Group is performed by Group Risk Control, who in turn reports to Market Risk Committee on a regular basis. Market Risk Committee approves hedging strategies and monitors fulfillment of risk management within the chosen strategy.

COMMODITY DERIVATIVES AND RISKS

Commodity derivatives are used to hedge the Group's outstanding commodity position relating to business activities as well as price risk relating to power sourcing. For gas, the outstanding commodity position for the following 12 months at the reporting date was €-58.1 million (2019: €99.4 million) and for electricity €0.9 million (2019: €4.4 million). The nominal values of the commodity derivatives totaled €577.2 million at the year-end (2019: €306.8 million). The fair values of commodity derivatives are based on available market quotes at the reporting date.

The Group's commodity risks are managed with a commodity risk management policy that sets limits for commodity risks. The policy steers the closing of outstanding sell and buy positions and the risk mandate of Trading unit. The Trading unit is mandated to execute the Groups external commodity transactions in both physical and financial markets. The commodity risk mandate is monitored by Group Risk Control continuously. In Portfolio Management, outstanding positions might arise from imbalance in sales and procurement volumes, price index or other grounds for pricing. The Portfolio Management units target is to cost-effectively hedge the Group's outstanding commodity risk position and, consequently, ensure competitive pricing, within their given policy mandate. During 2020, all hedges in the Group were financial derivative contracts and therefore the hedges do not affect the cash flows, timing or uncertainty of the underlying asset.

As a general rule, the pricing of the Group's gas supply contracts reflects developments in the international market prices of gas. In the Natural Gas unit, the supply price of gas is linked to indices based on European gas prices and on energy and cost development. In the 2020 reporting period, the indices applied to natural gas sales prices were partly identical as those applied to gas procurement, whereby there was no outstanding commodity risk.

In the LNG business, the sourcing of gas is mainly linked to gas indices, with the same index linkages pursued to be applied in the sales agreements of the LNG business thus achieving a natural hedge. For the contracts constituting a natural hedge, and with highly probable volumes, the risks may be netted, and the remaining risk position hedged. Whenever this is not the case, the Group recognizes the risk arising from pricing discrepancies between sales and procurement contracts and hedges the risks separately. The Group has hedged the commodity risk arising from price index difference between purchase and sales contracts with commodity derivatives. For commodity hedging, Portfolio Management & Trading executes forwards, futures and option derivatives in both OTC and organized exchange markets.

The gas businesses consume significant amounts of electricity in their processes, resulting in price risk when there are changes in the price of electricity. Electricity price risk hedging has therefore taken place in the Group with derivatives.

The Group has applied hedge accounting to commodity derivatives since the 2018 financial year to hedging against the commodity risk arising from purchase and sales agreements of the LNG business and to hedging in the Group's electricity procurement. Hedge effectiveness is examined at the inception of the hedge relationship and continuously during the hedge relationship. Ineffectiveness is as a general rule not expected to arise because the instruments match the purchase and sales agreements both in terms of their market risk component as well as their maturities. The nominal value of commodity derivatives included in hedge accounting was €18.9 million at the date of the financial statements (2019: €87.9 million). The nominal value of commodity derivatives not included in hedge accounting was €558.3 million at the date of the financial statements (2019: €218.8 million).

Significant changes in market conditions and resulting impacts on hedge relationships included in hedge accounting are evaluated continuously as regards forecast future transactions so that the economic relationship between the hedging instrument and the hedged item remains effective.

During the reporting period, Portfolio Management unit bought and sold long-term wind power purchase agreements, which are recognized by the Group as IFRS9 derivative contracts on the balance sheet. The open position arising from these PPA's were 1.96 TWh at the end of the reporting period.

SENSITIVITY ANALYSES FOR COMMODITY RISK

Sensitivity analyses for significant commodity risks are presented in the following table. At the end of the reporting period, the Group had significant cash flow hedges for TTF-based sales and propane-based procurement. In the calculation of commodity price risk, the position includes outstanding derivatives with external counterparties. The impact in euros of the increase or decrease in the price of each commodity on the Group's income statement and hedge reserve after tax is presented in the table below. The figures are based on the assumption that there has been a 10% increase/decrease in commodity price while all other variables have been held constant. The figures do not present the real impact on the Group's income statement because they do not include the mirror fair value change of the hedged item.

Sensitivity to commodity risk, € million:	31.12.2020	31.12.2019
Impact of 10% increase in gas and propane prices on profit	-8.5	-2.8
Impact of 10% increase in gas and propane prices on hedge reserve	0.5	-0.5
Impact of 10% decrease in gas and propane prices on profit	8.5	2.8
Impact of 10% decrease in gas and propane prices on hedge reserve	-0.5	0.5
Impact of a 10% increase in oil prices on profit	0.7	0
Impact of a 10% decrease in oil prices on profit	-0.7	0
Impact of a 10% increase in power prices on profit	6.7	0.3
Impact of a 10% increase in power prices on hedge reserve	0.9	0.6
Impact of a 10% decrease in power prices on profit	-6.7	-0.3
Impact of a 10% decrease in power prices on hedge reserve	-0.9	-0.6

INTEREST RATE DERIVATIVES AND RISKS

The Group's business is capital intensive. The current long- and short-term portfolio consists of bank financing. All loans are euro-denominated. Primary methods employed to finance seasonal fluctuations in working capital are internal financing, working capital management, commercial papers and overdraft facilities. Of the Group's interest-bearing debt to financial institutions, 100% is based on variable interest rates, resulting in interest-rate price risk for the Group (2019: 100%). Gasum strives to reduce the fluctuation of interest expenses in the statement of income by using derivative financial instruments to hedge some of its interest payments within the limits set by the Treasury Policy. Interest rate caps and floors and interest rate swaps have been used as hedging instruments for the variable interest rates paid by the Group on borrowings. The Group did not apply hedge accounting to interest rate derivatives in 2020 and therefore the euro area reference rate reform is not expected to affect the interest rate derivatives portfolio. Strategies for interest-rate risk management are continuously developed in order to find an optimal ratio between risks and hedging expenses. The funding has been raised only for the parent entity.

Interest rate derivatives are used to hedge against the interest rate risk of the Group's borrowings based on variable interest rates. As at December 31, 2020 the nominal values of the outstanding interest rate derivatives were €517.5 million (2019: €199.2 million). Gains and losses on interest rate swaps are recognized in the consolidated income statement as financial items. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on market-priced yield curves. The Group's interest rate risk is managed with the Treasury Policy, which sets the minimum and maximum limits in terms of amount and time for interest rate hedges in proportion to loans. According to the Treasury Policy, the average maturity of the debt portfolio should be more than 2 years. For interest rate derivatives, the Treasury Policy sets the limits for both the hedging rate (50–100%) as well as the interest rate fixation (6–24 months).

At December 31, 2020 the Group's interest-bearing liabilities totaled €610.7 million (2019: €423.6 million). Interest-bearing liabilities include loans from financial institutions and finance lease liabilities. The average duration of Gasum's debt portfolio at the end of 2020 was 1.5 years (2019: 2.5 years). The average duration of Gasum's interest-rate hedge portfolio was 9.0 months (2019: 13.7 months).

The interest rate risk of the Group's borrowings based on variable interest rates is as follows:

€ thousand

31.12.2020	Loans from financial institutions	Floating rate debt	Derivative financial instruments
Nominal value	405,302	405,302	517,500

€ thousand

31.12.2019	Loans from financial institutions	Floating rate debt	Derivative financial instruments
Nominal value	229,411	229,411	199,235

SENSITIVITY ANALYSES FOR INTEREST RATE RISK

Interest rate sensitivity is analyzed by presuming an increase of 1 percentage point in market rates and examining its impact on Group performance. The impact on performance arises from the interest rate risk and changes in the fair value of interest rate derivatives at present. All loans from financial institutions and interest rate derivatives at period-end are included in the calculation. The impact of taxes is excluded from the sensitivity analysis.

Sensitivity to interest rate risk, € million:	31.12.2020	31.12.2019
Impact on profit/loss of increase of 1 percentage point in market interest rates	0.1	-2.2
Of which the impact of interest expenses of borrowings	-4.4	-4.5
Of which changes in the market value of interest rate derivatives	4.5	2.3
Impact on profit/loss of decrease of 1 percentage point in market interest rates	0.0	-2.1
Of which the impact of interest expenses of borrowings	0.2	0.2
Of which changes in the market value of interest rate derivatives	-0.1	-2.3

CURRENCY DERIVATIVES AND FOREIGN CURRENCY RISKS

The Group's foreign currency risk is managed with the Treasury Policy. Transaction risks are hedged at the local level in the reporting currency of each company to avoid transaction differences in the income statement. The transaction position is divided into balance sheet and cash flow positions. The Treasury Policy sets the boundaries for the foreign currency risks of the cash flow position in terms of time and amount. The cash flow position consists of already agreed or forecast items and cash flows denominated in a foreign currency over the following 24 months. As a general rule, balance sheet foreign currency risk is hedged fully, and the outstanding transaction position mandate is €10 million. Translation risk hedging does not take place as a general rule.

The Group's operating cash flows are primarily denominated in euro. In addition, in the Group's Norwegian and Swedish subsidiaries the functional currency of which is euro, expenses are incurred in local currencies that are not netted against corresponding currency-denominated revenues. These expenses expose the Group to foreign currency risk, which is primarily hedged with either forwards or options. At December 31, 2020 the nominal values of the outstanding currency derivatives totaled €124.1 million (2019: €155.3 million). The fair value of currency derivatives is calculated on the basis of observable forward prices and volatilities of currencies. The Group has in part applied hedge accounting to currency derivatives during the 2020 reporting period. Hedge effectiveness is examined at the inception of the hedge relationship and continuously during the hedge relationship. The nominal value of commodity derivatives included in hedge accounting was €11.2 million at the date of the financial statements (2019: €0.0 million).

The euro has been determined as the functional currency of some of the Group's subsidiaries operating outside the euro area. The euro-denominated transactions of these companies do not give rise to foreign currency risk for the Group. Subsidiaries for which a local currency has been determined as the functional currency give rise to foreign currency risk if the currency of a transaction is other than the functional currency. Foreign currency risks of subsidiaries with a local currency are hedged in accordance with the Treasury Policy.

The Group's foreign currency risk is presented below by currency pair. Foreign currency risk includes financial assets and liabilities in the currency pair in question, cash, internal borrowings, and trade receivables and payables in the balance sheet.

Currency risk against EUR, € thousand	NOK	SEK	GBP	USD	DKK	Total
December 31, 2020	13,074	2,116	191	3,238	32	18,651
December 31, 2019	15,538	3,204	145	-2,379	-203	16,305

SENSITIVITY ANALYSES FOR FOREIGN CURRENCY RISK

Sensitivity to foreign currency risk has been calculated in Group profit or loss using a 10% change in rate. The most significant foreign currency risks in Gasum's business and financing relate to NOK and SEK. The impact of taxes is excluded from the sensitivity analysis.

Sensitivity to currency risk, € million:	31.12.2020	31.12.2019
Appreciation of NOK by 10%	1.3	1.7
Of which impact on the hedge reserve for the period	0.9	
Depreciation of NOK by 10%	-1.3	-1.4
Of which impact on the hedge reserve for the period	-0.7	
Appreciation of SEK by 10%	-0.8	1.5
Of which impact on the hedge reserve for the period	0.4	
Depreciation of SEK by 10%	-0.7	-2.9
Of which impact on the hedge reserve for the period	-0.3	
Appreciation of USD by 10%	0.3	-0.3
Depreciation of USD by 10%	-0.3	0.2

CREDIT RISK

The Gasum Group's credit risk management process and division of responsibilities are determined in the Gasum credit risk policy, according to which the examination and control of credit risks is centralized under the Group Risk Management unit. According to the credit risk policy, the credit rating of all new counterparties is checked prior to commencing business with them and monitored regularly. Credit loss risk has been analyzed in accordance with IFRS 9. Credit losses incurred from trade receivables have been immaterial and no expected credit losses have been recognized for trade receivables.

As a rule, the Group's customers have a high credit rating. With the number of gas-fueled vehicles increasing, the significance of credit risk related to transport customers increases, although in monetary terms the credit risk pertaining to transport customers was immaterial in 2020. The Portfolio Management & Trading and the Group Treasury units aim to spread the counterparty risk in derivatives trading by concluding contracts with counterparties with a sufficiently high credit rating.

LIQUIDITY RISK

Liquidity risk refers to the risk relating to the Group's ability to meet its monetary obligations. Liquidity risk management seeks to ensure access to financing and low financing costs. The Group manages the liquidity risk by maintaining a sufficient liquidity reserve. At the date of the financial statements on December 31, 2020 the company had a sufficient liquidity reserve to cover its liquidity needs, with the committed overdraft limit remaining undrawn amounting to a total of €160 million (2019: €220 million).

The Group's borrowings are subject to a financial covenant of a borrowing facility concerning the gearing ratio, which is reported to providers of finance on a quarterly basis. No breaches of the Group's covenant occurred during the reporting period.

The following table presents the Group's non-derivative financial liabilities and derivative financial liabilities divided into relevant maturity groupings at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity of derivative financial assets is also disclosed.

Maturity of non-derivative and derivative financial liabilities:

€ thousand

December 31, 2020	Less than 1 year	1–2 years	2–5 years	5+ years	Total
Loans from financial institutions		344,833			344,833
Trade payables	82,389				82,389
Derivative financial instruments (no hedge accounting)	147,843	6,041	6,064	145	160,093
Derivative financial instruments (included in hedge accounting)	11,712	1,751	248	0	13,711
Financial lease liabilities	13,289	7,045	23,927	161,119	205,379
Used overdraft facilities	60,469				60,469
Interest payments	2,546	2,532			5,078
Total	**318,248**	**362,202**	**30,239**	**161,264**	**871,953**

€ thousand

December 31, 2019	Less than 1 year	1–2 years	2–5 years	5+ years	Total
Loans from financial institutions			229,411		229,411
Trade payables	74,466				74,466
Derivative financial instruments (no hedge accounting)	102,352	5,168	705	0	108,225
Derivative financial instruments (included in hedge accounting)	6,535	0	60	0	6,594
Lease liabilities*	7,775	7,619	21,385	157,442	194,222
Used overdraft facilities	613	0	0	0	613
Interest payments	1,686	1,667	1,667	0	5,020
Total	**193,427**	**14,454**	**253,228**	**157,442**	**618,551**

* Includes interest effect

Maturity of derivative financial assets:

€ thousand

December 31, 2020	Less than 1 year	1–2 years	2–5 years	5+ years	Total
Derivative financial instruments (no hedge accounting)	133,086	6,756	5,132	1,517	147,213
Derivative financial instruments (included in hedge accounting)	13,058	1,623	8	0	14,688
Total	**146,864**	**8,379**	**5,140**	**1,517**	**161,902**

€ thousand

December 31, 2019	Less than 1 year	1–2 years	2–5 years	5+ years	Total
Derivative financial instruments (no hedge accounting)	115,402	7,453	103	1	122,958
Derivative financial instruments (included in hedge accounting)	14,209	267	49	1	14,526
Total	**129,611**	**7,720**	**152**	**3**	**137,485**

4.3. Financial instruments

Accounting policies

Financial assets

The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit or loss (or through other comprehensive income) and financial assets measured at amortized cost. The classification is based on the business model employed for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading and investments that the Group has decided not to recognize through other comprehensive income. Financial assets are classified as current unless they mature in more than 12 months after the end of the reporting period.

In addition, derivative financial instruments to which hedge accounting is not applied are classified as financial assets at fair value through profit or loss. The fair value of derivatives is determined on the basis of published price quotations. As regards commodity and foreign currency derivatives, fair value gains and losses are presented under other operating expenses/income, and derivatives hedging financial items under financial items.

Financial assets at amortized cost

Gasum classifies its financial assets as at amortized cost if both of the following criteria are met: The asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets classified as at amortized cost include loans and other receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables are classified as current unless they mature in more than 12 months after the end of the reporting period, which is when they are classified as non-current.

Cash and cash equivalents include cash on hand and in bank accounts. Overdraft facilities are included in other current liabilities presented under current liabilities.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses associated with trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on historical credit losses and reflect current and forward-looking information on circumstances. Credit losses incurred from trade receivables have been immaterial and no expected credit losses have been recognized for trade receivables.

Financial liabilities

The Group's financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial assets measured at amortized cost. Financial liabilities are classified as current unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period, which is when they are classified as non-current.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial instruments to which hedge accounting is not applied. Realized or unrealized gains and losses attributable to movements in the fair value of derivatives are recorded in the statement of profit or loss for the period during which they were acquired or incurred.

Financial liabilities at amortized cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method. Transaction costs are included in the original book value of financial liabilities.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into by the Group and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss from re-measurement at fair value depends on the designation of the derivative contract.

The Group uses derivatives to hedge against financial and business risks in accordance with the Commodity Risk and Treasury Policy adopted by the Group. Unrealized fair value movements of derivatives are recorded through profit or loss (or through other comprehensive income) at the end date of each reporting period. Gasum has an ISDA or a corresponding master agreement with each derivative counterparty.

Derivative financial instruments to which hedge accounting is not applied are classified as financial items at fair value through profit or loss and gains and losses from their fair value movements are, for commodity derivatives, recorded in other operating income or expenses and, for interest rate derivatives, in finance income or costs for the period during which they were acquired or incurred. Changes in the fair values of foreign currency derivatives taken to hedge exchange rate movements of items denominated in foreign currency are recognized in the income statement as other operating income/expenses. Changes in the fair values of foreign currency derivatives taken to hedge the Group's internal borrowings are recognized through profit and loss in financial income or loss. Changes in the fair values of derivatives for future purchases of electricity are recognized in the income statement as purchases of materials. At the reporting date, instruments with a positive fair value have been recognized in the balance sheet as assets and instruments with a negative fair value as liabilities. Items which mature in more than 12 months are recorded in non-current receivables and liabilities and those which mature earlier in current receivables and liabilities.

The Group may apply hedge accounting to risk components that qualify for hedge accounting as determined by IFRS 9. Such items include interest payable on borrowings, open foreign currency positions, commodity sourcing and structured sales agreements. Hedge accounting may be applied to commodity derivatives if price dependence and quantity of predicted cash flows are certain. Fair value hedge accounting is applied to derivatives hedging the Group's fixed-price sales agreements. The fair value of these sales agreements is recognized on the balance sheet as assets and changes in the corresponding assets as gains or losses in profit or loss. The fair value of derivatives hedging fixed-price sales agreements is presented on the balance sheet as liabilities or receivables and changes in value are recognized in profit or loss. Those derivative financial instruments to which cash flow hedge accounting is applied are recognized in the fair value reserve under other comprehensive income. Gains and losses from derivatives accumulated in equity are recognized in the income statement as income or expenditure for the financial year during which the hedged item is recorded in the income statement. When applying hedge accounting to a derivative, the Group documents, at the inception of the hedge relationship, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy. This process connects hedging instruments to the related assets or liabilities, forecast transactions or binding contracts. The Group documents its assessment of hedge effectiveness at the inception of a hedge relationship and monitors effectiveness continuously during the hedge relationship. Whenever a hedging relationship included in hedge accounting no longer meets the criteria for hedge accounting status, then new hedges for the same underlying risk are recognized directly through profit and loss. Previous hedges are recognized through other comprehensive income until maturity.

FINANCIAL INSTRUMENTS BY CATEGORY

€ thousand

December 31, 2020	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	Total
Assets as per balance sheet:				
Other investments at fair value through profit or loss	50			50
Derivative financial instruments (no hedge accounting)	47,434			47,434
Gas	30,794			
Oil	664			
Power	11,059			
Interest rate	3,866			
Foreign exchange	738			
EUA	313			
Derivative financial instruments (included in hedge accounting)		3,438		3,438
Gas		2,462		
Power		268		
Foreign exchange		708		
Trade and other receivables			165,264	165,264
Other non-current assets			207	207
Cash and cash equivalents			13,038	13,038
Total	**47,484**	**3,438**	**178,508**	**229,430**

€ thousand

December 31, 2019	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	Total
Assets as per balance sheet:				
Other investments at fair value through profit or loss	56			56
Derivative financial instruments (no hedge accounting)	25,381			25,381
Gas	23,566			
Oil	190			
Power	1,341			
Interest rate				
Foreign exchange	284			
Derivative financial instruments (included in hedge accounting)		14,526		14,526
Gas		14,343		
Power		183		
Trade and other receivables			153,133	153,133
Other non-current assets			1,542	1,542
Cash and cash equivalents			1,852	1,852
Total	**25,437**	**14,526**	**156,527**	**196,491**

€ thousand

December 31, 2020	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	Total
Liabilities as per balance sheet:				
Loans			344,833	344,833
Financial lease liabilities			137,129	137,129
Derivative financial instruments (no hedge accounting)	60,247			60,247
Gas	40,718			
Oil	289			
Power	10,200			
Interest rate	6,065			
Foreign exchange	2,814			
EUA	161			
Derivative financial instruments (included in hedge accounting)		2,509		2,509
Gas		1,296		
Oil				
Power		1,204		
Foreign exchange		9		
Trade and other current payables			100,262	100,262
Other non-current liabilities			48,192	48,192
Total	**60,247**	**2,509**	**630,416**	**693,172**

€ thousand

December 31, 2019	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	Total
Liabilities as per balance sheet:				
Loans			229,411	229,411
Lease liabilities			194,222	194,222
Derivative financial instruments (no hedge accounting)	9,313			9,313
Gas	2,715			
Oil	357			
Power	1,582			
Interest rate	1,385			
Foreign exchange	3,274			
Derivative financial instruments (included in hedge accounting)	473	6,122		6,594
Gas	471	4,920		
Oil	0	778		
Coal	1			
Power		424		
Trade and other current payables			153,878	153,878
Bank overdraft facility			4,484	4,484
Total	**9,786**	**6,122**	**581,995**	**597,903**

The table below presents commodity derivatives by type of contract. Commodity derivatives comprise oil, gas and electricity derivatives. Commodity derivatives included in hedge accounting at year-end 2020 hedge the purchase agreements of the LNG business. In addition, the Group has electricity derivatives used to hedge the company's electricity sourcing.

Commodity derivatives December 31, 2020	Volume 2021 MWh	Volume 2021 MT	Volume 2021 Bbl	Fair value 2021 Net, € thousand	Volume 2022 MWh	Volume 2022 MT	Volume 2022 Bbl	Fair value 2022 Netto, 1000 €
Sales agreements – Gas								
No hedge accounting	-12,427,780	-7,500	0	-35,915	-2,360,240	0	0	-1,913
Included in hedge accounting:	-180,000	0	0	-1,296	0	0	0	0
Cash flow hedging	-180,000			-14,554				
Fair value hedging								
Sales agreements – Oil								
No hedge accounting	0	0	-50,000	-289	0	0	0	0
Included in hedge accounting:	0	0	0	0	0	0	0	0
Cash flow hedging								
Fair value hedging								
Sales agreements – Power								
No hedge accounting	-1,407,089			-4,191	-430,930			-937
Included in hedge accounting:	0	0	0	0	0	0	0	0
Cash flow hedging								
Fair value hedging								
Total	**-14,014,869**	**-7,500**	**-50,000**	**-41,691**	**-2,791,170**	**0**	**0**	**-2,850**
Purchase agreements – Gas								
No hedge accounting	5,902,845	108,000		25,702	522,525	67,500		2,202
Included in hedge accounting:	508,995	0	0	2,463	0	0	0	0
Cash flow hedging	459,000			2,256				
Fair value hedging	49,995			206				
Purchase agreements – Oil								
No hedge accounting			84,000	504			144,000	160
Included in hedge accounting:	0	0	0	0	0	0	0	0
Cash flow hedging								
Fair value hedging								
Purchase agreements – Power								
No hedge accounting	1,311,437			2,720	515,032			626
Included in hedge accounting:	122,640	0	0	-487	132,451	0	0	-209
Cash flow hedging	122,640			-487	132,451			-209
Fair value hedging								
Total	**7,845,917**	**108,000**	**84,000**	**30,902**	**1,170,009**	**67,500**	**144,000**	**2,779**

Commodity derivatives December 31, 2019	Volume 2020 MWh	Volume 2020 MT	Volume 2020 Bbl	Fair value 2020 Net, € thousand	Volume 2021 MWh	Volume 2021 MT	Volume 2021 Bbl	Fair value 2021 Net, € thousand
Sales agreements – Gas								
No hedge accounting	-3,695,251	-6,000		15,599	-2,601,765	-3,000		3,496
Included in hedge accounting:	-2,308,208	-5,615	0	13,431	0	0	0	0
Cash flow hedging	-2,308,208	-5,615		13,431	0	0		0
Fair value hedging								
Sales agreements – Oil								
No hedge accounting			-120,000	-350				
Included in hedge accounting:	0	0	0	0	0	0	0	0
Cash flow hedging								
Fair value hedging								
Sales agreements – Power								
No hedge accounting	-328,256			1,191	-94,077			3
Included in hedge accounting:	-26,352	0	0	-364	0	0	0	0
Cash flow hedging	-26,352			-364				
Fair value hedging								
Total	**-6,358,067**	**-11,615**	**-120,000**	**29,508**	**-2,695,842**	**-3,000**	**0**	**3,499**
Purchase agreements – Gas								
No hedge accounting	182,280	111,856		827	0	79,000		929
Included in hedge accounting:	1,907,770	5,101	0	-5,525	114,000	0	0	267
Cash flow hedging	1,836,508	4,360		-5,053	114,000	0		267
Fair value hedging	71,262	741		-473	0	0		0
Purchase agreements – Oil								
No hedge accounting			120,000	183				
Included in hedge accounting:	0	0	820	0	0	0	0	0
Cash flow hedging								
Fair value hedging			820			0	0	
Purchase agreements – Power								
No hedge accounting	293,161			-1,379	199,941			-55
Included in hedge accounting:	93,951	0	0	133	131,424	0	0	-10
Cash flow hedging	93,951			133	131,424			-10
Fair value hedging								
Total	**2,477,162**	**116,957**	**120,820**	**-5,762**	**445,365**	**79,000**	**0**	**1,131**

FAIR VALUE ESTIMATION

Financial instruments valued at fair value are classified according to the valuation method. The hierarchy levels used have been determined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
c) Level 3: inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs)

€ thousand Derivative financial instruments	At December 31, 2020 Assets	 Liabilities	At December 31, 2019 Assets	 Liabilities
Commodity derivatives (hierarchy level 1)	14,336	26,821	931	1,138
Commodity derivatives (hierarchy level 2)	28,614	26,723	38,695	10,209
Commodity derivatives (hierarchy level 3)	2,610	323		
Interest rate derivatives (hierarchy level 2)	3,866	6,065	0	1,287
Currency derivatives (hierarchy level 2)	1,446	2,824	284	3,274
Total	**50,872**	**62,756**	**39,907**	**15,908**
Less non-current portion:				
Commodity derivatives (hierarchy level 1)	1,456	1,866	50	60
Commodity derivatives (hierarchy level 2)	3,270	2,818	5,495	954
Commodity derivatives (hierarchy level 3)	2,605	322		
Interest rate derivatives (hierarchy level 2)	3,866	6,065	0	1,284
Currency derivatives (hierarchy level 2)	80	44	11	0
Non-current portion	**11,277**	**11,115**	**5,556**	**2,298**
Current portion	**39,595**	**51,641**	**34,351**	**13,610**

In addition to derivative financial instruments, the Group has approximately €50 thousand in investments recognized at fair value on the balance sheet which have been classified as falling under level 3 in the hierarchy. These have not been analyzed further because the item is not material.

Commodity derivatives classified to level 3 are presented in the table below. Power Purchase Agreements (PPA) are long-term supply contracts of electricity and are recognized as commodity derivatives.

€ thousand Commodity derivatives level 3	At December 31, 2019	Losses	Gains	Fair value through profit or loss	Transfers To level 3	From level 3	Fair value through other comprehensive income	At December 31, 2020
Power Purchase Agreements	-	-323	2,610	-	-	-	-	2,287
Total	**-**	**-323**	**2,610**	**-**	**-**	**-**	**-**	**2,287**

Power Purchase Agreements are recognized at fair values by calculating the discounted difference of the selling price defined in the contract and predicted electricity price. A discount rate amounting to 3% has been used in determining the fair values of Power Purchase Agreements. The forecast for purchase price of electricity in 2021–2024 is based on reference prices in EPAD-contracts, in 2025–2030 on system price predictions and 2031–2032 on Gasum management view on price development. The fair values of Power Purchase Agreements are prone to both changes in price forecasts and price forecast becoming available for a period where previously an internal forecast was used instead.

OFFSETTING OF DERIVATIVE FINANCIAL INSTRUMENTS

Gasum's derivative transactions involve a valid master agreement (e.g. ISDA, EFET or FK master agreement for derivatives trading) with each counterparty the derivatives falling under the scope of a master agreement can be netted in conditional circumstances such as default or bankruptcy. The Group does not have any other offsetting agreements than those related to derivatives. The fair values of derivatives are reported gross on the balance sheet. The following table presents the recognized derivative financial instruments that are offset or subject to netting agreements but not offset. The column 'net amount' shows the impact on the Group's balance sheet if set-off rights were exercised.

€ thousand

Offsetting of derivative financial instruments December 31, 2020	Gross amounts of recognized financial instruments in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Financial assets			
Derivative financial instruments			
Interest rate derivatives	3,866	3,866	0
Commodity derivatives	45,560	37,066	8,494
Currency derivatives	1,446	1,312	135
Total	**50,872**	**42,244**	**8,629**
Financial liabilities			
Derivative financial instruments			
Interest rate derivatives	6,065	3,866	2,199
Commodity derivatives	53,867	37,066	16,801
Currency derivatives	2,824	1,312	1,512
Total	**62,756**	**42,244**	**20,512**

€ thousand

Offsetting of derivative financial instruments December 31, 2019	Gross amounts of recognized financial instruments in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Financial assets			
Derivative financial instruments			
Commodity derivatives	39,623	10,194	29,429
Currency derivatives	284	284	0
Total	**39,907**	**10,478**	**29,429**
Financial liabilities			
Derivative financial instruments			
Interest rate derivatives	1,287	0	1,287
Commodity derivatives	11,347	10,194	1,153
Currency derivatives	3,274	284	2,991
Total	**15,908**	**10,478**	**5,431**

4.4. Equity

Accounting policies

Equity
The Group classifies issued equity instruments on the basis of their nature into either equity or financial liabilities. An equity instrument is any contract which contains the right to the entity's assets after deducting all its liabilities. Transaction costs directly attributable to the issue or redemption of shares are shown in equity as a deduction from the proceeds. Dividend distribution proposed by the Board of Directors is not deducted from the distributable equity prior to the approval of the company's general meeting of shareholders.

Share capital	Number of Series A shares	Number of Series K shares	Total number of shares	Share capital (€ thousand)
December 31, 2020	50,200,000	2,800,001	53,000,001	10,000
December 31, 2019	50,200,000	2,800,001	53,000,001	178,279

The company's share capital is divided into Series A and Series K shares. There are 50,200,000 Series A shares and 2,800,001 Series K shares. According to the Articles of Association, there are a minimum of 30,000,000 and a maximum of 120,000,000 Series A shares. In addition to Series A shares, there is a minimum of 1 Series K share. The demerger did not affect the company's share series, amounts or rights.

A Series K share carries ten votes and a Series A share one vote at general meetings of shareholders. A holder of a Series K share has the right to demand that the share be converted to a Series A share by notifying the company's Board of Directors thereof.

The demerger of Gasum Ltd and the related unbundling of the transmission business on January 1, 2020 affected the share capital in a manner whereby the acquiring company, Gasgrid Finland Oy, received share capital at €10,000,000.00 while at the same time the share capital of Gasum Ltd was reduced to €10,000,000.00 and the difference was transferred to the reserve for invested unrestricted equity.

DIVIDENDS

Dividend distribution proposed by the Board of Directors is not deducted from the distributable equity prior to the approval of the company's general meeting of shareholders. The dividend paid on the basis of the financial statements for the 2019 financial year was €0.3774 per share.

4.5. Fair value reserve

Accounting policies

The fair value reserve contains the changes in fair value for instruments used in cash flow hedging that are effective and met the conditions for hedge accounting. Changes in the fair values of items are recognized in comprehensive income and any ineffective portion is recognized immediately in profit or loss. Any cumulative change in the fair value of cash flows is recognized in the income statement when the corresponding estimated future cash flow is recognized in profit or loss. Changes in fair values moved to the income statement pertain in the balance sheet to other operating income and expenses and, as regards the Group's electricity position, materials and purchases.

€ thousand

Fair value reserve	Gas derivatives	Power derivatives	Currency derivatives	Total
December 31, 2018	-2,147			-2,147
Cash flow hedges in other comprehensive income	14,646	-351		14,295
Cash flow hedges transferred to profit or loss	-1,674	35		-1,639
Cash flow hedges, reclassified	-1,643			-1,643
Deferred tax assets related to cash flow hedges	-2,266	59		-2,207
December 31, 2019	**6,916**	**-257**		**6,660**
Cash flow hedges in other comprehensive income	1,593	-2,850	483	-773
Cash flow hedges transferred to profit or loss	-9,279	1,314	215	-7,750
Deferred tax assets related to cash flow hedges	1,537	128	-140	1,526
December 31, 2020	**768**	**-1,665**	**559**	**-338**

Amounts for gas and electricity derivatives recognized through profit and loss:

€ thousand

	2020	2019
Net profit/loss from derivatives included in Other operating income/expenses	-9,064	-1,674
Reclassified net profit/loss from derivatives included in Other operating income/expenses		-1,643
Net profit/loss from derivatives included in Materials and services	1,314	35
At December 31	**-7,750**	**-3,282**

4.6. Loans

Accounting policies

Loans

The fair value of the current loans equals their carrying amount as the impact of discounting is not significant. The non-current loans are based on variable interest rates and recognized in the financial statements at fair value. Transaction costs have been added to the fair value of loans using the effective interest method.

€ thousand

Loans	2020	2019
Non-current:		
Loans from financial institutions	344,833	229,411
Total	**344,833**	**229,411**
Current:		
Loans from financial institutions	0	0
Total	0	0
Total loans	**344,833**	**229,411**

All loans from financial institutions are euro-denominated bank loans that mature during 2022.

4.7. Other non-current liabilities

€ thousand

Other non-current liabilities	2020	2019
Lease liabilities – non-current portion	192,090	186,005
Participation fee revenue recognition liability	0	0
Total	**192,090**	**186,005**

Further information on the classification of finance lease liabilities is presented in Note 4.2 Financial risk management.

The gross minimum lease payments of lease liabilities mature as follows:

€ thousand

Maturity of minimum lease payments	2020	2019
No later than 1 year	15,157	11,537
Later than 1 year and no later than 5 years	49,219	43,474
Later than 5 years	280,049	277,805
Total	**344,425**	**332,816**

€ thousand

Maturity of net present value of minimum lease payments	2020	2019
No later than 1 year	14,535	11,063
Later than 1 year and no later than 5 years	41,150	36,347
Later than 5 years	149,694	148,495
Total net present value of minimum lease payments	205,379	195,905
Future finance costs	139,045	136,911
Total	**344,425**	**332,816**

Total outgoing cash flows relating to lease agreements amounted to €21,221 thousand in 2020 (€21,175 thousand in 2019).

5 Other notes

5.1. Business acquisitions and disposals

ACQUISITIONS IN 2020

On April 30, 2020 Gasum closed the acquisition of Linde AG's Clean Energy business in Sweden and Norway as well as Nauticor's Marine Bunkering business in Germany following approval of the acquisition by the German competition authorities.

With the acquisition, Gasum aims to support its growth strategy through increased LNG logistics capacity and gas filling station network expansion in the Nordic countries. The acquired businesses employ around 35 persons and their annual revenue exceeds €100 million.

The following PPE items were acquired in the transactions:

- LNG terminals in Sweden and Norway
- Bunkering vessels Seagas in Sweden and Kairos in Germany
- 48 gas filling stations in Sweden and Norway

The final consideration paid, or the balance sheet acquired are not published according to the Agreement. The consideration was paid in cash on the closing date.

The costs at €6.5 million relating to the acquisition are included in other operating costs in the consolidated balance sheet and in operating cash flow in the cash flow statement.

On October 31, 2020 Gasum signed an agreement on the acquisition of the entire share capital of Skövde Biogas AB from Torran Gas Holding AB. Under the agreement concluded between Gasum and Torran Gas Holding AB, the Skövde biogas plant and its business, including agreements, were transferred to Gasum on October 31, 2020. The plant comprised the Skövde biogas plant building, including process equipment. The transaction enables significant increases in the plant's production capacity. The transaction was not of material significance to the financial result or position of the Gasum Group

DISPOSALS IN 2020

There were no business disposals during the financial year 2020.

ACQUISITIONS IN 2019

On November 13, 2019 Gasum Ltd signed an agreement on the acquisition of AGA's Clean Energy business and Nauticor's Marine Bunkering business from Linde AG. In the transaction, an LNG production plant, two LNG terminals, two LNG bunkering vessels and a total of 48 gas filling stations in Sweden and Norway was to be transferred to Gasum's ownership. The transaction was subject to approval by the competition authorities and was anticipated to be completed during 2020.

The transaction was to take Gasum's strategy forward by advancing the development of the Nordic gas market and further expanding the offering of energy solutions for industrial as well as road and maritime transport needs. It was also to speed up the implementation of Gasum's growth strategy focusing on cleaner transport solutions in the Nordic countries in particular.

On May 17, 2019 Gasum completed the acquisition of the Mäkikylä biogas plant from Kouvolan Vesi Oy in Finland. Under the agreement concluded between Gasum and Kouvolan Vesi, the Mäkikylä biogas plant and its business, including agreements, were transferred to Gasum on June 17, 2019. The plant consists of a biogas plant building and process equipment located in conjunction with the Mäkikylä wastewater treatment facility. The transaction enabled investments in significant increases in the plant's production capacity. The transaction was not of material significance to the financial result or position of the Gasum Group.

DISPOSALS IN 2019

On February 28, 2019 Gasum Ltd completed a transaction where it sold its 100%-owned subsidiary Gasum Tekniikka Oy to the industrial maintenance partner Viafin Service Oyj. The transaction made Gasum Tekniikka part of the Viafin Service Group. The arrangement was part of Gasum's strategy of focusing on the development of the gas market and energy infrastructure in the Nordic countries. The gains from the transaction were reported under other operating income.

On April 23, 2019 Gasum sold 33.3% of the shareholding of the Danish Green LNG A/S to Fjord Line Danmark A/S and Eniig Energi Naturgas A/S. Until the disposal, Green LNG A/S was consolidated into the Gasum Group as an associated company and the transaction did not have an impact on the Group's financial result or position.

In August 2019, Gasum and the Lithuanian exchange player UAB GET BALTIC signed an agreement under which Gasum sold the Suomen kaasupörssipalvelut gas exchange services business to UAB GET Baltic. Under the agreement, the Gasum-owned Gas Exchange Ltd ceased operations on January 1, 2020 and at the same time UAB GET Baltic began operations in Finland.

5.2. Discontinued operations

Accounting policies

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that is one of the following and that is one of the following: it represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement. The assets of discontinued operations and liabilities related to them are presented separately from other items.

As required under Finland's new Natural Gas Market Act, the gas transmission business was unbundled from the Gasum Group into a separate company on January 1, 2020. The ownership unbundling took place as a partial demerger so that the assets and liabilities related to the transmission business were transferred from the demerging separate entity Gasum Ltd to the new acquiring company. The name of the acquiring company is Gasgrid Finland Oy.

With regard to the transmission business, the Gasum Group owned the Finnish natural gas transmission pipelines and the gas interconnector pipeline project constructed between Finland and Estonia (Baltic Connector). The transmission business comprised the parent company Gasum Ltd's transmission business, Baltic Connector Ltd, Suomen Kaasunsiirtopalvelut Oy and Gas Exchange Ltd.

At its meeting of June 12, 2019, the Board of Directors of Gasum Ltd approved of the demerger plan and the demerger was registered on June 27, 2019. The demerged transmission business-related entity was disclosed as a discontinued operation in the financial statements of December 31, 2019. The figures related to the income statement disclosed in the financial statements, including the corresponding periods of 2019, only include the continuing operations. The balance sheet is reported in accordance with the IFRS 5 standard, and the figures for the reference period before the partial demerger include as discontinued operations the assets and liabilities transferred in the demerger disclosed using the one-line principle.

The below presents the results, transferred net assets and share of cash flows of the discontinued operations.

€ thousand

DISCONTINUED OPERATIONS	2020	2019
Net sales		202,162
Expenses		-113,600
Profit/Loss before taxes		**88,562**
Income taxes		-18,651
Profit/Loss for the period from discontinued operations		**69,911**

€ thousand

Net assets of discontinued operations	31.12.2020	31.12.2019
ASSETS		
Non-current assets		
Intangible assets		13,838
Property, plant and equipment		392,258
Other non-current assets		63
Total non-current assets		**406,159**
Current assets		
Inventories		3,266
Trade and other receivables		69,432
Cash and cash equivalents		12,686
Total current assets		**85,384**
Total assets		**491,543**

€ thousand

	31.12.2020	31.12.2019
LIABILITIES		
Non-current liabilities		
Loans		159,694
Other non-current liabilities		4,534
Derivative financial instruments		1,247
Deferred tax liabilities		36,989
Post-employment benefits		515
Total non-current liabilities		**202,980**
Current liabilities		
Loans		40,000
Trade and other payables		29,626
Total current liabilities		**69,626**
Total liabilities		**272,607**

€ thousand

Net cash flows from discontinued operations	2020	2019
Cash flow from operating activities		61,290
Cash flow from investing activities		-8,432
Cash flow from financing activities		-18,013
Net cash flow		**34,845**

5.3. Guarantees and commitments

€ thousand

Guarantees and commitments	2020	2019
Pledges	188	175
Contingent liabilities and other commitments	279,216	112,700
Total	**279,404**	**112,875**

Gasum Ltd is responsible for the sourcing and sea carriage for liquefied natural gas (LNG) under the long-term supply agreement between the co-venturers of the Tornio LNG terminal of Manga LNG Oy. Manga LNG Oy is a joint venture of its co-venturers and responsible for gas sourcing and LNG terminal service provision for the co-venturers. Gasum LNG Oy holds 25% of Manga LNG Oy and is responsible under its agreements for sourcing gas from Manga LNG Oy and its ownership-based share of the investment costs, administrative and operational costs of Manga LNG Oy and its subsidiary Manga Terminal Oy as well as costs of terminal services provided by Manga Terminal Oy. Manga LNG Oy and Gasum Ltd have agreed on the minimum annual volumes to be delivered. In case Manga LNG Oy does not use the minimum annual volumes required in the contract, it will pay a prepayment for the difference, which is recorded in Gasum's balance sheet after the actual payment.

RENTAL COMMITMENTS

Disclosed under rental commitments are leases where a substantial portion of the risks and rewards of ownership is retained by the lessor and which are charged to profit or loss on a straight-line basis over the period of the lease. Rental payments are determined on the basis of passage of time and the leases do not include call options or index linkages with a material impact on amount of rent. Rental commitments include operating leases to which exemptions concerning short-term or low-value leases enabled by the IFRS 16 Leases standard have been applied.

€ thousand

Rental commitments	2020	2019
Expiry no later than 1 year	1,130	222
Expiry later than 1 year and no later than 5 years	1,297	413
Expiry later than 5 years	23	0
Total	**2,450**	**636**

5.4. Group companies

The following table presents the Group companies and the Group's associated companies and joint ventures at December 31, 2020.

Parent company	Country of incorporation
Gasum Ltd	Finland

Subsidiaries	Country of incorporation	Group's ownership interest (%)	% of voting rights
Gasum Consulting Oy	Finland	100	100
Gasum LNG Oy	Finland	100	100
Gasum Portfolio Services Oy	Finland	100	100
Gasum AB	Sweden	100	100
Gasum Västerås AB	Sweden	98.7	98.7
Gasum Clean Gas Solutions Holding AB	Sweden	100	100
Gasum Clean Gas Solutions AB	Sweden	100	100
Skövde Biogas AB	Sweden	100	100
Gasum AS	Norway	100	100
Gasum Clean Gas Solutions AS	Norway	100	100
Gasum Oü	Estonia	100	100
Nauticor Beteiligungs-GmbH	Germany	100	100
Blue LNG GmbH & Co. KG	Germany	100	100
Blue LNG Beteiligungsgesellschaft GmbH	Germany	100	100

Joint ventures and associated companies		Country of incorporation	Group's ownership interest (%)	% of voting rights
Manga LNG Oy	Joint venture	Finland	25.0	25.0
Vadsbo Biogas AB	Joint venture	Sweden	50.0	50.0

5.5. Transactions with related parties

Related parties of the Group are (a) Gasum Ltd's associated companies and joint ventures; (b) senior management of the company, including members and secretary of the Board of Directors of Gasum Ltd, the CEO and members of the Gasum Management Team and their close family members and the enterprises over which they or their close family members have control; and (c) the owner of Gasum Ltd.

Gasum Ltd is the parent company of the Gasum Group. Transactions between the Group and subsidiaries have been eliminated in consolidation and are not included in the amounts of this note. Transactions with other companies included in related parties are specified in the table below, excluding the owner of Gasum Ltd, as Gasum is a government-related entity. Transactions with the related parties are carried out on market terms.

TRANSACTIONS WITH RELATED PARTIES

€ thousand

Transactions with related parties 2020	Sales of goods and services	Purchases of goods and services	Finance income and costs	Receivables	Liabilities
Joint ventures	32,059	7,459	0	3,838	1,427
Total	**32,059**	**7,459**	**0**	**3,838**	**1,427**

€ thousand

Transactions with related parties 2019	Sales of goods and services	Purchases of goods and services	Finance income and costs	Receivables	Liabilities
Joint ventures	32,495	4,626		3,153	8,328
Total	**32,495**	**4,626**	**0**	**3,153**	**8,328**

€ thousand

Management's employee benefits	2020	2019
Salaries and other short-term employee benefits	2,596	2,623
Other long-term benefits	0	27
Termination benefits	0	82
Post-employment benefits	206	457
Total	**2,802**	**3,189**

5.6. Legal proceedings and claims

Dispute concerning energy consumption taxation of Norwegian production plant activities

In July 2018, the company's Norwegian company Gasum LNG Production AS (merged with its parent company Gasum AS), which carries out LNG production plant activities, initiated legal proceedings at Stavanger District Court against the Norwegian Ministry of Trade, Industry and Fisheries concerning the statistical classification made by Norwegian authorities which has had a negative impact on the company's energy consumption taxation. In the legal proceedings, the company has made a claim for the refund of taxes paid, together with interest, in accordance with the higher classification in 2014–2018, as well as for compensation for legal costs. The District Court ruled in favor of the State of Norway on April 26, 2019. The company appealed against the judgement to a court of appeal, which in June 2020 ruled fully in favor of Gasum and obliged the State of Norway to compensate Gasum for taxes paid in excess at NOK 72,273,010 as well as interest and to compensate for the legal costs. The State of Norway was granted leave to appeal against the decision to the Supreme Court where the matter will be considered in April 2021. Gasum has recognized as receivable the too high paid taxes including interests and lawsuit costs for years 2014–2018.

Gasum's appeals to Market Court concerning decisions made by the Energy Authority on February 26, 2019 and March 15, 2019 and penalty fee propositions

In spring 2019, the company appealed to the Market Court on a decision made by the Finnish Energy Authority on February 26, 2019 on the application of the unbundling rules concerning the calculated unbundling of natural gas operations and on a decision relating to the same set of matters made by the Energy Authority on March 15, 2019 on corrective measures to the company's unbundling calculations regarding the financial statements for January 1 to December 31, 2018. In its claim lodged with the Market Court, Gasum seeks the partial annulment of the decision of February 26, 2019 and the full annulment of the decision of March 15, 2019. The company further claims that the Energy Authority be ordered to pay the company's legal costs. In its appeal, the company states that the Energy Authority's decisions are unfounded and in part contrary to the applicable laws. The company submits that the calculated unbundling principles applied by the company have been in compliance with the Natural Gas Market Act and there have been reasonable grounds for the amendment to the unbundling principles applied. The company further submits that, in its decision, the Energy Authority has erroneously found that the unbundling calculations presented by the company and made in accordance with the unbundling principles applied by it concerning natural gas operations would cause cross-subsidization between natural gas operations. The company further submits that the Energy Authority did not have any grounds for obliging the company to amend or correct financial statements information in the manner stated in the decisions nor the competence to prohibit the issue of the financial statements for January 1 to December 31, 2018 before the taking of the corrective measures. The above-mentioned decisions of the Energy Authority do not contain specific payment demands in euros against the company.

On July 17, 2020 the Energy Authority submitted to the Market Court that the court impose on Gasum a penalty fee for non-compliance with the unbundling provisions of the Natural Gas Market Act in conjunction with the demerger concerning the natural gas transmission network operations. The Energy Authority proposes that the amount of penalty fee be €79.7 million. In its response to the Market Court, Gasum has contested the Energy Authority's penalty fee proposal and submitted that the penalty fee cannot be proposed concerning the entries of the demerger plan and that the company has complied with all legislation and provisions concerning unbundling in the preparation of the demerger plan and in the unbundling of the network operations.

The Market Court is considering the pending appeal matters and the Energy Authority's penalty fee proposal together and is anticipated to rule earliest in the end of 2021 but likely during 2022.

Arbitration proceedings against Venator P&A Finland Oy

In spring 2020, the Gasum subsidiary Gasum LNG Oy filed arbitration proceedings against Venator P&A Finland Oy for failure by Venator to comply with its obligation to purchase the minimum quantity of gas under a natural gas supply agreement. The arbitration proceedings will take place in June 2021 and a decision will be received in late September 2021. Gasum has recorded as receivable the difference between delivered gas and Take-or-Pay commitment for years 2019 and 2020.

Further information is also provided in Note 1.5 Critical accounting estimates and judgmental items and, in more detail, in Note 2.1 Revenue.

5.7. Events after the reporting period

There have been no events after the reporting period to report.

FORMULAS FOR KEY FINANCIAL INDICATORS

$$\text{Equity ratio (\%)} = 100 \times \frac{\text{Total equity}}{\text{Balance sheet total – advances received}}$$

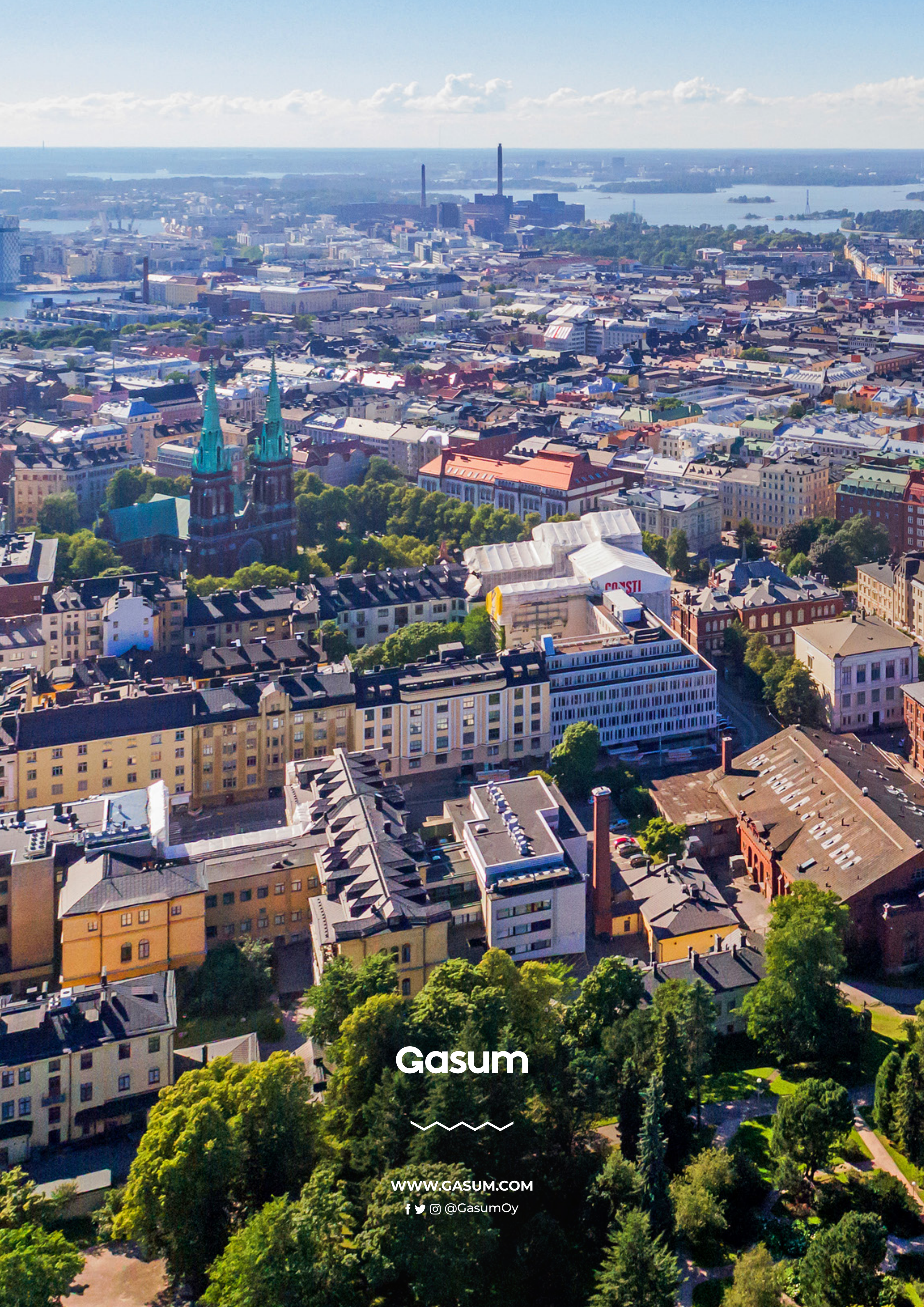
$$\text{Return on equity (\%)} = 100 \times \frac{\text{Profit for the period}}{\text{Total equity (average for the period)}}$$

$$\text{Return on investment (\%)} = 100 \times \frac{\text{Profit for the period + Finance costs}}{\text{Total equity + Interest-bearing debt (average for the period)}}$$

$$\text{Net interest-bearing debt} = \text{Interest-bearing debt - Cash and cash equivalents}$$

$$\text{Gearing ratio (\%)} = 100 \times \frac{\text{Interest-bearing debt - Cash and cash equivalents}}{\text{Total equity}}$$

$$\text{Net debt/EBITDA} = 100 \times \frac{\text{Interest-bearing debt - Cash and cash equivalents}}{\text{EBITDA}}$$



Gasum

WWW.GASUM.COM

@GasumOy