



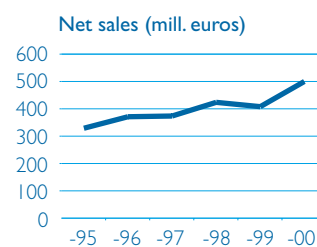
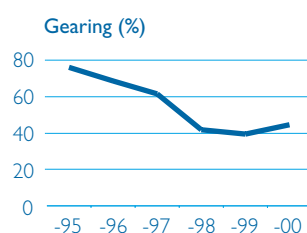
ANNUAL REPORT 2000



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KEY FINANCIAL INDICATORS OF THE GASUM GROUP



Gasum sold 3,990 million cubic metres of natural gas, equivalent to around 39.9 TWh, in the year 2000. The company's turnover rose by 23 per cent on the year to EUR 495.5 million. The operating profit was EUR 34.1 million, down 44 per cent on the record figure for 1999. This difference is largely explained by the price linking of natural gas and oil.

Gasum is responsible for importing natural gas, operating, maintaining and extending the natural gas pipeline in Finland and for marketing and selling natural gas to wholesale customers such as industrial plants, energy companies and local distribution companies.

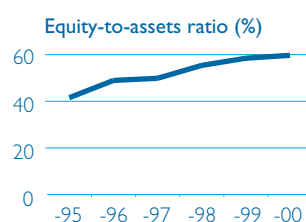
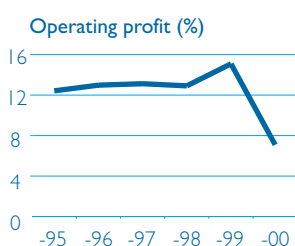
In compliance with the Natural Gas Market Act, Gasum provides natural gas transmission and other grid services to players in the secondary market and is also responsible for the system as provided by the Act. Gasum established Kaasupörssi Oy for trading in the secondary market. Kaasupörssi Oy will begin operations in spring 2001.

Gasum supplies liquefied natural gas (LNG) for research purposes and test runs of natural gas driven engines. The company supplies compressed natural gas (CNG) for use as a traffic fuel and also sells maintenance and other services.

At year-end 2000, Gasum owned 942 kilometres of natural gas transmission pipeline and had 189 delivery points.

At year-end 2000, Gasum had 143 permanent employees. 33 people were employed by subsidiaries. Gasum has six offices.

The Gasum Group comprises the parent company, Gasum Oy, local natural gas distribution companies Helsinki-kaasu Oy and Kotkan Kaasuenergia Oy, as well as Kaasupörssi Oy, which was founded in early 2001. ■



Chief executive officer's review



Antero Jännes

A continued abundance of hydropower on the Nordic electricity market kept electricity prices low throughout 2000. Record high prices of crude oil and other oil products also resulted in higher natural gas prices. This meant the competitiveness of natural gas was eroded in electricity generation. The high price of oil had a negative impact on Gasum's performance because of index linking in supply and sales agreements. This is why we failed to achieve the performance targets set by our owners for the year 2000.

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Nevertheless, natural gas has consolidated its position as a fuel in heat production and especially in municipal and industrial combined heat and power (CHP) production. Des-

pite a difficult market, use of natural gas rose more than electricity consumption and far more than sales of district heating.

The Finnish national climate programme is based on agreed national emission reduction targets under the EU's burden sharing agreement. Various studies show that if industrial growth continues at the present rate, it is impossible to limit greenhouse gas emissions to 1990 levels without increasing the use of natural gas. All scenarios on which the national climate programme has been based involve replacing outdated coal-fired power plants with natural gas driven CHP plants. The benefits of natural gas come into their own



in CHP production, both environmentally and economically. Any sharp increase in the use of natural gas for separate electricity production calls for political decisions on the one hand and the willingness of power producers to accept the financial risk associated with the procurement of natural gas in the present situation on the other.

Gasum's primary objective in the near future is an extension of the natural gas pipeline to West Finland. The results of a feasibility study carried out to this end led to a start with basic work on planning the project in early 2001. The project aims at making natural gas available for use in the Turku area in 2006. At the same time, together with other interested parties, we are also looking into the financial viability of transmitting natural gas via Finland to the Stockholm area in Sweden. At the turn of the year, Fortum, Turku Energia and municipalities in the Turku region announced a joint project to build a natural gas driven CHP plant in Turku by 2010. To achieve climate targets, coal should be replaced by natural gas in West Finland as quickly as possible. Likewise, the project should be implemented as soon as possible to further the natural gas market in the area.

Gasum took steps to begin gearing its activities for compliance with the Natural Gas Market Act when the official guidelines were still being drafted. The Energy Market Authority, which supervises the natural gas market, received its own authorisation in August 2000. Preparation for the new market situation was Gasum's largest in-house project during the year under review.

Early October saw Gasum announce its new M2001 pricing system, with separate transmission and sales tariffs as required under the Natural Gas Market Act. The Act had

no major impact on tariffs, but makes natural gas pricing much more transparent. We believe this will increase our customers' confidence in the fairness of pricing. Gasum's principal challenge is to develop a tariff system to safeguard the competitiveness of natural gas in various customer segments and to offer customers freedom of choice. The lack of any major official decisions hampered pricing development. Our M2001 pricing system is in force for one year. This will enable us to take into account customer feedback and experiences gained when building the following system

In Finland, local distribution accounts for a much smaller share of natural gas use than it does elsewhere in Europe. There are points in the existing gas grid where it is not viable to extend the district heating network, but where it makes sense to distribute natural gas at the local level. We will be investing increasingly more in developing local distribution. A broader customer interface will generate new potential to increase our equipment and service business.

The change in the energy market provides Gasum with opportunities to develop its business in fields where the company has natural excellence. One potential field is to provide natural gas maintenance, control and other service activities to existing customers.

The next few years will provide interesting challenges. I believe that Gasum and its people have everything in place to serve customers even better. I would like to take this opportunity to thank Gasum's employees, customers and partners for their part in Gasum's achievements during the year under review. ■



Combating climatic change generates challenges for the energy industry

Global energy suppliers and players in the industry are facing unprecedented challenges with the enhancement of the greenhouse effect, global warming, as a result of growing energy needs and the burning of primarily fossil fuels coupled with the deregulation of energy markets.



Under the Kyoto Protocol, the European Union is committed to reducing emissions of carbon dioxide and other greenhouse gases. When sharing reduction targets among EU Member States, it was agreed that greenhouse gas emissions in Finland may, during the commitment period from 2008 to 2012, be no higher on average than they were in 1990

Globally, increased use of natural gas is considered one important way of reducing carbon dioxide emissions. Natural gas is the most environmentally friendly fossil fuel and when combusted creates significantly less carbon dioxide than other fossil fuels. Likewise, in the climate programme being drafted by Finland, increased use of natural gas, primarily at

the expense of coal, is considered essential to achieve the programme targets.

EU Member States increasingly dependent on imported energy

Growing energy consumption within the EU means that Member States will become increasingly dependent on gas supplies from countries outside the EU. According to the Green Paper on energy supply published by the EU last year, the dependency of EU Member States on natural gas imports will rise to 70 per cent by 2030. Studies suggest that EU import dependency of coal could be as high as 100 per cent and oil 90 per cent. For reasons of security of supply, as many different fuels as possible should be used. This is difficult because cuts must be made in greenhouse gas emissions.

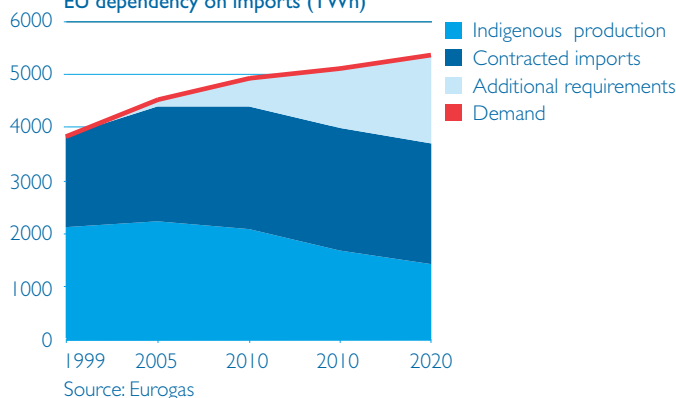
Recent years have seen deregulation of the energy markets, which has further challenged the drafting of EU and national energy strategies alike. Deregulation has also involved the privatisation of national energy companies. The EU seeks to unite the separate electricity and gas markets of Member States to make a joint EU electricity and gas market.

In 2000, Western Europe consumed 396 billion cubic metres of natural gas, an increase of 2.6 per cent on the figure a year earlier. This rise was principally owing to higher use of natural gas in industry, electricity generation and more customers in all sectors.

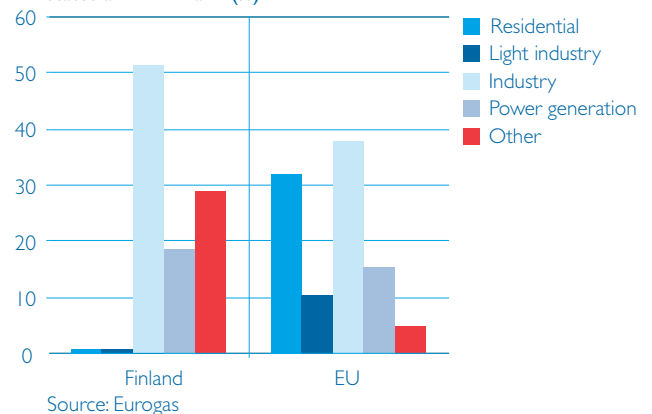
Gas companies in Western Europe employed about 150 000 persons and served over 80 million customers in homes and businesses. ■

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Natural gas supply and demand in the EU 1998-2020. The percentage figure reflect EU dependency on imports (TWh)



Natural gas sales by sector in EU Member states and in Finland (%)



European natural gas market opening up to competition

Competition in secondary trading in Finland

Under the EU's Natural Gas Directive, the market will gradually be opened to competition in three stages between 2003 and 2008, when at least 33 per cent of the market should be open to competition. The Directive grants Finland interim exemptions from certain of the Directive rules and does not require Finland to open up its natural gas market at this stage. The provisions of the directive will apply to Finland after the transition period, or when Finland has more than one natural gas supplier.

The Finnish Natural Gas Market Act, which came into force in August 2000, goes much further than the EU requires. Opening of the natural gas market to competition would be started on the secondary market. Under the Natural Gas Market Act, starting in 2001 natural gas prices must separate the transmission and energy costs. From the beginning of March 2001, owners of the natural gas grid must make the grid available for the use of others. This enables trading on the secondary market to take place, which means that Gasum's wholesale customers can trade among themselves any natural gas that they have bought but not used. Natural gas users and retailers who consume or sell at least 5 million m³ of natural gas a year through their distribution network are encompassed by the remote gas meter reading system and have acquired their gas by a supply agreement agreed after the Act entered into force may trade on the secondary market. ■



JOURNEY OF NATURAL GAS

Siberia



The natural gas used in Finland comes from the Jamburg and Uregoi gas fields of Western **Siberia** and takes over a week to travel the 3,300 kilometres to the Finnish border. The natural gas fields of Western

Siberia rank among some of the richest in the world. The gas is sold by Russian gas conglomerate Gazprom. With 33 per cent, Russia has by far the biggest share of the world's proven gas reserves. At Grjazovets and Torzhok, the transmission pipeline branches towards the St Petersburg district and Finland. Gazprom's subsidiary Lentransgaz is responsible for the transmission of natural gas in the St Petersburg district and also to Finland. The Severnaja compressor station to the north of St Petersburg speeds the gas on its journey to Finland.



Use of natural gas in Finland:

Principle use in CHP

Use of natural gas rose by 2.5 per cent during the year 2000. An exceptionally mild end to the year halved the expected consumption growth. Nevertheless, use of natural gas rose more than electricity consumption and far more than sales of district heating.

Municipal district heating and related power production account for 44 per cent of gas consumption. The largest industrial user of natural gas is the forest industry, which accounted for 31 per cent of natural gas used. This is followed by oil refining, 13 per cent. Local distribution accounts for around 5 per cent.

Three quarters of total gas volume is used in municipal and industrial CHP plants. This range of use has long been the force behind increasing consumption of natural gas in Finland. During the year 2000, CHP production of district heating plants in built-up areas remained largely unchanged. This compares to a slight fall in industrial CHP production.

Autumn 2000 saw the launch of two new power plants, Naistenlahti in Tampere and Stora Enso's plant at Inkeroinen. Higher future consumption of natural gas is based on CHP production.

Information compiled by the Finnish District Heating Association shows that use of natural gas as a district heating fuel continued to rise. Natural gas accounted for 38 per cent of district heat and CHP electricity production, a rise of 2 percentage points on the figure for the previous year. Coal accounted for 26 per cent, down by just under 2 percentage points on the year.

The share of domestic fuels remained unchanged and

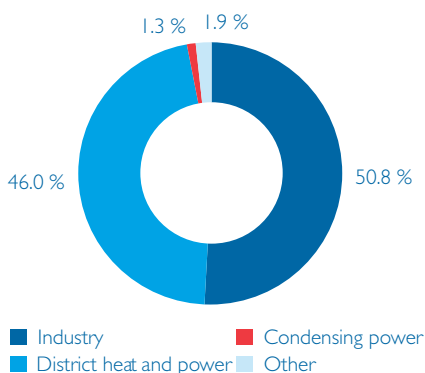


oil was slightly down. The share of natural gas in electricity production rose slightly to stand at 11 per cent. Only a small amount of condensing power was generated using natural gas. Market prices of electricity were low and electricity was readily available. It seems unlikely that any new capacity, other than projects already started, will come on stream in Finland in the foreseeable future.

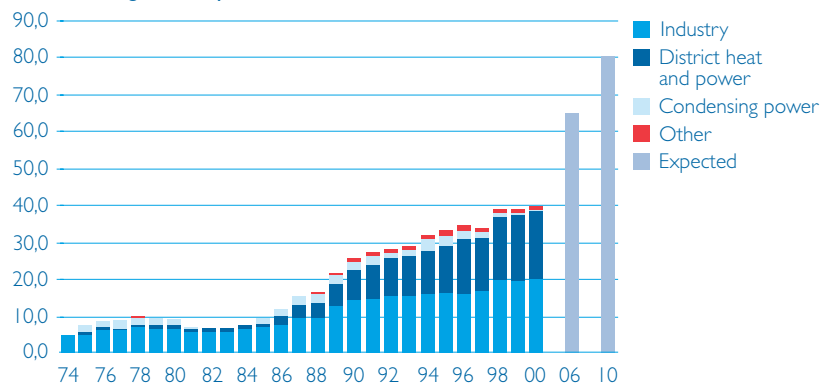
Investments being made in local distribution

Dynamic progress was made during the year under review with local distribution in Siuntio, Porvoo, Lohja, Sipoo, Virolahti,

Natural gas consumption in Finland



Natural gas sales by sector in Finland 1974–2000





Gasum revised its pricing system

Since 1992, the Finnish natural gas trade has complied with a standard public pricing system. Gasum's M2001 natural gas pricing system was published in early October 2000. With the opening up of the natural gas market, the price of natural gas under M2001 consists of a natural gas transmission price and the cost of the gas itself (sales price). The price of natural gas is linked to the price of oil (HFO 1S) and coal (h) and subindex, E31-33, of the domestic basic price index, with different weightings. Some natural gas is still sold according to the first M pricing tariffs and separate old long-term contracts.

Secondary Trading in the Internet

Gasum is to set up a separate company, Kaasupörssi Oy, for secondary market trading. Online trading via the internet is scheduled to start in spring 2001. Initially, the gas for the following day will be traded using the closed matching method.

In compliance with the Natural Gas Market Act, Gasum has begun to account for its natural gas and grid activities separately from the beginning of 2001. The idea is to prepare separate income statements and balance sheets for sales and grid activities. The financial statements for sales will include earnings from sales of energy and partly from reserve fuel, and acquisition costs, as well as fixed costs and equity in accordance with the matching principle.

The financial statements for grid activities will include earnings from transmission and partly from reserve fuel, and acquisition costs, fixed costs for grid activities according to the matching principle and equity. ■

Kotka, Hämeenlinna and Helsinki. Local distribution also rose in other places. Extremely high oil prices led to the heating sector showing added interest in natural gas and almost 300 new users signed up during the year. Local distribution volume was more than 180 million cubic metres during 2000. Growth remains strong. ■



The natural gas reception station at **Imatra** measures the volume and monitors the quality of the natural gas arriving in Finland. Imatra is also home to a team carrying out maintenance and preventative main-

tenance work in the Imatra-Lappeenranta area. June 2000 saw a border celebration with the completion of a second transmission pipeline, the so-called parallel pipeline, to Finland via the Karelian Isthmus.

Completion of this pipeline now means that at least two pipelines ensure natural gas transmission from Siberia to Finland. If one pipeline is damaged or being cleaned, the other one can be used.



West Finland set to become a new market area this decade

Its population base and industry makes West Finland a natural direction in which to extend the natural gas supply area, which today covers around 15 per cent of Finland and 40 per cent of the population.

Potential natural gas users in West Finland include city district heating and CHP plants. Industry in the Rauma, Pori and Naantali areas is also a major potential user. The gas requirement of large potential gas users in West Finland is estimated at 10 TWh a year. Around half of this amount is in the Turku economic zone.

Gasum Oy has already started talks with major energy users and producers in the area. Information obtained suggests that natural gas could be available for use in the Rauma and Pori areas starting in 2008–12. There is every chance that natural gas could be available for district heating and industry much earlier in the Turku economic zone. This is owing to the high age of existing production machinery and adverse environmental impacts.

Towards the end of the year under review, Gasum decided to start work on basic planning of a natural gas transmission pipeline towards the Turku economic zone. Basic planning and related environmental impact assessment (EIA) is scheduled to begin by summer 2002. By making a start on basic planning now, Gasum can ensure that natural gas deliveries to the Turku area can begin in 2006 if necessary. The basic plan will collect the necessary information for the final investment decision.

The plan also includes an option for later branch pipelines to the Rauma and Pori areas. Likewise, a feasibility study will be made of possible transit supplies of natural gas from Imatra in eastern Finland to the west coast of Finland for

Sweden. The needs and timetable for the transit option will become more apparent during 2001.

Discussions about deliveries with major users in the Turku economic zone during autumn 2000 increased interest in the use of natural gas. The low market price of electricity, uncertainty as to future trends in fuel and electricity prices have eroded customers' willingness to commit themselves to long-term investments in natural gas in respect of CHP production.

During the year 2000, Turku and neighbouring towns concluded a long-term agreement to continue buying heat from Fortum's coal-fired power plant in Naantali until natural gas is available. At the same time, they also decided to set up a new production company with Fortum to build a local natural gas driven power plant immediately the financial conditions are ripe. Delivery talks between the new company and Gasum will begin during 2001. ■



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In Finland, the parallel pipeline extends from the Russian border as far as Lappeenranta. In July 2000, work started on extending the second pipeline from Lappeenranta to **Luumäki** in Törölä. This stretch of the parallel pipeline is scheduled for completion in September 2001. Again, this pipeline will



Gasum builds on its services

Aside from natural gas imports, grid services and wholesale sales, Gasum Oy also offers processed natural gas products and maintenance services.

LNG for research purposes and as a reserve fuel

Gasum delivered liquefied natural gas (LNG) from Oy AGA Ab's natural gas liquefaction plant in Porvoo by road tanker to customers in Finland, Sweden and Norway for testing and research purposes. The latest LNG customers are biogas plants, where vaporised natural gas from LNG is used as a reserve fuel for the methane produced by biogas and to cut biogas requirement peaks.

Liquefied natural gas was also supplied as a reserve fuel for natural gas. The road tanker intended to transport LNG serves as an input tanker and the air vaporiser attached to it vaporises and warms the -160°C natural gas so that consumers can use it. The mobile air vaporiser unit Gasum acquired in summer 2000 has a capacity of 10 MW and can be used to pump liquefied natural gas from the road tanker for the customer's use during pipeline connection work for example.

Natural gas buses improve air quality in Helsinki

At year-end 2000, there were 33 natural gas powered buses and three lorries operating in Helsinki. These vehicles tank up with compressed natural gas (CNG) at the natural gas filling station at the Ruskeasuo bus depot in Helsinki. The station is run, serviced and maintained by HelsinkiKaasu Oy. It is estimated there will be 100 natural gas driven buses in Helsinki traffic by 2003.



Natural gas maintenance part of Gasum's core expertise

Outsiders also have access to Gasum's maintenance expertise and equipment. Besides Gasum's own maintenance work, we also serve customers in maintenance matters that Gasum has traditionally performed on its own equipment. ■

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FROM SIBERIA TO FINLAND

Luumäki

Imatra

Siberia



improve the reliability of natural gas deliveries and strengthen transmission capacity with a view to the proposed extension of the natural gas transmission pipeline to western Finland. There are plans to extend the parallel pipeline to the natural gas centre at Valkeala by 2010.

Finland's natural gas supply on a firm footing

Oil price increased import price of natural gas

Gasum's supplies of natural gas are based on long-term contracts with OAO Gazprom of Russia. This allows the envisaged increase in the use of natural gas within the existing grid area, in West Finland and in the generation of condensing power. If Finland's national climate programme calls for a major increase in the use of natural gas in separate electricity production, Gasum can negotiate new supply quotas.



The import price of natural gas during the year 2000 was affected by the price of oil, which at times rose extremely high. Nevertheless, Finland has been able to import Russian gas more cheaply than other EU Member States. Gasum's supply contract takes into account the fact that virtually all the natural gas imported into Finland is used in power plants and large industrial facilities. In most of the European countries to which Gazprom sells natural gas, households and other consumers that could alternatively use oil account for a major share of the gas consumed.

Parallel systems and storage of replacement fuels ensure back-up

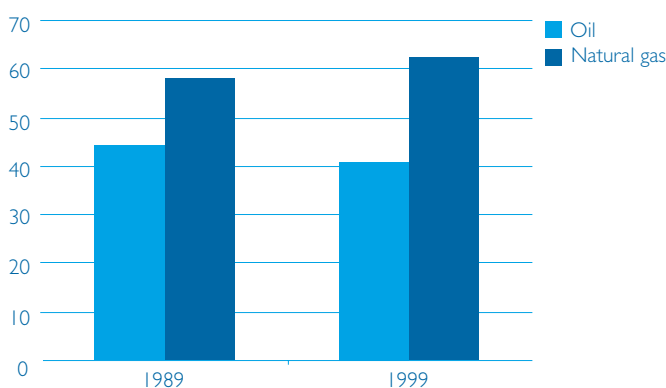
On the technical side, there was a major improvement in delivery security with completion of a second natural gas transmission pipeline in the Karelian Isthmus. Today, natural gas deliveries to Finland are assured by the existence of at least two pipelines all the way from Western Siberia to the Finnish border.

Gazprom's subsidiary Lentransgaz is responsible for transmitting the gas via St Petersburg to Finland. The automatic information transfer link between Gasum and Lentransgaz was upgraded and operative data has begun to flow automatically between control centres. This makes it easier for Gasum to predict changing situations and, for example, the impacts of cold snaps on gas consumption volumes.

To maintain security of the supply of natural gas, Gasum stores fuels to replace natural gas: light and heavy fuel oils and propane, which if necessary can be mixed with air. The air-propane mixture can be pumped into the natural gas transmission pipeline from the propane-air mixing plant at Porvoo for use by those customers who are unable to use any fuel other than gas.

Natural gas supplies to Finland have flowed uninterruptedly ever since 1974, when natural gas was first used in Finland. ■

Natural gas and oil reserves in the world compared to production



Source: BP Amoco

The small village of **Kiehuva** in Valkeala is home to the natural gas control centre, where the natural gas is monitored and controlled centrally. A radio link system transmits data to the control centre from some 200 delivery sites in the grid. The control centre is manned around the clock. There is also a team of 27 maintenance professionals based at Kiehuva. The team is responsible for maintenance of the transmission pipeline and related equipment on the Finnish side.

Natural gas flows safely and reliably from the importer to the customers

At year-end 2000, Gasum owned 942 kilometres of high-pressure natural gas pipeline.

July 2000 saw a new parallel pipeline come on stream from Valkeala to Tavastila in Kotka. A new pipeline and pressure reduction station was built at Inkeroinen at the same time. The pressure reduction plant at the Naistenlahti power plant in Tampere was enlarged to meet the needs of the new power plant.

Preventative maintenance and repairs ensure gas deliveries

June 2000 saw the opening of the final stretch of the parallel pipeline on the Karelian Isthmus on the Russian side of the border and a parallel pipeline crossing the Finnish-Russian frontier. Working together with the Russians, the new stretch of pipeline was cleaned several times using pipeline inspection gages, so called "pigs".

In keeping with our preventative maintenance programme, "smart pigs" were used to examine the condition of Gasum's transmission pipeline during the year. This was done to identify any indentations, wear and other changes for repair work. An analysis of the information showed no serious changes in those sections of the pipeline that were examined. Some repair work began as a result of the findings.

Preventative maintenance and repairs to the transmission pipeline and equipment help to ensure uninterrupted supplies of natural gas to our customers. The first full overhaul of the gas turbine at the Imatra B compressor station was carried out during the year under review.

New pipelines are to be added in line with rising consumption

Two new major pipeline extension projects were launched during the year under review to ensure adequate pressure at the pipeline extremes as the use of natural gas increases. The parallel pipeline is to be continued from Lappeenranta to Luumäki and a pipeline is to be built from Lempäälä to Nokia bypassing Tampere. New pressure reduction stations are to be built at Joutseno and Porvoo.



Work on upgrading the natural gas grid control system was completed during the first half of 2000 and the system was further improved to bring it into the internet age. Gasum's employees now have access to a natural gas pipeline GID system. The program helps employees to see the gas pipeline on a map background, the location of the point relating to the pipeline on a map background and the process values. ■

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Mäntsälä

Kiehuva

Luumäki

Imatra

Siberia



Mäntsälä is home to two of Gasum's eight compressor units. There are also compressors at Imatra and Valkeala. Compressors are used to increase the natural gas pressure to maintain gas flow. The Mäntsälä compressor station was built when the natural gas grid was extended to Tampere. The natural gas entering the Tampere branch pipeline is odourised centrally at Mäntsälä, which is also where the proposed pipeline extension to the west of Finland would branch off.





Changes in information management

Gasum made the necessary changes in its information systems as required by the Natural Gas Market Act and related decrees, as well as by the introduction of the new M2001 pricing system. Changes were particularly needed in the billing and customer care system. A new system was

innovated for Kaasupörssi, the new natural gas trading site.

During the year under review, Gasum introduced its own intranet application to further improve in-house communications. The system features news and feedback channels, with separate sections for each activity and related documents and instructions.

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FROM SIBERIA TO FINLAND

Kyrökoski

Tampere

Hyvinkää

Espoo

The Head office of Gasum is situated in **Espoo**. Natural gas is in diverse use in the Helsinki area. Finland's only natural gas driven buses, some 30, operate in Helsinki. The buses fill up with compressed natural gas (CNG) at the Ruskeasuo filling station. Helsinki is also home to some 300 restaurants that cook by natural gas. The gas is supplied by local distribution company HelsinkiKaasu Oy, a Gasum subsidiary.

Hyvinkää and Tampere are homes to Gasum's two maintenance centres. They are responsible for the maintenance and



preventative maintenance of natural gas transmission pipelines in the surrounding areas. New power plants and growing gas consumption in the Tampere region call for

increased transmission capacity. A new natural gas pipeline is being built from Lemppälä to Nokia. The work is scheduled for completion in spring 2001.

Kyrökoski in Ikaalinen is the westernmost point in the Finnish natural gas grid and home to the last pressure reduction station. There are pressure reduction stations along the pipeline at each point where the natural gas flows from the main transmission pipeline to distribution pipelines for delivery via distribution networks to end-users. There are 189 pres-



Employees

At 31 December 2000, Gasum Oy had 143 permanent and four temporary employees. The number of employees has remained more or less unchanged over the past few years. Throughout its history, Gasum has actively sought to offer summer jobs to young people. There were more than 50 summer trainees working at Gasum last year.

Industrial accidents and absence through sickness

There were seven lost time accidents per million working hours. Absence through sickness was 2 per cent. The industrial accident rate of Gasum's contractors was 10 per million working hours.

Gasum employee of the year

Jorma Rintamäki was voted Gasum employee of the year 2000. A systems engineer, Jorma knows the secrets of the control system, gas reception metering and flow calculation inside out. He works either at the natural gas reception station at Imatra or the natural gas centre at Valkeala depending on where he's needed. Jorma Rintamäki was voted Gasum employee of the year not only because he successfully steered the transmission control system problem free into the new millennium, but also because he keeps a low profile and shows that actions speak louder than words. He's a modest but reliable background strength.

A Gasum employee of the year has been elected since 1987 and is chosen by previous Gasum employees of the year. ■



Completion of communications strategy

Gasum's own communications strategy was made during the year 2000. The company's logo was updated. In-house communication gave priority to improving the content of Gasum's own intranet, Gasnet.

Mäntsälä

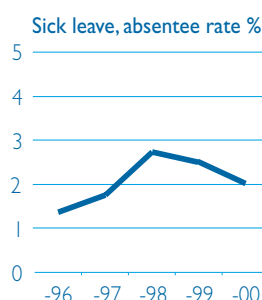
Kiehuva

Luumäki

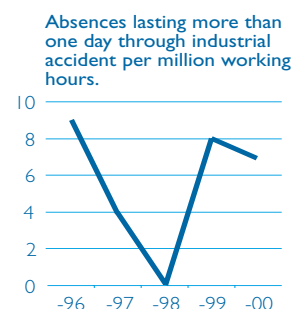
Imatra

Siberia

sure reduction stations in Gasum's transmission grid. At pressure reduction and measuring stations, the natural gas is filtered and regulated to suit the needs of each user. The volume of natural gas is measured and the gas is transferred to the customer's pipeline.



Source :TT



The comparative figure in 1999 for Finnish companies pledged to the RC initiative was 7. Source: Chemical Industry Federation of Finland

Environment

Gasum has a positive impact on the environment by providing its customers with natural gas, the cleanest fossil fuel available. The company is also committed to reducing the adverse environmental impacts arising from its own activities. During 2000, the carbon dioxide emissions, oxides of nitrogen emissions and energy consumption caused by natural gas transmission activities fell. This was primarily owing to less use of compressors. The added capacity brought about by the parallel pipeline on the Karelian Isthmus decreased Gasum's need to use its own compressors to boost pressure.

Methane emissions

The natural gas imported into Finland is 98 per cent methane. Methane emissions occur when natural gas is released into the atmosphere through venting or emptying a section of the natural gas pipeline for maintenance, repair or connecting another pipeline to it. At compressor stations, minor emissions arise when servicing and running down compressor units.

Methane emissions remained low during 2000, with total emissions amounting to 371 tonnes. Venting accounted for 141 tonnes of this and compressor stations 230 tonnes. Methane emission levels were low because few pipelines needed to be emptied in connection with new pipelines and no pipelines whatsoever had to be emptied because of emergencies. Methane emissions arising from Gasum's operations are about as high as those caused by a medium-large municipal refuse tip in Finland.

NO_x and carbon dioxide emissions

Compressor stations increase the pressure of natural gas at distances of about 100 km in the grid. The compressors are



driven by natural gas turbines. This means carbon dioxide, steam and NO_x are produced during natural gas combustion.

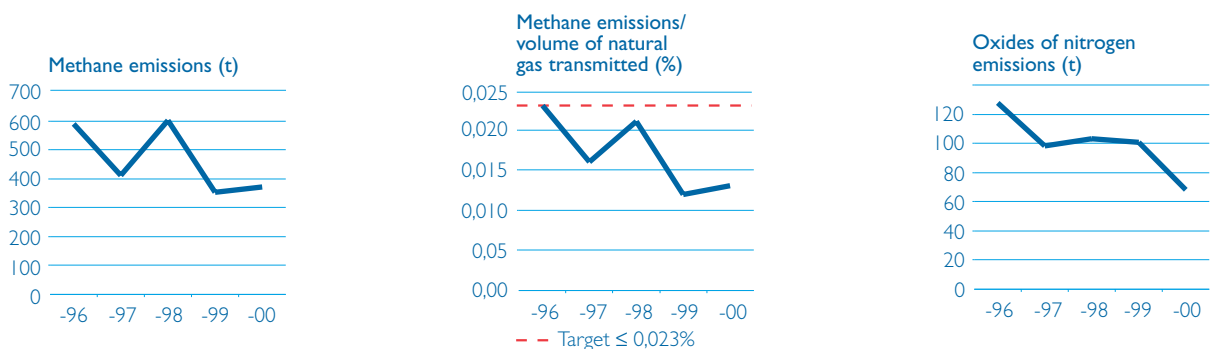
Oxides of nitrogen emissions (NO_x) fell by about a third and carbon dioxide emissions by a fifth compared to the previous year. Gasum's activities resulted in total NO_x emissions of 68 tonnes and carbon dioxide emissions of 44,294 tonnes. The problems with LowNO_x turbines in earlier years have now been resolved. Nevertheless, falling emissions were largely owing to Gasum not needing to operate its own compressors as much.

Energy consumption

In addition to driving gas turbines, natural gas is also used to heat the premises and gas to be delivered at pressure reduction stations. Use of natural gas for own use fell by 20 per cent on the year to 222 GWh. In terms of specific energy consumption, this corresponds to 0.56 per cent of the volume of gas transmitted.

Environmental impacts of construction work

An environmental assessment review is drawn up to identify





the environmental impacts of pipeline and works projects. The review takes into account both permanent and temporary impacts. Environmental impacts are considered both when a project is planned and implemented.

Attention is given to land use and scenic and cultural aspects when planning pipeline routes and sites for compressor stations. Likewise, an assessment is made of the impacts of such projects on local residents and the surrounding natural environment. Landowners are consulted when comparing the various options open. Gasum also requests preliminary statements from the authorities, various institutions, organisations and other interested parties.

Contractors take into account any matters brought up at the planning stage and the environmental issues agreed with interest groups during the actual pipeline construction work. Contractors draw up a quality plan for each site stating how environmental issues are to be managed on that particular site. In summer 2000 work started on the pipeline construction sites between Lappeenranta - Luumäki and Lempäälä - Nokia.

After construction, every effort is made to restore the land as closely as possible to its original condition. Finally, the area concerned is inspected together with the landowner and

Gasum remedies any shortcomings discovered before handing back the area. During 2000, such an inspection was held in the area of the Kotka branch of the parallel pipeline.

Environmental management system

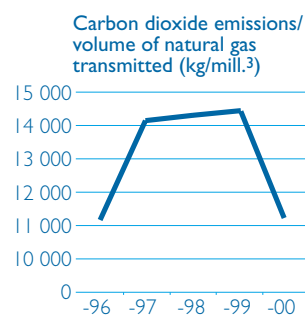
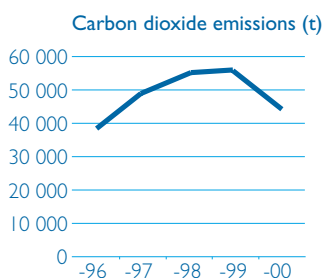
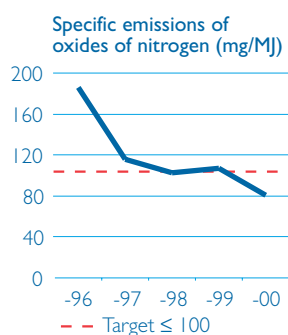
Management of environmental issues at Gasum complies with the international ISO 14001 standard. Gasum's environmental management system was certified in 1998 and is an integrated part of Gasum's certified quality system. Gasum's environmental policy commits the company to the ongoing improvement of its environmental performance. Targets have been established to tackle significant environmental issues. Management monitors implementation of these targets in its quality and environmental reviews. Gasum has been a signatory to Chemical Industry Federation of Finland's Responsible Care initiative since 1996.

Future environmental projects

In a bid to cut methane emissions, Gasum has launched a project to investigate the recovery of leaking gas from compressor units. The Southeast Finland Regional Environment Centre project has granted the project environmental aid.

We are looking into the possibilities to develop an optimisation system for pipeline use in a bid to reduce NO_x and carbon dioxide emissions. Another major project in the pipeline is to replace the rotor wheels in compressor units. This would reduce the natural gas used to drive the compressors and consequently the emissions arising.

During 2001, Gasum will study further the feasibility of applying Low-Nox technology as a source of power in the gas turbines in compressors at Mäntsälä. ■



Board Of Directors' report for 2000

From Gasum's point of view, the year under review saw an unfavourable trend in electricity and fuel prices. It was not possible to pass on the rise in the supply price of natural gas to sales prices in all customer contracts. This eroded Gasum's sales margin and weakened the company's financial performance. Gasum's activities during the year were marked by preparations for compliance with the new Natural Gas Market Act, investments to increase natural gas transmission capacity, a study to extend the natural gas pipeline to the Turku region in southwest Finland and by developing local distribution operations and new services

The natural gas business

In 2000, Gasum sold a total of 3,990 million cubic metres (39.9 TWh) of natural gas, 2.5 per cent more than during the previous year. An exceptionally mild winter reduced the need for gas in heating.

The beginning of October saw Gasum publish its new natural gas pricing system M2001, with separate transmission and sales prices. Nevertheless, some natural gas is still sold according to the first public M pricing tariffs and separate old long-term contracts. In compliance with the Natural Gas Market Act, Gasum has begun to account for its natural gas and grid activities separately from the start of 2001.

It is intended to commence trading natural gas on the secondary market from March 2001 or as soon as Gasum receives a grid licence specifying the framework of transmission activities, whichever is the latest. Gasum is to set up an online natural gas exchange for trading on the secondary natural gas market.

Investments

The frontier pipeline from the Imatra reception station to the Finnish-Russian border was completed in 1999 and connected to the parallel pipeline on the Russian side in June 2000. At least two pipelines assure supplies of natural gas to Finland from the Siberian gas fields.

The parallel pipeline from Valkeala to Kotka was completed in autumn 2000. A new pressure reduction station

was built at Inkeroinen and the pressure reduction station at the Naistenlahti power plant was enlarged.

A start was made on two new major new pipeline extension projects during the year. The parallel pipeline is to be continued from Lappeenranta to Luumäki and from Lem-päälä to Nokia bypassing Tampere.

Total investments in 2000 amounted to EUR 26 million.

Environment, health and safety

Environmental impact indicators developed encouragingly during the year. There was neither damage to the transmission pipeline network nor any uncontrolled gas leaks. We succeeded in further cutting carbon dioxide and oxides of nitrogen emissions and the energy used in transmitting gas. Gasum launched a project to study the possibility of recovering leakage gases in compressor stations in a bid to reduce methane emissions. There were two lost time accidents, as well as one accident on a business trip and another in a sports event.

Employees

Gas Oy employed an average of 161 persons during the year 2000.

New look for Gasum

Gasum's logo has been updated to reflect the company's present status and business. An arc depicting a natural gas pipeline has been added under the flame. Gasum's blue colours depict natural gas, which we consider to be the clean fuel of the future and one solution in efforts to combat climatic change. Late 2000 saw Gasum introduce its own intranet application for in-house communications.

Subsidiaries

Gasum owns the entire share capital of Helsinkikaasu Oy. During the year under review Gasum acquired the five per cent interest it didn't own in Kotkan Kaasuenergia Oy, which is now a wholly owned subsidiary of Gasum.

Gasum's ownership structure remains unchanged

Last year marked Gasum's seventh year of business. Ownership of Gasum Oy at the end of 2000 was as follows:

Fortum Oil and Gas Oy	25%
OAD Gazprom	25%
Finnish state	24%
Ruhrigas Energie Beteiligungs Aktiengesellschaft	20%
Metsä-Serla Corporation	2%
Stora Enso Oyj	2%
UPM-Kymmene Corporation	2%

In addition the Finnish state owns one K Share.

Annual General Meeting, Supervisory Board and Board of Directors

Gasum's annual general meeting was held on 18 May 2000. Two members of the Supervisory Board, E.K. Selihova and V.V. Remizov, both of Gazprom, retired by rotation and were re-elected. Dr Eike Benke of Ruhrigas Energie Beteiligungs AG and Taisto Turunen, Director General of the Finnish Ministry of Trade and Industry, were appointed to replace Veli-Matti Ropponen and Anja Silvennoinen, who resigned, for their remaining terms of office.

Harri Malmberg, Director General of the Federation of Finnish Metal, Engineering and Electrotechnical Industries, was re-appointed chairman of the Supervisory Board. Other members of the Supervisory Board were Burckard Bergmann of Ruhrigas Energie Beteiligungs AG, Tapio Harra of Fortum Corporation and Juhani Pohjalainen of Stora Enso Oyj.

Members of Gasum Oy's Board of Directors due to retire by rotation, Antero Jännes, Vladimir Hramoff and Juha Vainikka, were all re-elected as members for a term of office from 2000 to 2002.

The Supervisory Board met four times during the year. The Board of Directors convened 13 times.

Future prospects

Electricity consumption is expected to continue rising at around two per cent a year. Over-capacity in electricity generation is likely to prevail in the pan-Nordic electricity market if hydropower remains in abundant supply. Customers

have put new power plant projects and plant upgrades on hold. Natural gas is a competitive fuel option, especially in industrial and municipal energy projects where combined heat and power is planned. It is in these applications that natural gas comes into its own. Besides the requirement to generate heat, realisation of these projects depends on the price and availability of electricity. By 2006, consumption of natural gas is expected to rise by a third compared to today. This excludes any major increase in the use of natural gas in condensation electricity production.

Gasum aims at natural gas being available for use in the Turku area in 2006.

Subsequently work has started on the basic planning of a transmission pipeline from Mäntsälä to Naantali. At the same time, Gasum has also started talks about selling natural gas with potential customers. Any decision to go ahead with the proposed pipeline will be made in 2002 at the earliest.

During 2001, when the Energy Market Authority has confirmed the framework for grid activities in grid licences granted, Gasum will open its natural gas grid for use by traders on the secondary market.

Net sales and results

Gasum Oy's net sales for 2000 totalled EUR 495.5 million, up by 23 per cent on the figure for 1999. Net financial charges were EUR 4.7 million and depreciation EUR 17.4 million. The profit before extraordinary items, appropriations and taxes was EUR 29.4 million. The profit for the financial year was EUR 20.0 million. The balance sheet total stood at EUR 476.0 million. Return on equity was 9.5 per cent and the equity ratio rose to 59.7 per cent. The increase in net sales was attributable to the trend in oil prices during 2000. The impact of indexes used in calculating the sales and purchase prices of natural gas meant that the company failed to achieve its operating result target during 2000. For similar reasons the result for 1999 was better.

Proposal for the distribution of profit

Gasum Oy's profit for the financial year was EUR 19,964,270.05. The Board of Directors proposes that Gasum pay a 2000 dividend of 10.6 per cent on the share capital, equivalent to EUR 18,831,900.18, and that the remaining EUR 1,132,369.87 be retained.

Income statement

EUR. million	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Net sales (1)	500	407	495	403
Materials and services				
Raw materials and consumables				
Purchases during the financial year	-416	-310	-415	-308
Staff costs (2)				
Wages and salaries	7	6	6	6
Social security costs				
Pension costs	0	1	0	1
Other social security costs	1	1	1	1
	-8	-8	-7	-8
Depreciation and value adjustments				
Depreciation according to plan	-18	-18	-17	-17
Other operating charges	-23	-10	-22	-9
Operating Profit	35	61	34	61
Financial income and charges				
Income from other fixed asset investments				
From others	1	1	1	1
Interest payable and similar charges				
To others	-6	-7	-6	-7
	-5	-6	-5	-6
Profit Before Extraordinary Items	30	55	29	55
Profit Before Appropriations and Taxes	30	55	29	55
Appropriations				
Change in depreciation above plan	0	0	-1	-30
Income taxes (4)	-10	-16	-8	-7
Net profit for the financial year	20	39	20	18

Cash flow statement

GASUM GROUP

EUR. million

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Operating activities				
+Payments received from sales	499	397	494	393
+Payments received from other operating	0	0	0	0
-Operating charges paid	-453	-321	-450	-318
Cash inflow from operating activities before financial items and taxes	46	76	44	75
--Interest paid and payments of other financing charges	-7	-8	-7	-8
+Interest received from operating activities	1	1	1	1
+Dividends received from operating activities	0	0	0	0
-Taxes paid	-9	-6	-9	-6
Cash inflow from operating activities before extraordinary items	31	63	29	2
+/-Net cash inflow from extraordinary items in operating activities	0	0	0	0
Cash inflow from operating activities (A)	31	63	29	62
Net cash inflow/outflow from investing activities				
-Investments in tangible and intangible assets	-26	-14	-24	-12
+Gains on the disposal of tangible and intangible assets	0	0	0	0
-Investments in other financial assets	0	0	0	0
+Gains on the disposal of other financial assets	0	0	0	0
-Loans granted	0	0	0	0
+Repayment of loan receivables	0	0	0	0
+Interest received from investments	0	0	0	0
+Dividends received from investments	0	0	0	0
Net cash inflow/outflow from investing activities (B)	-26	-14	-24	-12
Net cash inflow/outflow from financing activities				
+Interest in short-term loans	13	0	13	0
-Repayment of short-term loans	0	1	0	0
+Increase in long-term loans	20	0	20	0
-Repayment of long-term loans	-43	-25	-43	-25
-/+Increase/decrease in long-term debtors	0	0	0	0
-Dividends paid and other distribution of profit	-18	-14	-18	-14
Net cash inflow/outflow from financing	-28	-38	-28	-39
Decrease in liquid assets (A+B+C)	-23	11	-23	11
Liquid assets at 1 January	26	15	26	15
Liquid assets at 31 December	3	26	3	26
	23	-11	23	-11

Balance sheet

EUR million	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
ASSETS				
NON-CURRENT ASSETS				
Intangible assets (5)				
Other long-term expenditure	3	3	3	3
Goodwill on consolidation	4	4	-	-
	7	7	3	3
Tangible assets (5)				
Land and water	2	2	2	2
Buildings and structures	349	348	336	337
Machinery and equipment	33	35	33	34
Other tangible assets	4	3	4	3
Construction in progress	18	12	18	12
	406	400	393	388
Investments (5)				
Shares in Group companies	0	0	7	6
Loan receivables from Group companies	0	0	3	3
Other shares and holdings	1	1	1	1
	1	1	11	10
CURRENT ASSETS				
Stocks (6)	7	6	6	5
Receivables				
Long-term receivables	1	1	1	1
Other receivables	1	1	1	1
Current receivables (7)				
Trade receivables	58	52	56	51
Receivables from Group companies		2	0	1
Other receivables	0	1	2	0
	60	53	59	52
Cash and cash equivalents	3	26	3	26
	485	494	476	485

EUR million	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
LIABILITIES				
SHAREHOLDERS' EQUITY (8)				
Share capital	178	178	178	178
Retained earnings	92	70	1	1
Net profit for the period	20	39	20	18
	290	287	199	197
MINORITY INTERESTS	0	0	0	0
ACCUMULATED APPROPRIATIONS				
Accumulated depreciation above the plan (9)	0	0	120	119
DEFERRED TAX LIABILITIES (10)	38	36	0	0
CREDITORS				
Long-term creditors				
Loans from financial institutions	18	17	17	16
Other long-term payables	40	59	41	59
	58	76	58	75
Current creditors (11)				
Installments on long-term loans	32	25	32	25
Trade payables	51	51	51	51
Other creditors	11	12	11	12
Accruals and deferred income	5	7	5	6
	99	95	99	94
	485	494	476	485

Notes to the financial statements

ACCOUNTING PRINCIPLES

CONSOLIDATION

Gasum Oy is part of the Gasum Group. The parent company of the Gasum Group is Gasum Oy, which has its registered office in Espoo. Copies of the consolidated financial statements are available from Gasum Oy's head office at Keilaranta 6 B, 02150 Espoo.

The consolidated financial statement includes the parent company Gasum Oy, Helsingin Kaasu Oy and Kotkan Kaasuenergia Oy. Associated undertaking Asunto Oy Espoon Johans (a housing company) has not been consolidated.

The difference between the acquisition cost and shareholders' equity at the time of acquisition, arising in the elimination of mutual shareholdings, has been treated as goodwill on consolidation and is depreciated over its estimated lifespan subject to a maximum of 20 years.

Intra-group transactions have been eliminated in the income statement and balance sheet.

FOREIGN CURRENCY ITEMS

Debtors and creditors denominated in foreign currency are valued at the middle rate quoted by the European Central Bank at the balance sheet date.

DEPRECIATION

The acquisition cost of fixed assets is booked as straight-line depreciation based on economic life expectancy.

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Buildings	20-40 yr	20-40 yr	20-40 yr	20-40 yr
Other tangible assets	20-40 yr	20-40 yr	20-40 yr	20-40 yr
Machinery and equipment	5-15 yr	5-15 yr	5-15 yr	5-15 yr
Other long-term expenditure	5-10 yr	5-10 yr	5-10 yr	5-10 yr
Intangible rights	5 yr	5 yr	5 yr	5 yr
Goodwill on consolidation	20 yr	20 yr		

STOCKS

Stocks are valued on the FIFO principle at direct acquisition cost or likely market value, whichever is the lower.

DEFERRED TAX LIABILITIES

The depreciation difference and untaxed reserves in the consolidated accounts have been divided into distributable shareholders' equity and deferred tax liabilities.

EUR. million

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
I. NET SALES				
By geographical area				
Finland	500	407	495	403
2. EMPLOYEE COSTS				
Salaries and remunerations To Managing Directors and Members of the Board and Supervisory Board	0.7	0.4	0.6	0.3
Average employee numbers in the Group and parent company during the period				
Salaried employees	124	114	108	99
Manual workers	71	68	53	52
Total	195	182	161	151

3. MANAGEMENT PENSION COMMITMENTS

Senior management within the Gasum Group may take retirement at the age of 60 and receive pension benefits in accordance with the regulations of Neste Pension Foundation.

4. INCOME TAXES

Taxes on regular business operations	8	7	8	7
Change in deferred tax liability	2	9	0	0
Total	10	16	8	7

5. NON-CURRENT ASSETS

Intangible assets

Intangible rights	0	0	0	0
Other long-term expenditure	3	3	3	3
Goodwill on consolidation	4	4	0	0
Book value of intangible assets, total at 31 Dec.	7	7	3	3

Tangible assets

Land and water	2	2	2	2
Buildings and structures	349	348	336	337
Machinery and equipment	33	35	33	34
Other tangible assets	4	3	4	3
Advance payments and construction in progress	19	12	18	12
Book value of tangible assets, total at 31 Dec.	407	400	393	388

The acquisition cost of fixed assets includes tangible assets which have yet to be booked in full as planned depreciation.

INVESTMENTS

Group's shares and holdings

Helsinkikaasu Oy, Helsinki,
Parent company holding 100%
Kotkan Kaasuenergia Oy, Kotka,
Parent company holding 100%

Associated company

Asunto Oy Espoon Johans,
Holding 27.43%
Shareholders' equity at
31 December 2001 FIM 9,018,854.98
Profit for the financial year FIM 15.85

Formulae for the key financial indicators (pages 2-3)

Operating profit (%)	=	$\frac{\text{Operating profit}}{\text{Net sales}} \times 100$
Return on capital employed (%)	=	$\frac{\text{Profit before extraordinary items} + \text{interest and other financial charges}}{\text{Capital employed average}} \times 100$
Equity-to-assets ratio (%)	=	$\frac{\text{Shareholders' equity} + \text{minority interests}}{\text{Total assets} - \text{advances received}} \times 100$
Gearing	=	$\frac{\text{Interest-bearing net debt} + \text{deferred tax liabilities}}{\text{Shareholders' equity} + \text{minority interests}} \times 100$
Capital employed	=	Total assets – interest-free liabilities – deferred tax liabilities – provisions for liabilities and charges
Interest-bearing net debt	=	Interest-bearing net debt – cash and marketable securities
Cash and marketable securities	=	Cash and cash equivalents + marketable securities

Group companies				
Shares in Group companies	0	0	7	6
Other shares and holdings	1	1	1	1
Receivables from Group companies	0	0	3	3
Book value of investments, total at 31 Dec.	1	1	11	10
NON-CURRENT ASSETS TOTAL	415	408	407	401
6. STOCKS				
Goods	7	6	6	5
Replacement value	12	11	11	10
Book value	7	6	6	5
Difference	5	5	5	5
7. CURRENT RECEIVABLES				
Trade receivables	58	52	57	51
Receivables from Group companies				
Trade receivables	0	0	1	1
Loan receivables	0	0	0	0
Prepayments and accrued income	0	0	0	0
Other receivables	0	0	0	0
Current receivables, total	0	0	1	1
Other receivables	2	1	2	0
Prepayments and accrued income	0	0	0	0
Current receivables, total	60	53	60	52
8. SHAREHOLDERS' EQUITY				
Share capital at 1 Jan.	178	178	178	178
Share capital at 31 Dec.	178	178	178	178
Retained earnings at 1 Jan.	110	84	19	15
Dividend paid	-18	-14	-18	-14
Redemption of minority interests	0			
Retained earnings at 31 Dec.	92	70	1	1
Profit for the period	20	39	20	18
Shareholders' equity, total	290	287	199	197
Distributable equity according to statement at 31 Dec.				
Retained earnings	92	70	1	1
Profit for the period	20	39	20	18
- Less accumulated depreciation difference in shareholders' equity	-92	-91	0	0
Total	20	18	21	19
The parent company's share capital is distributed as follows:				
			number of shares	
Series A Shares			53 000 000	53 000 000
Series K Shares			1	1

9. ACCUMULATED APPROPRIATIONS

In the parent company, accumulated appropriations consist of the accumulated depreciation difference

10. DEFERRED TAX LIABILITIES

Deferred tax liabilities

Accumulated appropriations

38

36

12. CURRENT CREDITORS

Loans from financial institutions

32

25

32

25

Trade payables

51

51

51

51

Payables to Group companies

Trade payables

0

0

0

0

Accruals and deferred income

0

0

0

0

Other creditors

0

0

0

0

Total

0

0

0

0

Other creditors

11

12

11

12

Accruals and deferred income

6

7

5

6

Current creditors, total

100

95

99

94

Significant items included in accruals and deferred income

Annual holiday provision and social security costs

1

1

1

1

Unpaid wages and social security costs

0

1

0

1

Interest payable

2

3

2

3

Income taxes

1

1

1

1

13. Surety

Securities pledged

3

0

14. Contingent liabilities

Leasing commitments

Payable during 2000

4

3

4

3

Payable later

29

31

29

31

Total

33

34

33

34

Gasum Oy has, on the expiry of the lease in 2005, the right to redeem leased property for the sum of FIM 143.2 million. Should Gasum not exercise this right, ABB Credit Oy can compel Gasum Oy to find a buyer for the property in question.

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Gasum Oy's Board of Directors

Espoo, 14 February 2001

Antero Jännes, Chairman

Björn Ahlnäs

Birger Sandström

Juha Vainikka, Vice Chairman

Vladimir Hramoff

Auditor's report

To the shareholders of Gasum Oy

We have audited the accounting, the financial statements and the corporate governance of Gasum Oy for the period 1 January - 31 December 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Supervisory Board and the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements, which show a profit of the consolidated income statement 20,296,214.62 euros and a profit of the parent company 19,964,270.05 euros, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 27 February 2001

ARTHUR ANDERSEN OY
Authorized Public Accounting Firm
Hannu Vänskä
Authorized Public Accountant

Statement by the Supervisory Board

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Meeting today, Gasum Oy's Supervisory Board considered the company's financial statements for 2000, which include the consolidated and parent company income statements, balance sheets, the annual report and the Board of Directors' proposal contained in the latter for the disposal of profits, and the auditors' report provided by the Company's auditors. The Supervisory Board has decided to rec-

Espoo, 15 March 2001

Harri Malmberg
Valery V. Remizov
Eike Benke
Burckhard Bergmann

ommend to the Annual General Meeting that the financial statement be approved and that the profit be disposed of in accordance with the Board of Directors' proposal.

The Supervisory Board is satisfied that its decisions and instructions have been followed, and that it has received adequate information from the Board of Directors and the Company's management.

Tapio Harra
Juhani Pohjolainen
Evgenya K. Selihova
Taisto Turunen

Natural gas enjoys brisk growth in local distribution

Helsinki Kaasu Oy

Helsinki Kaasu Oy is responsible for operating the distribution network and sales of natural gas in Helsinki and Siuntio and for building distribution networks and selling natural gas appliances throughout the natural gas supply area in Finland. In 2000, the company had a turnover of EUR 6.48 million, up by 20 per cent on the figure a year earlier. Helsinki Kaasu Oy sold 13.4 million cubic metres of natural gas, up by 27.6 per cent on the figure a year earlier. This rise was owing to the start of natural gas sales in Siuntio and higher consumption in trade and industry in Helsinki.

Around 2.4 kilometres of pipelines in the Helsinki distribution network were replaced. Late 2000 saw work begin on building a natural gas distribution network in Porvoo, where industry and private residents to the west of the town can start heating their properties by natural gas in spring 2001. Helsinki Kaasu was responsible for welding an 8-km long, 8-bar natural gas distribution pipeline for Pirken Oy in Ikaalinen.

Despite a mild winter, sales of natural gas in 2001 have gone as planned. The distribution network will be overhauled in Helsinki at least in Aleksanterinkatu and Mikonkatu streets.

There are plans to split Helsinki Kaasu Oy into three new companies from 1 July 2001. Helsinki Kaasu Oy had 28 employees at year-end 2000. The company's managing director is Jarko Alanko.

Helsinki Kaasu Oy posted a profit of EUR 1,387.84 for the 2000 financial year. The Board of Directors proposes that the entire profit be retained.

Kotkan Kaasuenergia Oy

Kotkan Kaasuenergia is a local natural gas distribution and gas appliance sales company. In 2000, the company has a turnover of EUR 3.06 million, up by 34 per cent on the figure a year earlier. The company sold 10 million cubic metres of natural gas. Sales of appliances accounted for EUR 0.52 million of turnover.

This sharp rise was owing to the extension of the natural gas distribution network to the Mussalo deep harbour area and numerous new private households making the switch to natural gas. The distribution network was extended by 9.4 kilometres to make 85 kilometres of distribution pipelines. Aside from building on its own excellence, the company acquired electronic map control and drawing equipment to manage its distribution network.

Work is underway on further extending the network to the Kaukola area.

Kotkan Kaasuenergia employed 5 persons at year-end. Managing director of the company is Jarko Alanko.

Kotkan Kaasuenergia Oy posted a profit of EUR 122,867.06 for the 2000 financial year. The Board of Directors proposes that the entire profit be retained.

Corporate Governance

General meeting of shareholders

Ultimate decision-making power in Gasum is vested in the general meeting of shareholders, which convenes at least once a year. The general meeting of shareholders receives the financial statements and auditors' report, resolves the adoption of the income statement and balance sheet and decides on the discharge of liability for members of the Supervisory Board, members of the Board of Directors and the CEO. The general meeting of shareholders elects members to the Supervisory Board, new members to replace those retiring by rotation and the chairman and deputy chairman of the Supervisory Board.

Supervisory Board

The Supervisory Board is elected by the general meeting of shareholders and comprises the chairman, deputy chairman and six other members. Members of the Supervisory Board and its chairman are appointed for a term of office lasting three years at a time. The Supervisory Board convenes at the invitation of the chairman, or if he is prevented from doing so, by his deputy. The Supervisory Board is responsible for ensuring that the company is run in line with the decisions and instructions of the general meeting of shareholders and Board of Directors and sound business principles.

Chairman: Harri Malmberg LLM,
representative of the Finnish state

Vice chairman: Valeri V. Remizov, Deputy Chief Executive
OAO Gazprom

Burckhard Bergmann, Vice Chairman of the Executive
Board, Ruhrgas AG

Eike Benke PhD, Ruhrgas AG, from 18 May 2000

Tapio Harra, Executive Vice President,
Fortum Corporation

Juhani Pohjolainen, Director; representative of Metsä-Serla,
Stora Enso and UPM Kymmene

Evgenija K. Selihova, Advisor; OAO Gazprom

Taisto Turunen, Director-General, Ministry of Trade and
Industry, from May 18 2000

Anja Silvennoinen, Industrial Counsellor Ministry of Trade
and Industry, until 18 May 2000

Veli-Matti Ropponen, Corporate Executive Vice President,
Fortum Corporation, until 18 May 2000

Board of Directors

The Board of Directors is elected by the Supervisory Board and comprises a chairman and between three and six ordinary members. Members of the Board of Directors and their deputies serve a term of office lasting three years. The Board of Directors is responsible for company's administration and business in compliance with the law, Articles of Association and the instructions issued by the Supervisory Board, to decide on the assignment and mortgaging of fixed assets and to hire and dismiss senior managers not appointed by the Supervisory Board.

Antero Jännes, chairman, CEO

Juha Vainikka, vice chairman, senior vice president,
Transmission

Björn Ahlnäs, senior vice president, Marketing

Vladimir Hramoff, senior vice president, Supply

Birger Sandström, senior vice president, Finance

Auditors:

Public accountants Arthur Andersen Oy, with Hannu Vänskä
APA as principal auditor.

Gasum's senior management:

CEO: Antero Jännes

Marketing: Björn Ahlnäs

Projects: Kaj Christiansen

Quality and environment: Sonja Hellén-Nieminen

Supply: Vladimir Hramoff

Accounting: Paula Lähde

Human resources: Pekka Mäkitalo

Business planning: Christer Paltschik

Corporate communications: Tuomo Saarni

Development projects: Kari Salminen

Finance: Birger Sandström

Transmission: Juha Vainikka

Tel. +358 20 4471 (group switchboard)

Internet:

<http://www.gasum.fi>

E-mail firstname.surname@gasum.fi

Head office

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Finland

Telefax +358 20 44 78629 (communications)

+358 20 44 78609 (management)

Natural gas centre, control centre, materials

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Finland

Telefax +358 20 44 78700

Reception station

Räikköläntie 170, 55100 IMATRA

Finland

Telefax 020 44 78860

Hyvinkään maintenance centre

Kerkkolankatu 42, 05800 HYVINKÄÄ

Finland

Telefax +358 20 44 78900

Tampereen maintenance centre

Hatanpäänvaltie 34 G, 33100 TAMPERE

Finland

Telefax +358 20 44 78975

Mäntsälä compressor station

Hyvinkääntie 565, 04680 HIRVIHAARA

Finland

Telefax +358 20 44 78695

HELSINKIKAASU Oy

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Telefax +358 20 44 78515

KOTKAN KAASUENERGIA Oy

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NATURAL GAS TRANSMISSION NETWORK IN FINLAND



