

GASUM GROUP
FINANCIAL RESULT
Q3 2020



Gasum

DEMAND FOR CLEANER GAS SOLUTIONS REMAINED STEADY

KEY FINANCIAL INDICATORS JANUARY 1 TO SEPTEMBER 30, 2020*

- Group operating profit totaled €12.8 million, down 43.1% year on year (September 30, 2019: €22.4 million)
- Operating profit margin in the reporting period was 2.8%, down 0.4 percentage points compared with the reference year's continuing operations (September 30, 2019: 3.2%)
- Balance sheet total came to €1,256.1 million (September 30, 2019: €1,075.9 million)
- The Group's solvency remained strong in the reporting period, with the equity ratio at 38.8% (September 30, 2019: 45.2%)

* Including comparable figures for continuing operations.



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

"Our financial performance during the reporting period was almost in line with our expectations despite the uncertainties caused by the COVID-19 pandemic, and there was steady demand for gas solutions. The impacts of the pandemic were seen in our business, primarily with regard to the growth targets we set. Lockdowns caused us to push back with bringing our new plants into use and at the same time our customers have also delayed their projects, which in turn has impacted the start-up of Gasum's deliveries. We have sought to ensure 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 despite the changes that have taken place in the operating environment.

Our revenue during the report period was €448.9 million and our operating profit was €12.8 million. Revenue and operating profit were primarily affected by the price trend of gas in Europe. Group profitability remained in line with the level forecast despite changes in the operating environment.

During Q3, we secured a contract with Norwegian reinforced steel manufacturer Celsa Armeringsstål in Mo i Rana, to supply liquefied natural gas (LNG) from the Tornio terminal and to build a new customer terminal in Mo Industrial Park. Switching to LNG will contribute to the company's target of lowering carbon dioxide emissions originating in its operations.

Demand for cleaner energy solutions continued to grow in maritime transport. During Q3, we completed several LNG bunkering operations in maritime transport to new customers in the Nordic countries and Germany. We carried out a truck-to-ship bunkering operation to the Fassmer company's research vessel and a ship-to-ship bunkering operation to the car carrier Auto Energy.

We increased the availability of renewable energy by entering into a long-term agreement with ABO Wind Oy to purchase its wind power produced in a wind farm in North Ostrobothnia starting in 2023. The agreement will allow us to increase the availability of renewable domestic energy and self-sufficiency in power generation in Finland.

We continued to expand the Nordic gas filling station network to serve heavy-duty transport. We opened gas filling stations in Gothenburg, Sweden and Lieto, Finland. Our expanding gas filling station network is creating interest in gas from growing numbers of actors and Vekka Group, for example, introduced six biogas-powered buses into operations in Hämeenlinna in August."

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GASUM IN BRIEF

The energy company Gasum is a Nordic gas sector and energy market expert. Gasum offers cleaner energy and energy market expert services for industry and for combined heat and power (CHP) production as well as cleaner fuel solutions for road and maritime transport. The company helps its customers to reduce their own carbon footprint and that of their customers. Together with its partners, Gasum promotes development towards a carbon-neutral future on land and at sea.

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OPERATING ENVIRONMENT

Energy market – Industry and power market

Nordic electricity prices have been at extremely low levels at the beginning of Q3 as weather forecasts continued to be wet. Strong wind generation also kept Nordic power prices low as demand continued at seasonally typical low summer holiday levels and, simultaneously, the power supply was very strong. The Finnish and Swedish area prices settled at higher than the system price mainly because of strong wind power generation coupled with a continuation of the nuclear power reactor maintenance season. By mid-August, we saw a strong upswing in the prices of electricity futures. Drier weather conditions combined with higher emission allowance prices also brought support for future products. During Q3, fuel prices, especially gas prices, started to rise. Expectations of an improvement in the economic situation with the removal of coronavirus pandemic restrictions in Europe brought support for emission allowance prices development and increased fuel prices during August.

The supply-demand balance for natural gas changed significantly from August onwards. LNG cargo cancellations from the USA finally started to impact the European market. Gas prices moved up from below €6/MWh to above €11/MWh during August. Several major hurricanes hitting in the U.S. Gulf Coast also forced local oil, gas and LNG production facilities to close their operations for longer than expected. European gas storage capacity utilization was at a historically high level (95%) at the end of September, although was lower than a year earlier. Increased demand coming from Northeast Asia for LNG shipments has given gas prices an extra boost globally during the third quarter. Some of Korea's nuclear facilities are taking around a month to return to production after typhoon damage in early September and gas-fired generators are expected to provide this replacement power output.

Recent signs of a second wave of coronavirus and the threat of likely new restrictions are maintaining uncertainty on the markets. This increased uncertainty can be expected to continue long into Q4/20 and next winter. The weather will also start to have an impact on gas demand as we approach winter.

Road and maritime transport

The COVID-19 pandemic has had a more significant impact on shipping and the entire logistics industry than had been anticipated only a few months ago. Continued restrictions at ports around the world have forced some maritime operators to discontinue some operations for unforeseeable future. Despite this, the prospects for gas demand are gradually improving and the sentiment on the liquefied natural gas (LNG) market is optimistic, as more and more maritime logistics companies are taking steps towards cleaner fuel solutions. We have witnessed several new companies ordering LNG-powered vessels to fulfil IMO regulations.

Interest in gas-powered heavy-duty vehicles has continued to increase during Q3, but continued delays may be seen in fleet delivery times due to changes in the restriction-

hit operating environment and a shortage of components. Expansion of the network of gas filling stations in the Nordics makes gas more readily available and makes it easier for heavy-duty transport to reach emission reduction targets. As a similar trend is happening in the Central European countries, we believe that long-haul traffic will increasingly shift to LNG and liquified biogas (LBG) -powered heavy-duty vehicles.

The expanding network of gas filling stations makes gas more readily available and makes it easier for heavy-duty transport to reach both national and EU emissions reduction targets. Gas vehicle registrations in Finland continued to show an increase. Over 2,700 new gas-fueled vehicles were registered in Finland and 1,200 in Sweden during the first three quarters of 2020. The number of gas-fueled vehicles totaled over 13,100 in Finland and more than 50,000 in Sweden.

GASUM'S STRATEGIC STEPS DURING JANUARY TO SEPTEMBER 2020

Despite the challenges and changes in the operating environment, Gasum advanced its strategy in the Nordic countries in the reporting period. Lockdowns during the pandemic caused us to push back with bringing new plants into use and at the same time our customers have also delayed their projects, which in turn has impacted the start-up of Gasum's deliveries. Gasum has sought to ensure business continuity by ensuring the health and safety of our employees, energy supply, gas sourcing and distribution as well as recycling and waste services.

During Q3, Gasum secured a contract with Norwegian reinforced steel manufacturer Celsa Armeringsstål in Mo i Rana, to supply liquefied natural gas (LNG) from the Tornio terminal and to build a new customer terminal in Mo Industrial Park. Switching to LNG will contribute to the company's target of lowering carbon dioxide emissions originating in its operations. The new customer terminal will enable Gasum to competitively serve also other customers in North Norway.

Demand for cleaner energy solutions continued to grow in maritime transport. During Q3, Gasum completed several LNG bunkering operations in maritime transport for new customers in the Nordic countries and Germany. We carried out a truck-to-ship bunkering operation for the first time to the Fassmer company's research vessel and a ship-to-ship bunkering operation to the car carrier Auto Energy.

We increased the availability of renewable energy by entering into a long-term agreement with ABO Wind Oy to purchase its wind power produced in a wind farm in North Ostrobothnia starting in 2023. The ten-year agreement will allow us to increase the availability of renewable domestic energy and self-sufficiency in power generation in Finland. The company will acquire around 100 GWh of renewable wind power a year.

Gasum also continued to expand its network of gas filling stations serving heavy-duty transport in the Nordics. The company opened gas filling stations in Tuve, Gothenburg, Sweden and in the Avanti business and industrial area in Lieto, Finland. In August, Vekka Group introduced six new

biogas-powered buses into operations in Hämeenlinna. Use of biogas-powered buses reduces annual carbon dioxide emissions by almost 500 tonnes. Besides building new gas filling stations, Gasum has ongoing development projects across the station network to increase capacity at existing filling stations.

An important element in Gasum's strategy is also to improve the availability of biogas in the Nordic countries. The company is seeking to increase biogas production capacity by expanding and improving the efficiency of existing biogas plants and by increasing acquisition. The biogas plant being built in Lohja, the biowaste transfer station in the Viinikkala district of Vantaa, Finland and the Nymölla biogas plant in Sweden will be completed by mid-2021.

FINANCIAL DEVELOPMENT IN GASUM'S BUSINESS IN THE REPORTING PERIOD

Revenue during the reporting period totaled €448.9 million, down 35.7% year on year (September 30, 2019: €698.2 million). The decline in revenue was mostly attributable to the trend in sales prices of gas and low electricity prices and the exceptionally warm early part of the year in Finland. Gas hub prices during January-September 2020 were clearly lower year on year, reflecting not only the warm weather, but also the demand supply situation, to which weak financial activity contributed, during the reporting period.

Operating profit margin during Q3 was 2.8%, down 0.4 percentage points year on year (September 30, 2019: 3.2%). Return on investment contracted to 3.4% (September 30, 2019: 5.4%).

BALANCE SHEET AND FINANCIAL POSITION

The Group's balance sheet total at September 30, 2020 was €1,256.1 million (September 30, 2019: €1,075.9 million).

Group interest-bearing debt at the reporting date totaled €574.5 million (September 30, 2019: €425.5 million), including borrowings from financial institutions as well as finance lease liabilities. The Group's solvency remained strong in the reporting period, with the equity ratio at 38.8% (September 30, 2019: 45.2%).

CORPORATE RESPONSIBILITY

The Code of Conduct, our integrated management system and our Corporate Responsibility Program are the basic principles guiding responsibility at Gasum. During Q3, we continued to focus on responsible business, customer orientation and our safety culture. Gasum is committed to supply energy and services safely, taking into account the customer aspect.

During the reporting period, we also developed agile management, which is one of the focus areas in our strategy. We aim to develop the company together with the personnel. During Q3, we introduced the employee pulse survey, with which we measure the employee experience. The survey is conducted monthly across the personnel. This creates continuous open dialogue and supports the principle of continuous improvement in a changing operating environment.

RISK FACTORS AFFECTING FINANCIAL PERFORMANCE

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

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.

Safety plays an important role in Gasum's road and maritime transport where the company is exposed to operational risks. We transport, deliver, process and store, for example, gas, biowaste and recycled nutrients. Our logistics providers are responsible for all the company's transports. Gasum minimizes the risks by maintaining logistics safety by continuous assessment and monitoring. Employee, driver and subcontractor safety are an important factor in mitigating operational risks.

The company's Group Treasury manages the Group's interest rate, currency, credit and liquidity risks regarding the Group's financial risks. The Portfolio Management & Trading unit manages the Group's price and commodity risks.

Gasum's 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 safeguard the company's uninterrupted operations and support the implementation of the company's growth strategy. The businesses and group functions are responsible for identifying, assessing and managing the risks in their own units.

FUTURE OUTLOOK

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

The role of gas as an energy source will increase further over the longer term as action is taken against climate

change and the Nordic countries transit towards carbon-neutral energy production. Use of gas is projected to show strong growth in industry and transport in the years ahead. Gasum has prepared for the growth in demand by investing purposefully in the development of the Nordic gas infrastructure for several years already. The expanding gas infrastructure creates a good foundation for the increased production and use of biogas, too. So far, only a fraction of the biogas production potential is in use.

Gasum's investments in the Nordic gas ecosystem and in new business functions facilitate growth in the future. The capacity to operate more broadly in the energy market strengthens Gasum's position comprehensively as an energy company of the future. As a low-emission fuel, gas together with renewable electricity will gain a bigger role in the future as action against climate change requires a transition to cleaner solutions.

GASUM GROUP

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CONSOLIDATED STATEMENT OF INCOME

€ million	1-9/2020	1-9/2019	1-12/2019
Revenue	448.9	698.2	925.8
Other operating income	90.2	33.0	62.9
Materials and services	-369.7	-607.2	-805.2
Personnel expenses	-24.7	-25.3	-34.1
Depreciations and amortization	-40.1	-34.6	-46.1
Other operating expenses	-92.9	-43.3	-53.6
Share of result from investments accounted for using the equity method	1.1	1.7	1.2
Operating profit	12.8	22.4	50.9
Finance items - net	-11.0	-11.6	-15.8
Profit before taxes	1.8	10.9	35.1
Taxes	-0.2	-2.6	-9.9
Profit for the period	1.6	8.3	25.3
Profit for the period attributable to:			
Owners of the parent	1.6	8.3	25.3
Non-controlling interest	0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET

€ million	30.9.2020	30.9.2019	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	212.2	209.9	208.5
Tangible assets	811.6	677.2	697.0
Investments accounted for using the equity method	10.9	12.1	11.7
Other investments at fair value through profit or loss	0.0	0.1	0.1
Derivative financial instruments	9.8	1.7	5.6
Other non-current assets	0.2	1.5	1.5
Total non-current assets	1,044.8	902.4	924.3
Current assets			
Inventories	37.4	18.8	39.2
Derivative financial instruments	25.9	11.0	34.3
Trade and other receivables	135.8	110.5	159.5
Current tax assets	9.1	1.4	0.8
Assets held for sale	0.0	3.3	3.1
Cash and cash equivalents	3.0	28.4	1.9
Total current assets	211.3	173.5	238.9
Total assets	1,256.1	1,075.9	1,163.2

CONSOLIDATED BALANCE SHEET

€ million	30.9.2020	30.9.2019	31.12.2019
EQUITY AND LIABILITIES			
Share capital	10.0	178.3	178.3
Reserve for invested unrestricted equity	157.4	0.0	0.0
Fair value reserve	-2.6	1.3	6.8
Retained earnings	332.1	301.5	222.6
Profit for the period	1.6	8.3	25.3
Translation differences	-11.8	-4.0	85.1
Total equity attributable to owners of the parent	486.7	485.3	517.9
Non-controlling interest	0.0	0.0	0.0
Total equity	486.7	485.3	518.0
Liabilities			
Non-current liabilities			
Loans	344.7	229.3	229.4
Other non-current liabilities	189.3	188.0	186.0
Derivative financial instruments	10.4	6.2	2.3
Deferred tax liabilities	31.4	19.3	30.7
Provisions	19.0	10.1	10.5
Post-employment benefits	3.9	5.5	3.9
Total non-current liabilities	598.7	458.4	462.8
Current liabilities			
Loans	0.0	0.0	0.0
Derivative financial instruments	19.8	10.9	13.5
Trade and other payables	146.1	120.9	168.6
Current income tax liabilities	4.7	0.4	0.3
Total current liabilities	170.6	132.1	182.4
Total liabilities	769.4	590.5	645.2
Total equity and liabilities	1,256.1	1,075.9	1,163.2

FORMULAS FOR KEY FINANCIAL INDICATORS

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

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