

GASUM GROUP  
FINANCIAL RESULT  
**Q2 2020**



Gasum

# FURTHER GROWTH IN USE OF GAS IN MARITIME TRANSPORT

## KEY FINANCIAL INDICATORS JANUARY 1 TO JUNE 30, 2020\*

- The Group's operating profit totaled €17.5 million, down 21% year on year (June 30, 2019: €22.1 million)
- Operating profit margin in H1 in the reporting period was 5.8%, up 1.6 percentage points compared with the reference year's continuing operations (June 30, 2019: 4.2%)
- Balance sheet total came to €1,259.3 million (June 30, 2019: €1,109.7 million)
- The Group's solvency remained strong in the reporting period, with the equity ratio being 39.9% (June 30, 2019: 43.5%)

### KEY FIGURES\*

€ million	1-6/2020	1-6/2019	Change	2019
Revenue	302.3	522.5	-42.1%	925.8
Operating profit	17.5	22.1	-21.0%	50.9
Operating profit (%)	5.8%	4.2%		5.5%
Equity ratio (%)	39.9%	43.5%		44.6%
Return on equity (%)**	5.6%	5.0%		5.3%
Return on investment (%)**	9.9%	6.9%		6.7%
Balance sheet total	1,259.3	1,109.7	13.5%	1,163.2
Net interest-bearing debt** ***	554.3	389.3	42.4%	426.3
Gearing ratio (%)** ***	110.3%	81.2%		82.3%
Gearing ratio (%)**	97.3%	69.7%		72.1%
Net debt/EBITDA** ***	5.2	4.5		4.4
Personnel at the end of period	376	335	12.2%	344

\* Including comparable figures for continuing operations

\*\* Annualized

\*\*\* Including IFRS 16 liabilities for leases



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

"The first half of the year saw us purposefully continue taking our strategy forward despite the uncertainties brought about by the COVID-19 pandemic. We have continued implementing our projects as planned and so far the pandemic has had only minor impacts on our business. We have safeguarded the continuity of our business by ensuring the health and safety of our employees and have done everything we can to secure the energy supply, gas sourcing and distribution as well as safe and secure logistics in our recycling and waste services. I would like to thank our employees, customers and partners for well-functioning cooperation in a challenging operating environment.

Our financial performance during H1 was in line with our expectations. Our revenue during the reporting period was €302 million, which was clearly lower compared to a year earlier. Revenue was primarily affected by the price development of gas in Europe. The Group's profitability remained in line with the level forecast despite changes in the operating environment.

During Q2, we closed our acquisition of Linde AG's LNG and Biogas business and Nauticor's Marine Bunkering business. The acquisition has helped us to further strengthen our capacity to offer gas solutions, particularly in maritime and heavy-duty transport, in the Nordic countries. In conjunction with the transactions, we also considerably expanded our gas filling station network and are able to ensure our customers have access to a competitive and low-emission energy.

Demand for cleaner energy solutions is currently growing particularly in maritime transport, where total gas sales volumes are forecast to show further growth. During Q2, we completed several LNG bunkering operations in maritime transport in the Nordic countries and also in Germany. We completed bunkering for the first time for Heerema's Sleipnir, the world's largest semi-submersible crane vessel, and for the product tanker Ramelia. We also concluded a delivery partnership agreement with the Samskip shipping company and opened the first shipping fuel station in the Ports of Stockholm. Biogas is increasingly attracting interest among forerunners in maritime transport and we delivered liquefied biogas (LBC) for the first time to ESL Shipping's vessel Viikki.

During Q2, we promoted the regional circular economy in our biogas business in Northern Finland by concluding a contract with municipal waste management company Napapiirin Residuum. In future, biowaste from residents in Rovaniemi, Ranua and Pello will be turned into renewable biogas and recycled nutrients at our biogas plant in Oulu. We also made a decision to invest in building a new biogas plant in Götene, Sweden.

We signed a portfolio management agreement with Keravan Energia. Cooperation ensures the predictability of managing electricity price risks in respect of electricity sales portfolios."

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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.

[www.gasum.com](http://www.gasum.com)

## OPERATING ENVIRONMENT

### Energy market – Industry and power market

Electricity spot prices were low during H1 as snow reserves in Norway, North Sweden and North Finland reached record highs following a wet winter. Snow melt was delayed during the cool start to the spring and hydropower producers in Norway sought to lower water basin levels before the start of the melting season. Temperatures started to rise in June, melting was intense and flow rates rose exceptionally high. Especially abundant hydropower availability in Norway pushed the Nordic system price down to a low level. The Finnish area price settled at higher than the system price because of nuclear power plant maintenance in Finland and Sweden. Towards the end of June, maintenance at several nuclear power reactors in Sweden saw spot prices rise to a high level in Finland and Sweden. In addition, abundant restrictions in transmission links from Norway to Sweden were momentarily reflected in a very high price difference between the system price and the Finnish price. The COVID-19 pandemic has so far reduced electricity consumption very little in the Nordic countries.

Despite low spot prices, June saw a strong upswing in the prices of electricity futures. High emission allowance prices also brought support for future products. Besides this, fuel prices started to rise. Expectations of an improvement in the economic situation with the removal of coronavirus pandemic restrictions in Europe brought support for the emission allowance price and fuel prices. Expectations of raising emission reduction targets and a tightening of the emission trading system also brought support for the emission allowance price. Emission allowance prices rose 58% during Q2.

Demand for natural gas in H1 was lower than during the same period a year earlier. Much warmer than normal weather during the early part of the year in tandem with the fall in demand ensuing from the COVID-19 pandemic significantly impacted demand for gas globally. At the same time, the supply of gas remained strong and gas storage capacity utilization in Europe was record high (83%). This means that gas storage levels were almost two months ahead of normal capacity utilization levels and there is also a possibility that gas storage capacity could be filled by the end of September. Gas prices remained at a record low during the reporting period. For the coming quarter, the reduction in LNG shipments from the US has evened out gas price levels. The price of oil moved in an unprecedented way during Q2, the WTI price had even momentarily retreated into negative territory (Brent less than USD 20/bbl), rising more than 100% towards the end of June. Concerns about a second wave of coronavirus and the threat of likely new restrictions are maintaining uncertainty on the markets. This uncertainty can be expected to continue long into the fall and next winter.

### Road and maritime transport

The COVID-19 pandemic has significantly impacted shipping and the entire logistics industry. Ports around the world have issued travel restrictions and actions to prevent the spread of the virus. Despite this, the prospects for gas demand are gradually improving and the sentiment on the liquefied natural gas (LNG) market is optimistic, even though lower transport volumes have arrived in Europe. Weakened demand as a result of warmer weather and the pandemic mean there has been sufficient pipeline gas on the market.

Lockdowns as a result of the pandemic have slightly reduced the use of fuel also in private motoring and also in transport of goods, where efforts have been made to maintain the supply of essential goods. Interest in gas-powered heavy-duty vehicles has increased markedly, but delays may be seen in fleet delivery times this year due to changes in the operating environment and a shortage of components.

The expanding network of gas filling stations makes gas more readily available and make it easier for heavy-duty transport to reach both national and EU emission reduction targets. Gas vehicle registrations continued to show a small increase despite changes in the operating environment. Almost 1,200 new gas-fueled vehicles were registered in Finland during H1. The number of gas-fueled vehicles totaled almost 13,000 in Finland and more than 50,000 in Sweden.

### Circular economy – Waste and biogas

Promoting the circular economy has been on the agenda of the European Commission, and concrete measures are in the pipeline this year. The EU's Directive on waste and the national recycling targets laid out in it support increased production of biogas. Under the Directive on waste, the recycling of municipal waste must be increased to 50% this year, 55% by 2025, 60% by 2030 and 65% by 2035. The Nordic countries have also imposed a number of national measures to support the development of the biogas sector and to create incentives to steer waste and side streams to biogas production and the fast increase in the use of biogas as a road fuel.

## PROGRESS MADE IN GASUM'S STRATEGY

Despite the challenges and changes in the operating environment, Gasum advanced its strategy in the Nordic countries in the reporting period.

During Q2, we closed our acquisition of Linde AG's LNG and Biogas business and Nauticor's Marine Bunkering business. The acquisition has helped Gasum to further strengthen capacity to offer gas solutions, particularly in maritime and heavy-duty transport, in the Nordic countries. The transaction saw the transfer of a number of assets: LNG terminals in Sweden and Norway, bunkering vessels Seagas and Kairos, and 48 gas filling stations in Sweden and Norway.

During Q2, we opened gas filling station Lieto, Finland, and in Kronoberg, Sweden. Adding to our network of gas filling stations supports national emission reduction targets by facilitating a switch in Nordic transport to cleaner fuel solutions. Pizza Hut Finland started to use five biogas-fueled vehicles for home deliveries in Finland and in Sweden. Orkla started to use biogas-fueled trucks.

Besides building new gas filling stations, Gasum has ongoing development projects across the station network to increase capacity at existing filling stations. Improvement projects have been completed at the gas filling stations in Hämeenlinna, Kouvola and Porvoo.

During Q2, our vessels also carried out several liquefied gas bunkering operations in maritime transport in the Nordic countries and also in Germany. Also ownership of Kairos, the world's largest bunker supply vessel, was transferred to Gasum under the Linde AG transaction. The vessel allowed us for the first time to provide bunkering for Heerema's Sleipnir, the world's largest semi-submersible crane vessel, and for the product tanker Ramelia on the river Elbe. We also concluded a long-term delivery partnership agreement with the Samskip shipping company and opened the first shipping fuel station in the Ports of Stockholm. Biogas is increasingly attracting interest among forerunners in maritime transport and we delivered liquefied biogas (LBG) for the first time to ESL Shipping's vessel Viikki.

An important element in Gasum's strategy is also to improve the availability of biogas in the Nordic countries. Good progress was made in our biogas plant projects in Lohja, Finland, and Nymölla, Sweden. In June, we also made a decision to invest in building a new biogas plant in Götene, southern Sweden which is expected to complete by 2022. The plant is expected to produce 100 GWh of biogas a year, mostly from manure.

## FINANCIAL DEVELOPMENT OF GASUM'S BUSINESS IN H1

Our revenue in H1 totaled €302.3 million, down 42.1% year on year (June 30, 2019: €522.5 million). The COVID-19 pandemic had no significant impact on Gasum Group's operations in H1. The decline in revenue was affected by the trend in sales prices of gas, low price of electricity and the exceptionally warm early part of the year in Finland.

Our Group's business profitability remained at a good level regardless of the changes taking place in the operating environment. Operating profit margin in H1 was 5.8%, up 1.6% year on year (June 30, 2019: 4.2%). Return on investment improved to 9.9% (June 30, 2019: 6.9%).

## BALANCE SHEET AND FINANCIAL POSITION

The Group's balance sheet total at June 30, 2020 was €1,259.3 million (June 30, 2019: €1,109.7 million).

The Group's interest-bearing debt at the reporting date totaled €562.9 million (€441.7 million), including borrowings from financial institutions as well as finance lease liabilities. The Group's solvency remained strong in the reporting period, with the equity ratio being 39.9% (June 30, 2019: 43.5%)

## CORPORATE RESPONSIBILITY

During H1, we focused on responsible business and safety and security in our Corporate Responsibility Program. We are committed to supply energy reliably and safely, without accidents involving our employees, the environment and assets.

We reviewed business continuity and emergency and preparedness plans. These plans reduce critical and unpredictable risks and strengthen our capability to respond to special situations through business-specific plans and instructions. Our entire personnel took part in online training. We also introduced safety training for subcontractors and for transport drivers.

## 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.

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. Going forward, it will be possible to reach emission reductions of up to 90% as biogas production increases.

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.

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

## **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. Both the industrial as well as transport use of gas is projected to grow strongly in the years ahead. Gasum has prepared for the growth in demand by investing purposefully in the development of the Nordic gas infrastructure for several years already. The expanding gas infrastructure creates a good foundation for the increased production and use of biogas, too. So far, only a fraction of the biogas production potential is in use.

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

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## CONSOLIDATED STATEMENT OF INCOME

€ million	1-6/2020	1-6/2019	1-12/2019
<b>Revenue</b>	<b>302.3</b>	<b>522.5</b>	<b>925.8</b>
Other operating income	83.0	11.8	62.9
Materials and services	-251.9	-455.9	-805.2
Personnel expenses	-17.0	-17.5	-34.1
Depreciations and amortization	-25.0	-23.2	-46.1
Other operating expenses	-74.9	-16.8	-53.6
Share of result from investments accounted for using the equity method	1.0	1.3	1.2
<b>Operating profit</b>	<b>17.5</b>	<b>22.1</b>	<b>50.9</b>
Finance items - net	-6.4	-6.2	-15.8
<b>Profit before taxes</b>	<b>11.1</b>	<b>15.9</b>	<b>35.1</b>
Taxes	-2.2	-9.3	-9.9
<b>Profit for the period</b>	<b>8.9</b>	<b>6.6</b>	<b>25.3</b>
<b>Profit for the period attributable to:</b>			
Owners of the parent	8.9	6.6	25.3
Non-controlling interest	0.0	0.0	0.0

## CONSOLIDATED BALANCE SHEET

€ million	30.6.2020	30.6.2019	31.12.2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	213.1	211.2	208.5
Tangible assets	818.9	680.3	697.0
Investments accounted for using the equity method	11.1	11.7	11.7
Other investments at fair value through profit or loss	0.0	0.1	0.1
Derivative financial instruments	13.4	1.0	5.6
Other non-current assets	0.2	1.5	1.5
<b>Total non-current assets</b>	<b>1,056.8</b>	<b>905.7</b>	<b>924.3</b>
<b>Current assets</b>			
Inventories	32.0	19.7	39.2
Derivative financial instruments	43.9	14.5	34.3
Trade and other receivables	108.9	114.0	159.5
Current tax assets	6.0	0.1	0.8
Assets held for sale	3.1	3.3	3.1
Cash and cash equivalents	8.5	52.4	1.9
<b>Total current assets</b>	<b>202.6</b>	<b>204.0</b>	<b>238.9</b>
<b>Total assets</b>	<b>1,259.3</b>	<b>1,109.7</b>	<b>1,163.2</b>

# CONSOLIDATED BALANCE SHEET

€ million	30.6.2020	30.6.2019	31.12.2019
<b>EQUITY AND LIABILITIES</b>			
Share capital	10.0	178.3	178.3
Reserve for invested unrestricted equity	158.2	0.0	0.0
Fair value reserve	-0.2	5.1	6.8
Retained earnings	333.5	293.6	222.6
Profit for the period	8.9	6.6	25.3
Translation differences	-7.8	-4.1	85.1
<b>Total equity attributable to owners of the parent</b>	<b>502.7</b>	<b>479.6</b>	<b>517.9</b>
Non-controlling interest	0.0	0.0	0.0
<b>Total equity</b>	<b>502.7</b>	<b>479.6</b>	<b>518.0</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans	344.6	227.2	229.4
Other non-current liabilities	192.5	190.2	186.0
Derivative financial instruments	11.8	3.7	2.3
Deferred tax liabilities	34.3	27.5	30.7
Provisions	19.2	10.1	10.5
Post-employment benefits	3.9	5.5	3.9
<b>Total non-current liabilities</b>	<b>606.3</b>	<b>464.3</b>	<b>462.8</b>
<b>Current liabilities</b>			
Loans	0.0	15.8	0.0
Derivative financial instruments	29.2	11.5	13.5
Trade and other payables	120.3	138.2	168.6
Current income tax liabilities	0.7	0.4	0.3
<b>Total current liabilities</b>	<b>150.2</b>	<b>165.8</b>	<b>182.4</b>
<b>Total liabilities</b>	<b>756.6</b>	<b>630.2</b>	<b>645.2</b>
<b>Total equity and liabilities</b>	<b>1,259.3</b>	<b>1,109.7</b>	<b>1,163.2</b>

## 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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