



Annual Report

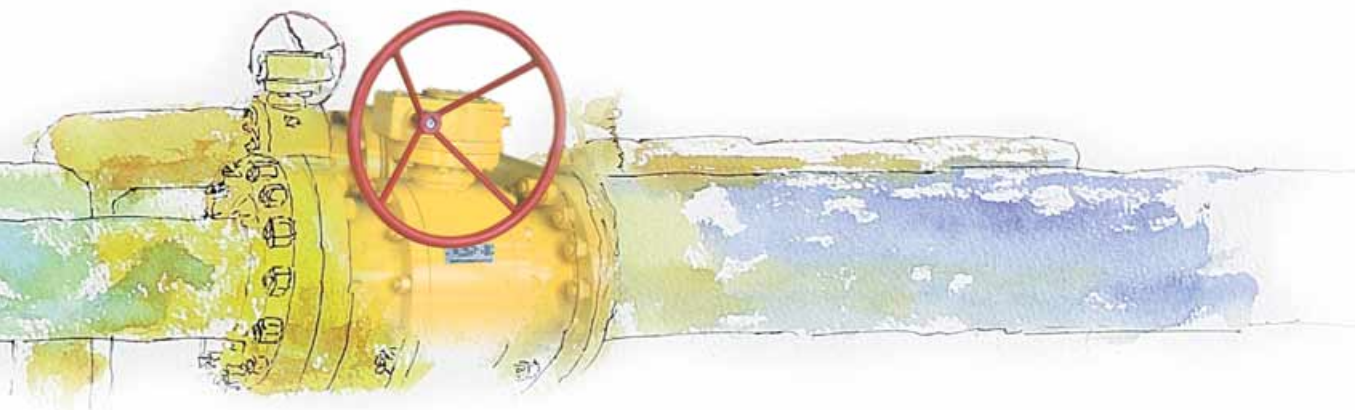
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Gasum profile

Gasum Oy 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.

The Gasum Group comprises Gasum Oy, the parent company, and its subsidiaries Helsinkikaasu Oy, Suomen Kaasuenergia Oy, Helsingin Kaupunkikaasu Oy, Kotkan Kaasuenergia Oy and Gas Exchange Ltd (Kaasupörssi Oy).

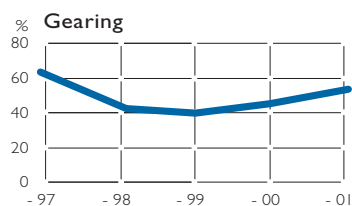
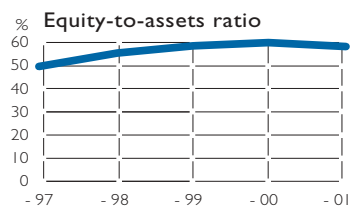
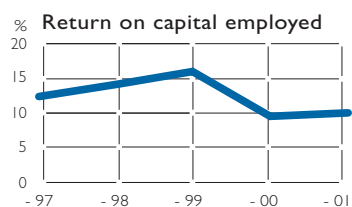
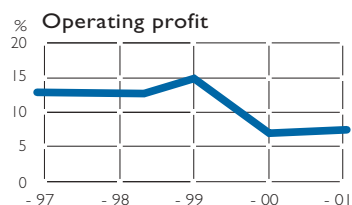
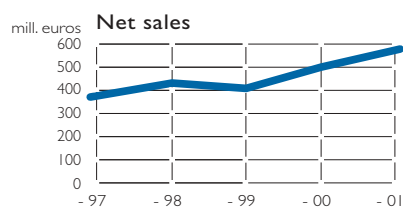
Gasum Group turnover rose by 17.3 per cent to reach €587 million in 2001. The operating profit was €45 million. Sales of natural gas in Finland rose to 4,308 million cubic metres, equivalent to 43.3 TWh.

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 the operator responsible for the system as provided by the Act. Gasum established Gas Exchange Ltd for trading in the secondary market. Gas Exchange Ltd began operations in April 2001.

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

At year-end 2001, the natural gas transmission pipeline was 999.3 km long and had 192 delivery points.

Gasum Group had 180 permanent employees at year-end 2001. Gasum has six offices. Suomen Kaasuenergia has offices in three towns.



Formulae for the key financial indicators:

Operating profit (%)	= Operating profit / Net sales × 100
Return on capital employed (%)	= (Profit before extraordinary items + interest and other financial expenses) / Capital employed average × 100
Equity-to-assets ratio (%)	= (Shareholders' equity + minority interests) / (Total assets – advances received) × 100
Gearing	= (Interest-bearing net debt + deferred tax liabilities) / (Shareholders' equity + minority interests) × 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



Consumption of natural gas in Finland rose by 8.5 per cent during 2001. This figure is much higher than the average increase in energy consumption as a whole. Natural gas fired power plants completed in late 2000 were in operation throughout 2001. This contributed to the growth in natural gas consumption. Higher market electricity prices towards the end of the year also improved the utilisation rate of natural gas fired power plants, thus increasing the use of natural gas.

Gasum improved its operating performance in 2001. Lower oil prices and changes in the price of coal and domestic price index had a positive impact on Gasum's performance because of index linking in supply and sales agreements.

There is still overcapacity in the pan-Nordic electricity market, particularly as a result of the continued abundance of hydropower. However, many new power plants will need to be built in the foreseeable future in response to higher electricity consumption and an ageing power plant stock. The high share and large annual fluctuations of hydropower on the Nordic energy market make it difficult to time the power plant investments required.

Finland's national climate programme is based on reducing the use of coal. Making full use of the potential inherent in municipal and industrial combined heat and power (CHP) production would help Finland achieve its emissions targets. The benefits of natural gas are unrivalled in CHP production. Replacing coal by natural gas in efficient cogeneration plants is also in keeping with the targets of the climate programme.

Whilst Gasum strives to encourage greater use of natural gas, it is also committed to ensuring that the price of natural gas remains competitive compared to other fuel options. Only in this way can natural gas consolidate its market position. In re-



spect of CHP, we are well placed to achieving this aim. Gasum will continue to give priority to the development of CHP production and to enlarging the natural gas catchment area.

Spring 2002 will see the Finnish Parliament make a political decision about the possibility of building a new nuclear power unit in Finland. Nuclear power plants produce condensing power and do not provide heat to densely populated areas. Irrespective of any increase in nuclear power production, we still need more natural gas powered CHP production. Separate natural gas powered electricity production is also one of the options open to us. Discussions on the supply of natural gas for condensing power plant projects should be project-specific. As far as natural gas transmission capacity is concerned, the technical conditions are already in place to increase the use of natural gas. Natural gas powered electricity production can progress in small steps if required.

Gasum seeks to be the leading innovator of its kind on the Finnish natural gas market. To this end, we are also investing in developing local distribution. Local distribution companies are responsible for making natural gas available to light industry, garden nurseries, condominiums and consumers. Local distribution operations have been restructured within the Gasum Group in a bid to improve our operations in this respect. Separate companies were formed to be responsible for natural gas sales and grid operations and appliance and installation activities. Aside from natural gas, these companies can also provide distribution network planning and construction services, natural gas appliances and installation, service and maintenance in various localities.

Gasum has commercialised its excellence and many years' experience of operating and main-

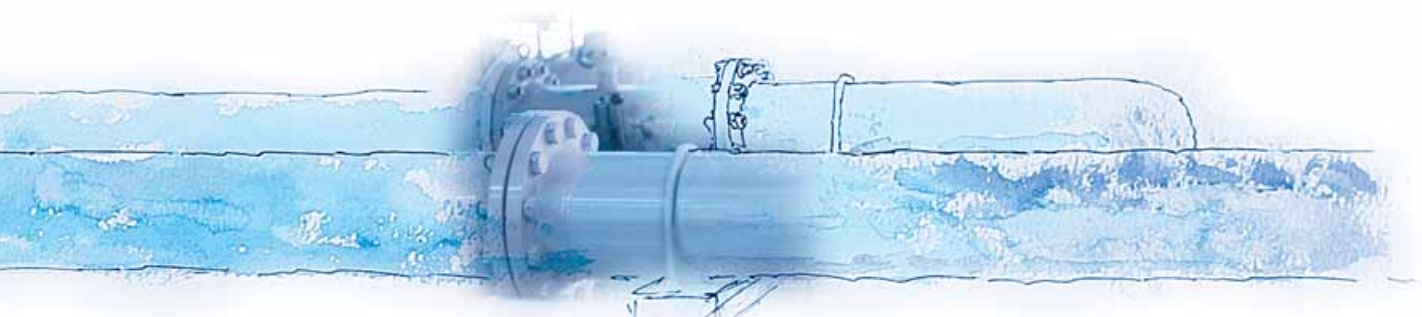
taining the natural gas grid. The company has already started selling maintenance, control and other services to outside players in the natural gas business.

An important project in the near future is the extension of the natural gas grid to West Finland. Work started on environmental impact assessment of the project in early 2001. Environmental impact assessment and basic planning of the natural gas pipeline between Mäntsälä and Naantali are scheduled for completion in summer 2002. After this, Gasum will be able to make a decision to proceed from the technology aspect. The project aims to begin delivery of natural gas to the Turku region by the end of the decade. A decision to go ahead with the project can be taken as soon as we have been able agree on the use of natural gas with major potential users. Any delay in making a decision might dispel the belief of other potential customers in the availability of natural gas. This would lead to an eventual decline in the potential use of natural gas and the project would ultimately founder.

Higher energy demands and the need for more efficient, cleaner electricity production provide a sound platform for greater use of natural gas. Commitment to emissions targets under the Kyoto Protocol also drives the need to replace other fossil fuels by natural gas and to replace outdated coal-fired power plants with modern natural gas powered cogeneration plants. This is the growth platform on which Gasum will move forward.

Finally, I would like to take this opportunity to thank Gasum's employees, customers and partners for their part in our achievements during a busy year.

Antero Jännes



Almost half the population of Finland lives within the natural gas catchment area, where natural gas-fired power plants generate some fifty per cent of district heating and most of the electricity. Natural gas meets 11 per cent of Finland's primary energy needs.

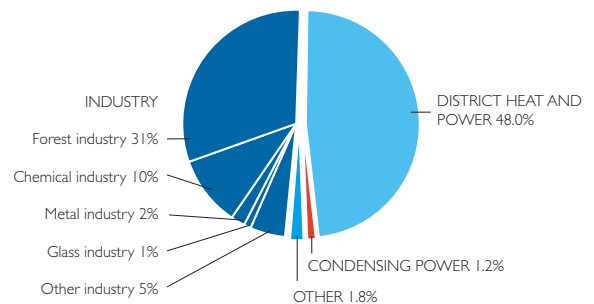
In 2001, Finland consumed 4.308 billion cubic metres of natural gas, equivalent to 43.3 TWh. This figure was up by 8.5 per cent on the year. Combined heat and power production (CHP) in industrial and municipal power plants account for 75 per cent of the natural gas used in Finland. CHP will remain the main growth area. Local distribution accounts for around 5 per cent of sales of natural gas. Sales of natural gas accounted for €340.3 million, 58.5 per cent, of Gasum's turnover.

Higher use of natural gas was mainly due to the start-up of two major power plants in late 2000. The year under review was the first year that the Naistenlahti power plant in Tampere and Stora Enso's power plant at Anjalankoski were operating throughout the year. Rising electricity prices on the pan-Nordic electricity market and a few months of cold weather also resulted in greater use of natural gas.

Industrial use of natural gas peaked in the early part of the year. Use towards the end of the year was weaker and some power plants were at a standstill. A cold start to 2001 increased the need for heating provided by municipal power plants. This, coupled with the high market price of electricity, led to the plants using more natural gas. Although the use of natural gas in district heating production rose, its relative share fell compared to the previous year. Maintenance shutdowns in several major district heating plants lasted longer than anticipated and this also reduced the use of natural gas.

New local natural gas distribution grids were built and came on stream in Lohja, Porvoo and

Natural gas consumption in Finland



Toijala. An 8-bar natural gas pipeline to a new area makes it easier to extend the distribution area. Higher transmission pressure means the gas can be transported more efficiently and further.

Preliminary statistics released by Eurogas show a rise of 2.5 per cent in the use of natural gas in Europe in 2001. The weather particularly affects the use of natural gas by domestic consumers, especially in Central Europe where there are relatively more domestic users than in Finland. Consumption of natural gas also rose in CHP. Use of natural gas in EU Member States totalled 4060 TWh.



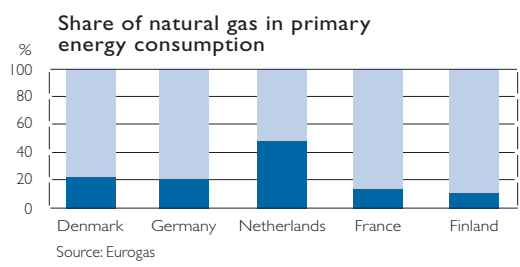
More natural gas for electricity production in Europe

Finland is at the leading edge of CHP in both district heating and industry alike and Finland's advanced district heating network has furthered CHP potential. CHP accounts for 32 per cent of Finland's electricity production. Natural gas accounts for around a third of the fuel used in CHP. In its energy efficiency strategy published in 1999, the EU's target is for CHP to meet 18 per cent of the EU's total energy need by 2010. The European Union may prepare a separate directive to increase CHP in all EU Member States.

In its report published in November 2001, Baltic Gas, which represents gas companies in the Baltic region, expects total natural gas consumption in the region to rise from some 140 billion cubic metres to around 190-210 billion cubic metres a year by 2015. Half of this growth is expected to be used for electricity production.

Growth in existing gas grid, extension to western Finland

Use of natural gas is expected to continue growing. Population movement too is increasing the need for energy in the Helsinki Metropolitan Area. Outdated coal-fired power stations will also need replacing. It is thought decisions to go ahead and build new power plants will be made if there is a rise in the market price of electricity. Natural gas still has good growth potential. Annual consumption of natural gas in the existing catchment area is expected to exceed 20 TWh by 2010. This excludes



condensing power produced using natural gas.

Extension of the natural gas pipeline to the Turku economic zone in West Finland would increase the use of natural gas by some 5 TWh a year. Gasum continued work on the basic planning of the extension project launched in 2000. The final decision on whether to go ahead with the project will be taken in late 2002.

Natural gas has a principal role in the national climate programme adopted by the Finnish parliament in the spring. In government scenarios the use of natural gas is expected to rise considerably in CHP. An option ruling out any new nuclear power proposes providing most of the additional electricity required in natural gas-driven condensing power plants.

Gasum has suggested that for environmental reasons, one of the objectives of Finland's energy programme should be to replace coal with natural gas. Increased nuclear power can be allowed to generate additional electricity and use of bio energy is being developed where natural gas is unavailable.

Children hard at play in a warm, safe environment. Much of the electricity and district heating used in Finland is produced using natural gas. In combined heat and power production, the efficiency rate of natural gas can rise to over 90 per cent.



Natural gas market in transition

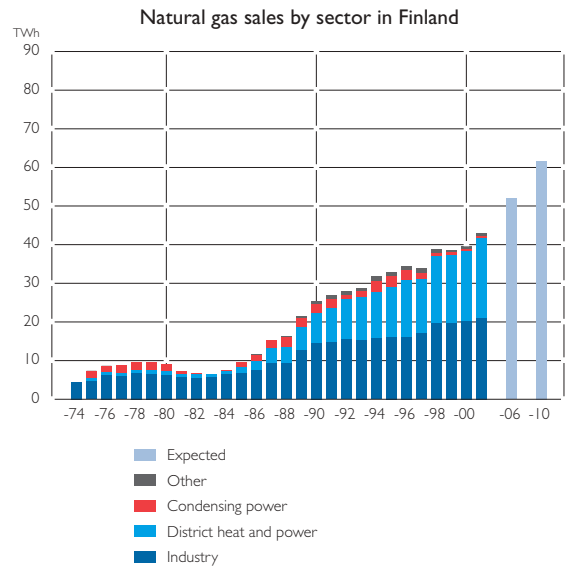
Gasum is responsible for the wholesale marketing of natural gas in Finland. The Finnish natural gas market partly opened to competition last year with the launch of secondary market trading in March. The secondary market allows Gasum's customers to trade among themselves any natural gas that they have bought from Gasum but not used. Gasum's new company, Gas Exchange Ltd, established a trading place on the internet for the secondary gas market.

When the secondary market was opened, trading on the secondary gas market accounted for around 0.8 per cent of natural gas sold. It is expected the amount of natural gas traded on the secondary market will rise to about 1 per cent during 2002. The secondary market has worked to the satisfaction of all parties.

The secondary market is also part of a broader period of transition during which the Finnish natural gas market is becoming an open market, allowing customers to choose their natural gas supplier, as required by the European Union's Gas Directive. To date the EU Directive grants Finland exemptions. The transition period will last as long as Finland is not linked to the European gas grid and has only one principal natural gas supplier.

New pricing system for new market

The end of September 2000 saw Gasum publish its first pricing system, M2001, under the Finnish Natural Gas Market Act. In compliance with this Act, Gasum started to show separate transmission



and energy costs in the price of natural gas. In response to feedback from customers and the authorities, Gasum published a revised version of the tariff, M2002, in September 2001. The new tariff is intended to be valid for four years until the end of 2005.

Some natural gas is still sold according to the first M pricing tariffs and separate old long-term contracts.

The energy cost of wholesale natural gas depends on user volume. The sales capacity is the same size as the transmission capacity. The energy cost for each contract depends on the sales capacity and is linked to the price of coal imported into Finland, the international price of low-sulphur heavy fuel oil and the energy index for electricity and



district heating prices calculated by Statistics Finland.

Natural gas is sold by an annual contract, with the customer determining the gas required for the following calendar year. Customers may use more natural gas transmission and sales capacity than they have reserved. Separate transmission and energy costs are payable for the additional gas used.

The price of natural gas is linked through indexing to that of other forms of energy. Coal and oil prices have the greatest impact on the price of natural gas. During 2001, the wholesale natural gas energy cost was slightly higher at the beginning of the year. The price of natural gas fell with falling oil prices. Fluctuations in the price of natural gas are always more moderate than those in the price of oil.

Long-term supply agreements ensure the competitiveness of natural gas

The supply of natural gas in Finland is based on a 20-year contract signed in 1994. Both the seller and the buyer are entitled to request a price review at regular intervals. The supply price under the contract follows changes in the prices of competitive forms of energy on the Finnish market in a bid to maintain the relative competitiveness of natural gas to other forms of energy on the rapidly changing energy market.

Decisions to build new power plants have been put on hold owing to over-production of electricity and the resulting low market prices.

Studies have been underway for several years now to lay a pipeline under the Baltic Sea and thus create a new export route for Russian gas to the Central European market. This would also provide Finland with a chance to join the European natural gas grid. Towards the end of the year, the EU Commission published its proposal for major natural gas pipeline projects, which also included the Baltic Sea pipeline. There is still uncertainty as to the schedule under which such a project would be carried out.

Replacement fuels and air-propane mix ensure emergency supply

Experience has shown reliability of the natural gas supply to be excellent. Gasum used light fuel oil, heavy fuel oil and liquefied gas to meet its statutory storage reserve obligations. Municipal natural gas-fired power utilities are also required to store fuels to replace natural gas in the event of any disruption in supply.

No reserve fuels or fuels in statutory storage were required to replace natural gas. If required, the switch to reserve fuels can be made very quickly. The mixed gas, a mixture of propane and air, could be fed into the natural gas transmission pipeline at the mixing plant without any disruption in gas supply. The air and propane mix is available to natural gas users and local distribution companies that have made an agreement with Gasum to use this facility.

The journey of wood from the forest to newsprint and a finished printed product is a long one and requires much energy. The changeover to using natural gas in the pulp and paper industry has improved air quality around the mills. In the final stage of the process, when the paper is dried, natural gas is needed as a fuel for infrared radiators and web driers.



Natural gas is imported into Finland from Siberia, some 3,400 kilometres away. Gasum supplies gas on a 24/7 basis to almost two hundred delivery points in Finland. The natural gas transmission system includes underground steel pipes, valves, compressors to maintain the pressure required to keep the gas flowing, and state-of-the-art electronics to control the transmission system and natural gas volume and quality.

At year-end 2001, the natural gas transmission pipeline was 999.3 km long. The year under review saw the commissioning of 55 kilometres of new pipeline and four new pressure reduction stations. There were no emergencies or any unforeseen delivery disruptions in the transmission system during the year. In 2001, transmission accounted for 41.2 per cent, €239.5 million, of Gasum's net sales.

The Finnish Natural Gas Market Act defines the pricing principles for transmission and grid services. The transmission charge must correspond to costs and may include a reasonable return on equity. The equity value is based on the current value of the transmission pipeline.

Lifetime analyses are carried out each year based on surveys of the condition of the natural gas grid. Calculation models used in these analyses estimate the expected equipment life spans and replacement needs. The findings from the lifetime analysis made in 2001 were also used to calculate the transmission tariff, enabling the tariff to take into account long-term investments required.

The M2001 pricing system became effective at the start of 2001 and gives separate pricing factors for sales and transmission. The wholesale price of natural gas comprises three separate charges: a delivery charge, transmission capacity charge and transmission charge. The transmission cost tries to take into account the volume used and the steadiness of use. The steadiest use possible throughout the year would be ideal as regards network availability and operating efficiency.

Operator responsible for ensuring natural gas market function

In addition to its grid activities, the Energy Market Authority has also assigned Gasum several tasks in a bid to ensure the function and fairness of the natural gas market. The Energy Market Authority has made Gasum the operator responsible for the technical operation and reliability of the natural gas transmission system and to be responsible for tasks relating to the balancing of the transmission system.

Opening up of the natural gas market leads to new responsibilities

In compliance with the Natural Gas Market Act, the Finnish transmission network was made available for secondary trading from March 2001. Under the Act, the network operator must, within the limits of the network transmission capacity, sell transmission services to customers who are end users or retailers and entitled to trade in the secondary market.



Grid development: part of the operator's responsibility

Summer 2001 saw the completion and entry into commercial service of the parallel pipeline between Lappeenranta and Luumäki. Construction work finished slightly ahead of schedule at Midsummer. The pipeline was brought into use in July. A new pipeline was completed between Lempäälä and Nokia to ensure natural gas transmission capacity to Tampere. The pipeline was completed at Midsummer and entered into commercial service in August.

A pre-feasibility study to extend the parallel pipeline between Luumäki and Valkeala was launched in 2001. This proposed new stretch of parallel pipeline will be required as the use of natural gas grows and before the project to extend the natural gas transmission pipeline to West Finland is realised. The fastest schedule suggests the parallel pipeline should be in use in late 2005. Work on preliminary plans for a pipeline between Mäntsälä and Kerava is also underway.

Gasum is also having to undertake construction work in response to other social infrastructure projects. A project to straighten the railway link between Kerava and Lahti means Gasum will have to move its main natural gas pipeline by about six kilometres. Work on moving the pipeline started in late 2001 with land acquisition. Compulsory land purchases will take place during spring 2002 and a start on actually moving the pipeline will be made

in the autumn. The project is scheduled for completion by 2003, when actual track work will commence.

Four pressure reduction stations for new users were built in the transmission pipeline in 2001. The Virkkala station connected Lohja to the natural gas grid, the Uittamo station connected Toijala, the Mustola station extended the natural gas grid in Lappeenranta and the Kuninkaala pressure reduction station in Vantaa.

Compressed natural gas (CNG) can be used as a traffic fuel. In 2001, Gasum enlarged the natural gas filling station at the Ruskeasuo bus depot in Helsinki. Gasum has leased the filling station to its subsidiary Suomen Kaasuenergia, which is responsible for operating the filling station and for selling traffic fuel.

Transmission pipeline maintenance: Preventative maintenance, immediate repairs, monitoring pipeline condition

Preventative maintenance helps ensure Gasum's transmission pipeline remains safe and reliable. Maintenance is carried out in keeping with the written instructions of Gasum's certified preventative maintenance programme. During the year under review, some 2,500 maintenance points were carried out. Some 50, unexpected, urgent repairs to the grid and related equipment were made in 2001.

Pipeline inspection gauges or smart pigs are used to analyse the condition of the pipeline. These

Flowers brighten up everyday life and are a pleasure both to give and to receive. Natural gas is an excellent fuel for greenhouse production. There's no need to store it and the heat produced on combustion can be used to heat greenhouses and the water used to water the plants. The carbon dioxide created during the combustion of natural gas can be used as it is to grow greenhouse plants.



identify any corrosion damage or indentations, etc. in the pipeline. Some 376 km of pipeline in six areas was inspected in 2001, with the new pipelines coming on stream being the most thoroughly inspected. Some repair work was carried out in the light of findings from inspections of pipelines built earlier. Compared to findings from earlier inspections, the pipeline condition has remained more or less unchanged.

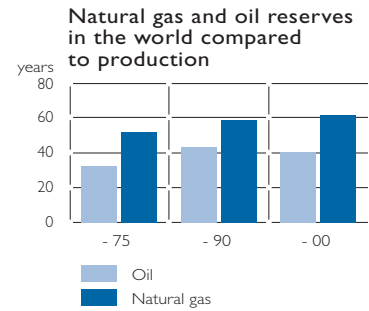
Advanced automation helps in operating the natural gas grid

Hardware used to monitor the network is replaced as required. In 2001, remote control equipment of the natural gas pipeline between Kotka and Karhula was changed so that instead of operating by cable it now operates by wireless link. Weather conditions facilitated the maintenance of electrical control equipment. There was less damage caused by thunderstorms than normal.

Late 2001 saw the completion of basic planning to replace the automation systems at compressor stations, the KIVA project. The oldest automation systems at the compressor stations in Imatra and Valkeala will be replaced during 2002 and 2003. The project has been triggered by difficulties in maintaining ageing automation technology. New automation systems will enable compressor stations to provide more advanced information and be easier for operators to use.

International cooperation

Gasum is one of the 26 members of Gas Transmission Europe (GTE), an organisation representing European gas transporters. Like Gasum, some of the companies are responsible for



both the sale and transmission of gas. The EU Commission initiated setting up this kind of co-operative organisation in summer 2000 to develop the EU's internal gas market in line with the Gas Directive. In 2001, the GTE studied the natural gas transmission capacity between EU Member States.

Gasum and Eesti Gaas of Estonia have agreed to carry out a pre-feasibility study of a natural gas pipeline to be laid on the bed of the Gulf of Finland. This study is primarily being carried out as the company's own work and aims to assess the conditions required to build an approximately 90-km gas pipeline between Tallinn and the Helsinki region. Additionally, any transmission link between Estonia and Finland would also open up a route to Finland to the natural gas stored in Latvia. Finland's bedrock contains no porous strata where natural gas could be stored.

The companies will decide on any further work in this connection once the pre-feasibility study is completed in late 2002.



In addition to its core business of selling and transporting natural gas, Gasum is also developing other service products. In 2001, other services accounted for €1.478 million or 0.3 per cent of Gasum's net sales. Most of the turnover from other services was derived from the sale of liquefied natural gas (LNG).

Maintenance support and service for natural gas equipment

In 2001, Gasum analysed the natural gas equipment maintenance market. The results of the study showed market potential for maintenance and equipment manufacture. Gasum addressed the development of new services within the organisation. Priority in 2002 will be on the customer service mindedness of Gasum employees. Aside from maintenance services and equipment manufacture, Gasum also helps customers to plan natural gas systems.

Gasum's maintenance services customers included Gazprom's subsidiary Lentransgaz, for whom Gasum carried out the annual service of the Severnaja compressor station, a Russian compressor station near the Finnish frontier. Annual service included inspecting and testing various gas turbine and compressor systems. The equipment was found to be in good condition. Gasum will also carry out a similar annual service in 2002.

Gasum services and calibrates its own measuring instruments and those of its customers. Gasum performed a total of 585 services and calibrations during the year, including the calibration of 224 flow indicators and 361 other instruments.

Gasum's entire transmission network is covered

by remote control based on a network of radio links. Gasum leases antenna space to others, such as mobile telecom operators, on its radio link masts. This thus reduces the number of radio transmission masts in the landscape.

Liquefied natural gas – a reserve fuel and export

Natural gas is liquefied at a liquefaction plant in Porvoo and is transported by road tanker for testing and research purposes to customers in Finland and Sweden who are unable to use any fuel other than natural gas. The latest liquefied natural gas (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.

LNG can also be 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. At a vaporisation capacity of 10 MW, one tanker load is adequate for about 24 hours. The air vaporiser was used last summer to safeguard the supply of gas to customers during a delivery interruption when the new parallel pipeline was joined to the existing grid.

The rolls of almost all hamburgers eaten in Finland are baked in natural gas powered ovens. Natural gas is clean burning, thus reducing operating costs and the need for oven cleaning compared to other fuels. A natural gas powered oven heats up quickly and its temperature can be easily controlled.



Gasum is prioritising development of its management system in a bid to improve operations. Work is also underway on developing a balanced scorecard management model. Gasum chose new IT and payroll administration services partners.

Effective management leads to results

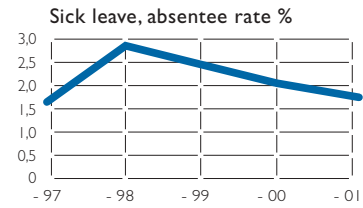
Gasum's management was reorganised in 2001. The management system was made more effective by clarifying the company's core areas of business. These were defined as areas for which various members of Gasum's Board of Directors are responsible. This led to a fall in the number of subordinates coming directly under the chief executive officer and the creation of broader business concepts.

Gasum's quality system was updated in accordance with the new ISO 9001:2000 quality standard. In this connection, Gasum used scorecards to develop processes and the business measurement system.

Expert employees are the key to excellence

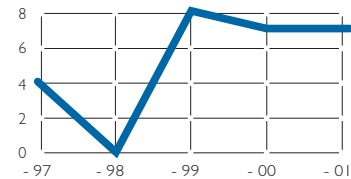
The Gasum Group had 180 employees as at 31 December 2001. The parent company employed 143 persons and the subsidiaries 37. Staff numbers have remained fairly steady over the past few years. Gasum employed 49 trainees on fixed term contracts.

Employee turnover at Gasum has been minimal. A long history of experience and international cooperation has given Gasum a high level of excellence in the gas industry. Additionally, the company also invests in both in-house and external training. Last year saw an extensive training programme in relation to use of the maintenance and materials management, the Arttu 2000 programme, which was attended by all employees in the Transmission



The average industrial absentee rate through sickness in 2000 was 4.5. (Source:TT)

Absences lasting more than one day through industrial accident per million working hours



The comparative figure in 2000 for Finnish companies pledged to the RC initiative was 15.5

Division. There were 20 other in-house training events. There was an average of three training days per employee in 2001.

Gasum contributes to workplace health promotion (WHP) by supporting staff exercise and recreational activities through the staff club. The company holds one joint keep-fit event each year and each office has its own similar events.

There were seven lost time accidents per million working hours. This figure is the same as in 2000. Accidents resulted in a total of 10 days



absence from work. There were also two incidents that resulted in no absence from work.

Employee health indicators improved encouragingly during the year. Absence through sickness was just 1.7 per cent. This translates into around 700 hours less sick leave than in 2000. Over half of Gasum's entire staff took no sick leave at all in 2001. In late 2001, Gasum appointed a new company payroll administration services provider. Tieto Enator will start providing Gasum's payroll administration services in April 2002.

IT a major strategic success factor

Gasum's 2001 information technology strategy charted projects in the foreseeable future and defined the critical success factors in information management. Gasum's IT management team was recomposed in a bid to better respond to the company's internal customer relationships.

WM-data was chosen to provide Gasum's communication and IT services. The switch to a new service provider took place in December. The change went smoothly and did not hamper the company's normal business.

The gas billing program was updated to bring it into line with M2002 tariff criteria. Introduction of the euro led to modifications being made to most programs. The materials management and maintenance control system was updated to work on a Windows platform.

Gasum's intranet website, Gasnet; was brought into active use in early 2001. Gasnet serves as an

information channel and can also be used to find documents and instructions and many tool programs.

Last year also saw a software update of Gasum's internet site and customer service system (extranet). The website was also revamped at the same time. An on-line trading place to trade gas on the secondary market was also developed for Gasum's subsidiary Gas Exchange Ltd.

In 2001, Gasum chose a new operative reporting program. This browser-based system will be inaugurated in the first half of 2002 and make it much easier for management and other employees to monitor the company's finances.

Natural gas communications on-line and in paper format

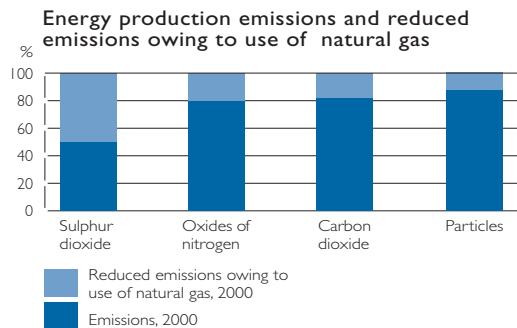
Gasum's principal communication challenges in 2001 were to uphold the product image of natural gas as the nuclear power debate got underway and to build on Gasum's recognition. Gasum introduced its new logo at the start of 2001. The company's website was also given a new look and streamlined. Gasum's staff magazine is published six times a year. Two of the editions were also distributed to customers and stakeholders. Future challenges are further development of web communications and making natural gas known in the potential market area in West Finland.

Systems specialist Tiina Koste was voted Gasum employee of the year 2001. Tiina works at Gasum's head office. She was voted employee of the year because she is an expert at what she does, is devoted to her work, always helpful and has a great sense of humour. Tiina is continuing to build on her professional skills through advanced studies and is also an active athlete. A Gasum employee has been elected since 1987 and is chosen by previous Gasum employees of the year. Information technology, which is what Tiina is involved with, is one of Gasum's key strategic success factors. The entire natural gas transmission network on the Finnish side is operated and monitored from the control centre in Kouvola.



Gasum has identified the adverse environmental impacts in the transmission of natural gas and is committed to using environmentally aware technology and systematic grid use and maintenance in a bid to reduce them. Environmental impacts are assessed before work on building a pipeline begins and are taken into account when projects are planned and carried out.

Gasum's environmental management system complies with the international ISO 14001 standard. The system was re-certified in autumn 2001.



Active construction affected emission values in 2001

Gasum achieved all its main environmental objectives in 2001. Although major parallel pipeline projects were successfully concluded in summer, connecting the new pipelines to the existing grid resulted in much higher methane emissions than in 2000.

Gasum invested some €435,000 in environmental, health and safety (EHS) issues in 2001. The most significant investments were in environmental impact assessment of the proposed extension of the natural gas pipeline to western Finland, the pilot contractor bonus scheme introduced on the Törölä-Hirvikallio stretch of the parallel pipeline project and implementation of a system to recover gas leaking from seals at compressor stations.

Methane emissions

Methane emissions totalled 908 tonnes. This is equivalent to 0.029 per cent of the volume of gas transported.

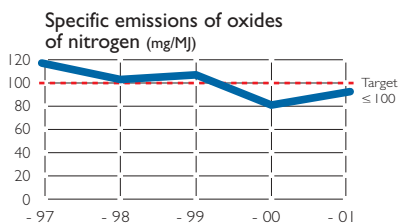
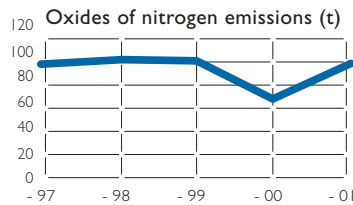
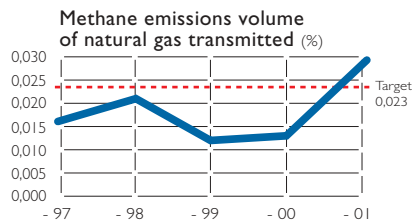
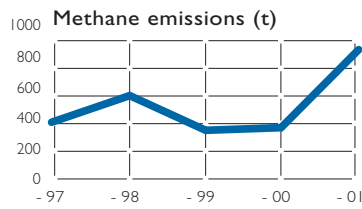
Methane emissions occur when natural gas is released into the atmosphere during venting, or emptying a section of a natural gas pipeline for maintenance, repair or to join it to another pipeline. The parallel pipeline built between Lappeenranta and Luumäki and the transmission pipeline between Lempäälä and Nokia were connected to the existing natural gas grid in 2001. Joining new natural gas pipelines to the existing grid accounted for around 60 per cent of Gasum's methane emissions in 2001.

Gasum managed to employ gas recovery to limit emissions occurring in connecting the new parallel pipeline to the existing grid. Over half of the gas inside the section of pipeline to be vented was fed into the adjoining parallel pipeline. Efforts were made to minimise methane emissions in respect of the pipeline between Lempäälä and Nokia by allowing power plants to continue to use the gas for as long as pipeline pressure made it possible.

Methane emissions occur in compressor units both during maintenance and in the course of normal running. Last year Gasum introduced a system to recover gas escaping from seals in four natural gas compressors. This led to an annual reduction of around 15 per cent in emissions during compressor running time.

The bus is a convenient way of travelling when the family has shared interests. By year-end 2002, there will be over 70 natural gas driven buses in Helsinki. Exhaust emissions from a CNG powered bus are much lower than those from diesel powered vehicles. All natural gas powered buses in the Helsinki Metropolitan Area refuel at the Ruskeasuo filling station in Helsinki.





Carbon dioxide and oxides of nitrogen emissions

Carbon dioxide emissions in 2001 amounted to 58,295 tonnes, which is about average compared to the volume of gas transported in recent years. Overall oxides of nitrogen emissions amounted to 97 tonnes, with the average specific emission being 92 mg per MJ.

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.

During 2002, Gasum will study further the feasibility of applying Low-NO_x burner technology in the gas turbines serving as a source of power in compressors at Mäntsälä.

Energy consumption

Use of natural gas as a turbine fuel at compressor stations was 225 GWh. Pressure reduction stations consumed 65 GWh of natural gas to drive turbines and heat the premises. 0.67 per cent of the volume of natural gas was consumed in the transmission process.

Modifications to the rotor of the compressor at Imatra seek to optimise compressor use. Work on the modifications began in 2001 and are required because of changes taking place in the grid on the Russian side and the completion of parallel pipelines on the Finnish side. The modifications will reduce fuel consumption and consequently carbon dioxide and NO_x emissions.

Environmental impacts of proposed western extension to be assessed

One of the focus areas in Gasum's environmental policy is to minimise the adverse impacts of building natural gas pipelines and compressor reduction stations. Two major building projects were completed in 2001. At the parallel pipeline construction site, Gasum introduced a trial bonus scheme for contractors for taking into account environmental and safety issues.

Extensive environmental impact assessment started as part of basic planning work on a western extension of the natural gas pipeline. The assessment programme was completed in May 2001 and was available for inspection in all the municipalities through which the proposed route will pass. The self-assessment analysis was completed in January this year.



Gasum Oy improved its net sales and financial performance compared to the previous year. The Energy Market Authority granted Gasum a natural gas grid licence and made it the operator responsible for the natural gas transmission system. Gasum opened its natural gas grid for use by traders on the secondary market. Gasum's subsidiary, Gas Exchange Ltd (Kaasupörssi Oy), established an online trading site. Gasum continued work on a basic study and environmental impact assessment in respect of extending the natural gas pipeline to the Turku region in southwest Finland. The company invested heavily in maintenance control and preventive maintenance of the natural gas grid. It extended local distribution operations to new areas and restructured the group's local distribution companies.

Natural Gas Market Act sets the framework for business development

In 2001, Gasum Oy sold 4.308 billion cubic metres of natural gas, equivalent to 43.3 TWh. Consumption of natural gas rose by 8.5 per cent on the year, the highest growth being in sales to municipalities and forest companies. Higher overall sales were primarily owing to the new power plants that came on stream in late 2000. Sales of natural gas increased as a result of rising market electricity prices on the pan-Nordic electricity market. Nevertheless, the longer than expected annual service and repairs of certain major natural gas fired power plants resulted in a fall in the use of natural gas. The first half of the year in Finland was colder than normal, although the autumn was warm. A cold snap in December led to sales rising by almost 20 per cent compared to the corresponding figure a year earlier.

September saw Gasum publish its new natural gas pricing system M2002, which replaces the M2001 tariff. The new pricing system was developed in response to feedback received from customers and the Energy Market Authority. The changes made make the pricing system more practical and transparent. Gasum also revised the general terms and conditions of natural gas deliveries.

The Energy Market Authority granted Gasum a natural gas grid licence making it the operator responsible for the natural gas transmission system. The beginning of March 2001 saw the start of natural gas trading on the secondary market under the Natural Gas Market Act.

In April 2001, Gasum's subsidiary, Gas Exchange Ltd, established an online trading site for the secondary market. Parties trading gas on the gas exchange

notify also the entity responsible for the system of bilateral sales on the secondary market. Twenty-five natural gas users entitled to trade in the secondary market have become gas exchange customers. Trading on the secondary market began as expected. On average, natural gas users buy a total of almost two per cent of the gas they consume on the secondary market.

Gasum Oy accounts for its natural gas transmission and sales operations separately as required by the Natural Gas Market Act.

Investments

The parallel pipeline from Lappeenranta to Luumäki and the Tampere bypass pipeline from Lempäälä to Nokia both entered commercial service during the year. These new stretches of parallel pipeline and the parallel transmission pipeline from St Petersburg to Imatra, which came on stream in summer 2000, enable delivery of natural gas in accordance with the contracts signed. Gasum is still prepared to rapidly increase transmission capacity as required by any new power plant projects.

Gasum built four new pressure reduction stations to meet local natural gas distribution requirements.

A new refuelling station for natural gas powered buses opened in Helsinki. This new station will bring about a planned increase in the use of natural gas powered buses. Spring 2002 will see the number of natural gas powered buses in Helsinki rise to over 70.

The automation systems at the Imatra A and B and Valkeala A compressor stations are to be upgraded. The equipment suppliers have been chosen and work will start in autumn 2003.



Members of Gasum's Board of Directors from the left: Vladimir Hramoff (senior vice president, Supply), Björn Ahlnäs (senior vice president, Marketing), Antero Jännes (CEO) chairman of the Board, Juha Vainikka (senior vice president, Transmission) and Birger Sandström (senior vice president, Law and Finance).

A main natural gas pipeline owned by Gasum Oy will have to be moved about six kilometres because of a project to straighten the railway link between Mäntsälä and Lahti. Track work also means changes having to be made to the Helsinki branch of the pipeline. Construction work and compulsory land purchases will commence in 2002. The changes are scheduled for completion by Midsummer 2003.

Total investments in 2001 amounted to €38 million. Most of these investments were owing to Gasum Oy redeeming compressor station A at Valkeala and the air-propane mixing unit and equipment at Porvoo from ABB Oy, from whom it had previously leased them.

Environment, health and safety

Gasum achieved all its main environment, health and safety objectives in 2001.

Employees

Gasum Oy employed an average of 159 people during 2001. A further 40 people were employed by subsidiaries.

Subsidiaries

At the end of September 2001, HelsinkiKaasu Oy was divided into three companies: HelsinkiKaasu Oy, Suomen Kaasuenergia Oy and Helsingin Kaupunkikaasu Oy. There are plans to merge Kotkan Kaasuenergia Oy with and into Suomen Kaasuenergia in 2002. Gas Exchange Ltd was established in 2001. The subsidiary companies are wholly owned by Gasum Oy.

Gasum's ownership structure remains unchanged

The year 2001 marked Gasum's eighth year of business. There have been no changes to Gasum Oy's ownership structure since summer 1999. Gasum is owned by:

Fortum Oil and Gas Oy	25%
OAO Gazprom	25%
Finnish state	24%
Ruhrgas Energie Beteiligungs Aktiengesellschaft	20%
M-real 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 Oy's annual general meeting was held on 15 May 2001. Two members of the Supervisory Board, Mr Taisto Turunen and Mr Juhani Pohjolainen, retired by rotation. Mr Taisto Turunen of the Ministry of Trade and Industry was reappointed and Dr Heikki Sara of UPM-Kymmene Corporation was appointed to replace Mr Juhani Pohjolainen. Mr Burckhard Bergmann and Mr Tapio Harra resigned from the Supervisory Board and the annual general meeting appointed Mr Veli-Matti Ropponen and Mr Bo Lindfors, both of Fortum Corporation, to replace them for their remaining terms of office.

Mr Harri Malmberg continues to chair the Supervisory Board. Other members of the Supervisory Board were: Mrs Evgenija K. Selihova of OAO Gazprom and Dr Eike Benke of Ruhrgas Energie Beteiligungs AG. Mr Valeri V. Remizov of OAO Gazprom served as deputy chairman of the Supervisory Board until his death on 31 October 2001.

There were no changes to Gasum Oy's Board of Directors during the year.

During the year under review, the Supervisory Board met four times during the year and the Board of Directors 13 times.

Future prospects

Gasum is seeking to increase the use of natural gas for heating purposes and in combined heat and power (CHP) production. Extension of the transmission pipeline to West Finland would also enable to reduce the use of coal in this region. Any decision to build combined heat and power plants also depends on the market prices of electricity and on the expected trend in these prices. Gasum expects natural gas consumption to rise to 52 TWh by 2006. This excludes any major increase in the use of natural gas in condensing power production.

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

planning of a transmission pipeline from Mäntsälä to Naantali is scheduled for completion in 2002.

An extensive environmental impact assessment, required by the Ministry of the Environment in respect of the proposed extension of the natural gas grid to West Finland, is scheduled for completion in early 2002. Gasum has already started talks on gas sales with major customers in the Turku area and is making a detailed study of the overall potential use of natural gas in the region. Any decision to go ahead with the Turku pipeline can be made once agreement has been reached on most of the natural gas to be sold.

Gasum and AS Eesti Gaas have jointly decided to conduct a pre-feasibility study of a natural gas pipeline to be laid under the Gulf of Finland. The companies will decide on any further work in this connection once the pre-feasibility study is completed in late 2002.

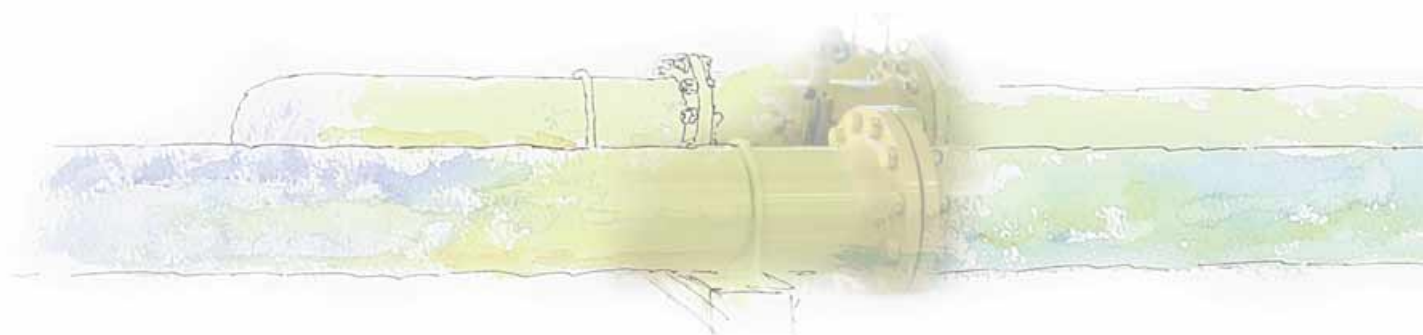
Net sales and earnings

Gasum Oy's net sales for 2001 were €581.3 million, up by 17.3 per cent on the figure for the previous year. Net financial charges amounted to €4.8 million and depreciation according to plan €17.8 million. The profit before extraordinary items was €38.0 million and the profit for the financial year was €22.5 million. The balance sheet total rose to €506.6 million in 2001 and the return on equity was 10 per cent. The equity ratio was 57.9 per cent.

A growth in sales volume contributed to higher net sales. Gasum achieved its operating result targets in 2001.

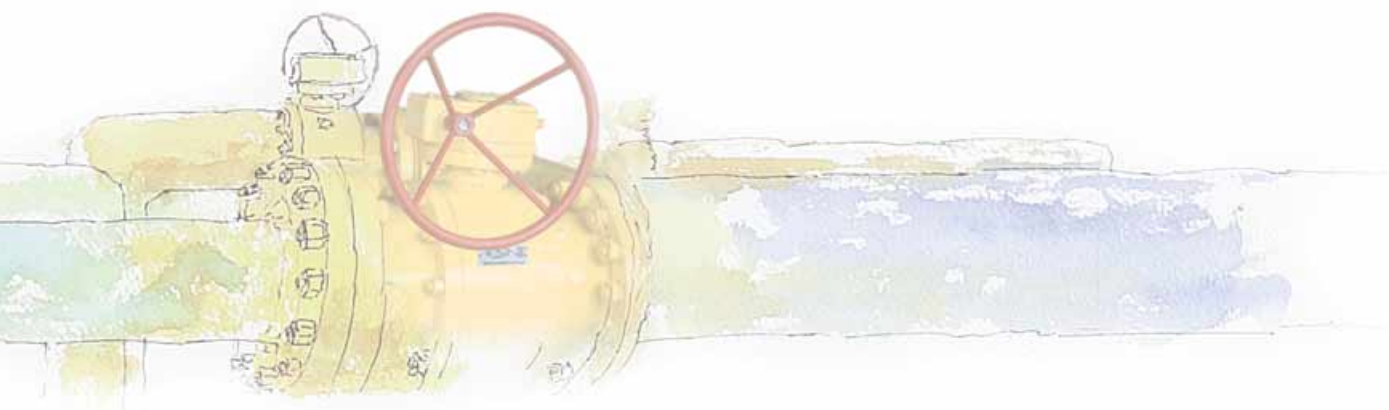
Proposal for the distribution of profit

Gasum Oy's profit for the financial year was €22,516,762.22. The Board of Directors recommends that Gasum pay a 2001 dividend of 12.5 per cent on the share capital, equivalent to €22,284,900.68, and that the remaining €231,861.54 be retained.



Income statement

€ million		GROUP		PARENT COMPANY	
		2001	2000	2001	2000
Net sales	(1)	587	500	582	495
Materials and services					
Raw materials and consumables					
Purchases during the financial year		-502	-416	-501	-415
Staff costs	(2)				
Wages and salaries		7	7	6	6
Social security costs					
Pension costs		1	0	1	0
Other social security costs		1	1	1	1
		-9	-8	-8	-7
Depreciation and value adjustments					
Depreciation according to plan		-18	-18	-18	-17
Other operating charges		-13	-23	-12	-22
Operating profit		45	35	43	34
Financial income and charges					
Other interest receivable and similar income					
From others		1	1	1	1
Interest payable and similar charges					
To others		-6	-6	-6	-6
		-5	-5	-5	-5
Profit before extraordinary items		40	30	38	29
Profit before appropriations and taxes		40	30	38	29
Appropriations					
Increase in depreciation difference (-)		0	0	-7	-1
Income taxes	(4)	-12	-10	-9	-8
Profit for the financial year		28	20	22	20

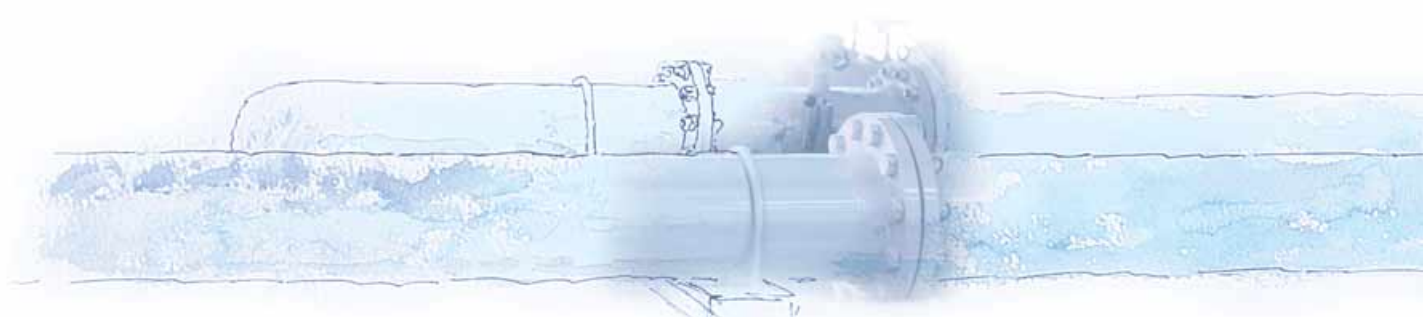


Balance sheet

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€ million

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
ASSETS				
FIXED ASSETS				
Intangible assets (5)				
Other long-term expenditure	4	3	4	3
Goodwill on consolidation	4	4	0	0
	8	7	4	3
Tangible assets (5)				
Land and water	2	2	2	2
Buildings	375	349	361	336
Machinery and equipment	43	33	42	33
Other tangible assets	4	4	4	4
Tangible assets in the course of construction	3	18	3	18
	427	406	412	393
Financial assets (5)				
Shares in group companies	0	0	7	7
Amounts owed by group companies	0	0	3	3
Other shares and securities	0	1	0	1
	0	1	10	11
CURRENT ASSETS				
Stocks (6)	7	7	6	6
Debtors				
Long-term				
Other debtors	0	1	1	1
	0	1	1	1
Short-term (7)				
Trade debtors	71	58	69	56
Amounts owed by group companies	0	0	2	1
Other debtors	0	2	0	2
	71	60	71	59
Cash and cash equivalents	4	3	3	3
	517	485	507	476



€ million

23

		GROUP		PARENT COMPANY	
		2001	2000	2001	2000
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY (8)					
Share capital		178	178	178	178
Retained earnings		93	92	2	1
Profit for the financial year		28	20	23	20
		299	290	203	199
ACCUMULATED APPROPRIATIONS					
Accumulated depreciation difference	(9)	0	0	127	120
DEFERRED TAX LIABILITY (10)		40	38	0	0
CREDITORS					
Long-term					
Loans from financial institutions		61	18	61	17
Other long-term creditors		29	40	29	41
		90	58	90	58
Short-term (11)					
Loans from financial institutions		15	32	15	32
Trade creditors		57	51	56	51
Other creditors		10	11	10	11
Accruals and deferred income		6	5	6	5
		88	99	87	99
		517	485	507	476

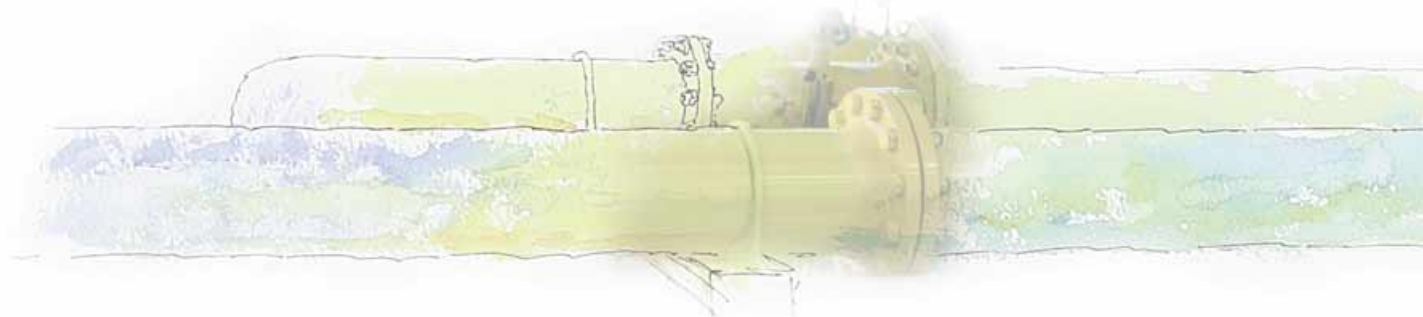


Cash flow statement

24

€ million

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Net cash inflow from operating activities				
+ Payments received from sales	578	499	575	494
+ Payments received from other operating activities	0	0	0	0
- Operating charges paid	-525	-453	-523	-450
Cash inflow from operating activities before financing items and taxes	53	46	52	44
- Interest paid and payments of other financial charges	-6	-7	-6	-7
+ Interest received from operating activities	1	1	1	1
+ Dividends received from operating activities	0	0	0	0
- Taxes paid	-9	-9	-9	-9
Cash flow from operating activities before extraordinary items	39	31	38	29
+/- Net cash inflow/outflow from extraordinary items in operating activities	0	0	0	0
Cash inflow from operating activities (A)	39	31	38	29
Cash inflow/outflow from investing activities				
- Investments in tangible and intangible assets	-37	-26	-34	-24
+ Gains on the disposal of tangible and intangible assets	1	0	1	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
Cash inflow/outflow from investing activities (B)	-36	-26	-33	-24
Cash inflow/outflow from financing activities				
+ Increase in short-term loans	1	13	0	13
- Repayment of short-term loans	-13	0	-13	0
+ Increase in long-term loans	68	20	67	20
- Repayment of long-term loans	-39	-43	-39	-43
-/+ Increase/decrease in long-term debtors	0	0	0	0
- Dividends paid and other distribution of profit	-19	-18	-19	-18
Cash inflow/outflow from financing activities (C)	-2	-28	-4	-28
Change in liquid assets (A+B+C)	1	-23	1	-23
Liquid assets at 1 January	3	26	3	26
Liquid assets at 31 December	4	3	4	3



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 include the parent company Gasum Oy and subsidiaries Helsinginkäsu Oy, Suomen Kaasuenergia Oy, Helsingin kaupunkikäsu Oy, Kotkan Kaasuenergia Oy and Gas Exchange Ltd. 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 Central European Bank at the balance sheet date.

DEPRECIATION

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

Economic life expectancies:

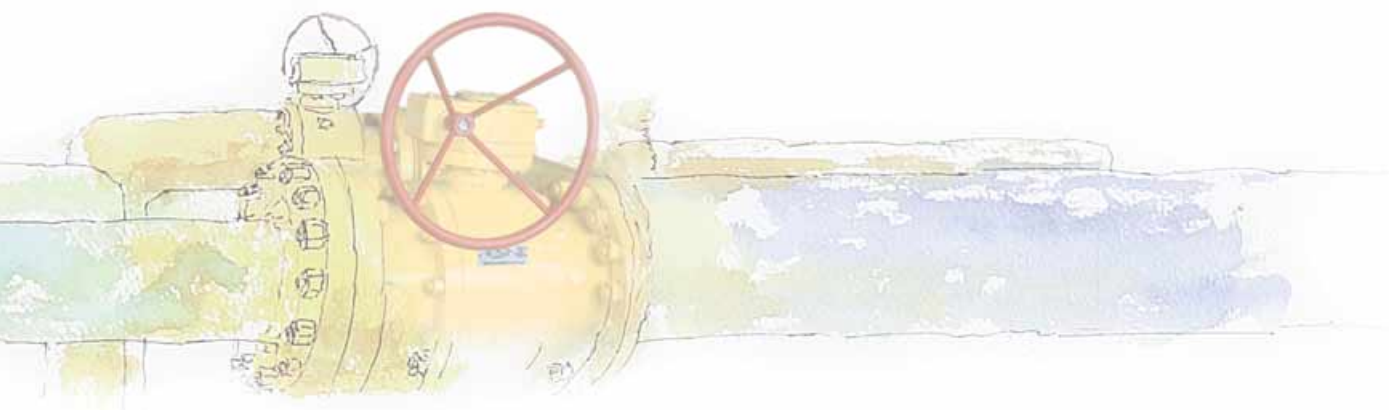
	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Buildings	20-40 yr	20-40 yr	20-40 yr	20-40 yr
Other tangible assets	20-40 yr	20-40 yr	20-40 yr	20-40 yr
Machinery and equipment	5-15 yr	5-15 yr	5-15 yr	5-15 yr
Other long-term expenditure	5-10 yr	5-10 yr	5-10 yr	5-10 yr
Intangible rights	5 yr	5 yr	5 yr	5 yr
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.

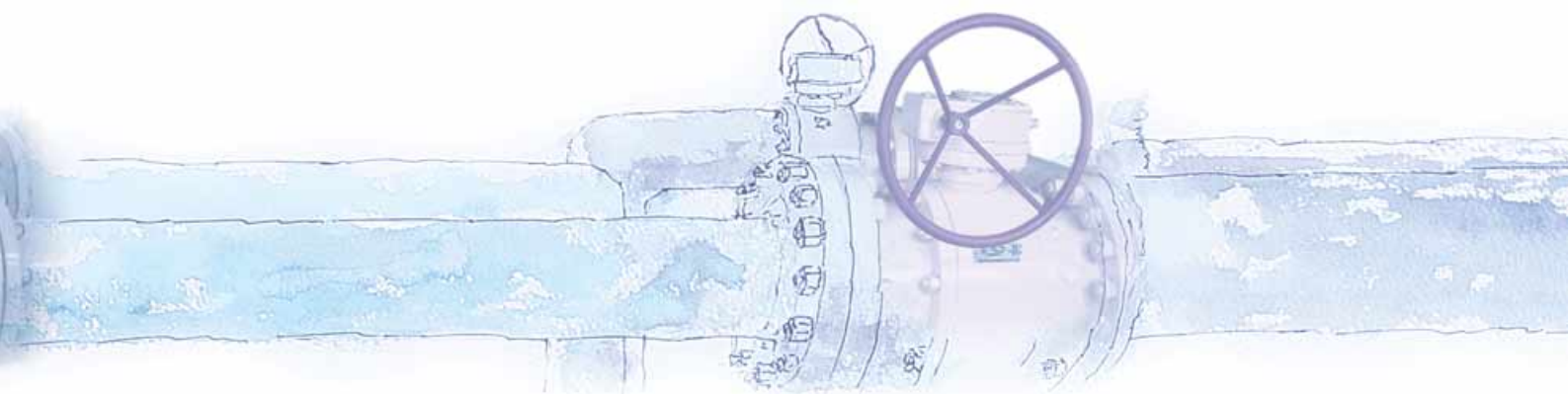
DEFERRED TAX LIABILITIES

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



	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
1. NET SALES				
By geographical area				
Finland	587	500	581	495
2. STAFF COSTS				
Management salaries and remunerations				
Managing directors, members of the Board of Directors and Supervisory Board	0.7	0.7	0.7	0.6
Average number of employees in the group and parent company				
Salaried employees	126	124	106	108
Manual workers	73	71	53	53
Total	199	195	159	161
3. MANAGEMENT PENSION COMMITMENTS				
Senior management within the Gasum Group may retire at the age of 60 and receive pension benefits in accordance with the regulations of Neste Pension Foundation.				
4. INCOME TAXES				
Income taxes on ordinary business operations	9	8	9	8
Change in deferred tax liability	2	2	0	0
Total	11	10	9	8
5. FIXED ASSETS				
Intangible assets				
Intangible rights	0	0	0	0
Other long-term expenditure	4	3	3	3
Goodwill on consolidation	4	4	0	0
Book value of intangible assets, total at 31 December	8	7	3	3
Tangible assets				
Land and water	2	2	2	2
Buildings	375	349	361	336
Machinery and equipment	43	33	42	33
Other tangible assets	4	4	4	4
Payments on account and tangible assets in the course of construction	3	19	3	18
Book value of tangible assets at 31 December	427	407	412	393

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



€ million

27

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Financial assets				
Group shares and securities				
Suomen Kaasuenergia Oy, parent company holding 100%				
Helsingin Kaupunkikaasu Oy, parent company holding 100%				
Helsinkikaasu Oy, Helsinki, parent company holding 100%				
Kotkan Kaasuenergia Oy, Kotka, parent company holding 100%				
Kaasupörssi Oy, parent company holding 100%				
Group companies				
Shares in group companies	0	0	7	7
Other shares and securities	0	1	0	1
Amounts owed by group companies	0	0	3	3
Book value of financial assets at 31 December	0	1	10	11
FIXED ASSETS, TOTAL	435	415	425	407
6. STOCKS				
Goods	7	7	6	6
Replacement cost	8	12	7	11
Book value	7	7	6	6
Difference	1	5	1	5
7. SHORT-TERM DEBTORS				
Trade debtors	71	58	69	57
Amounts owed by group companies				
Trade debtors	0	0	1	1
Loan receivables	0	0	0	0
Prepayments and accrued income	0	0	0	0
Other debtors	0	0	1	0
Total	0	0	2	1
Other debtors	0	2	0	2
Prepayments and accrued income	0	0	0	0
Short-term debtors, total	71	60	71	60
8. SHAREHOLDERS' EQUITY				
Share capital at 1 January	178	178	178	178
Share capital at 31 December	178	178	178	178
Retained earnings at 1 January	112	110	21	19
Dividend paid	-19	-18	-19	-18
Redemption of minority interests	0	0	0	
Retained earnings at 31 December	93	92	2	1
Profit for the financial year	28	20	23	20
Shareholders' equity, total	299	290	203	199
Distributable equity according to statement at 31 December				
Retained earnings	93	92	2	1
Profit for the financial year	28	20	23	18
- Less share of accumulated depreciation difference booked in shareholders' equity	-98	-92	0	0
Total	23	20	25	19

The parent company's share capital is distributed as follows:

	PARENT COMPANY	
	shares	shares
Series A Shares	53 000 000	53 000 000
Series K Shares	1	1

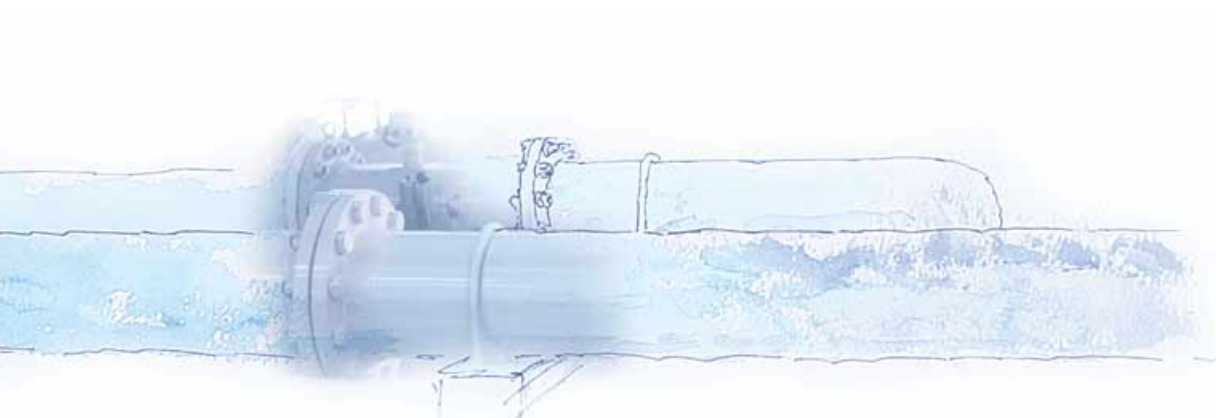
9. ACCUMULATED APPROPRIATIONS

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

€ million	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
10. DEFERRED TAX LIABILITIES				
Deferred tax liabilities				
Arising from appropriations	40	38		
12. SHORT-TERM CREDITORS				
Loans from financial institutions	15	32	15	32
Trade creditors	57	51	56	51
Amounts owed to group companies				
Trade creditors	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	10	11	10	11
Accruals and deferred income	6	6	6	5
Short-term creditors, total	88	100	87	99
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	0	0	0
Income billed in following year	1	0	1	0
Interest	2	2	2	2
Taxes	1	1	1	1
13. Surety				
Securities pledged			3	3
14. Contingent liabilities				
Leasing commitments				
Payable during 2002	2	4	2	4
Payable later	4	29	4	29
Total	6	33	6	33

On expiry of the lease in 2005, Gasum Oy has the right to redeem leased property for the sum of €13.9 million.

Should Gasum not exercise this right, ABB Credit Oy can compel Gasum to find a buyer for the property in question.



Separate accounting for natural gas operations

Chapter 5 of the Finnish Natural Gas Market Act (508/2000) requires natural gas operations and other activities to be accounted for separately. Under the Act, a natural gas company has to keep separate accounts for its gas grid, gas sales & storage operations and for activities outside the natural gas business. The Act further requires the preparation of separate public income statements and balance sheets, with notes, for natural gas operations, sales, transmission and other activities for each accounting period.

Natural gas sales include the energy charges in Gasum Oy's gas sales tariffs. Transmission includes the transmission charges in the selling prices of natural gas as well as most of the business in respect of old contracts which are outside the tariff arrangement. Other activities include the sale of liquefied natural gas for testing and research purposes and sales of maintenance services.

Charges and income are allocated in accordance with the matching principle using internal accounting. Depreciation is calculated in accordance with the existing depreciation plan.

Balance sheet items are divided in accordance with the matching principle. Financial assets and short-term creditors have been divided mathematically according to the matching principle. Share capital and long-term creditors have been divided on a ratio to fixed assets.

€ 1 000	TRANSMISSION ACTIVITIES 2001	SALES ACTIVITIES 2001	OTHER ACTIVITIES 2001
Net sales	239 481	340 323	1 478
Other operating income	139	7	147
Materials and services			
Raw materials and consumables			
Purchases during the financial year	-151 731	-348 575	-949
Staff costs	-5 241	-292	0
Depreciation and value adjustments			
Depreciation according to plan	-17 824	0	0
Other operating charges	-11 615	-2 370	-182
Operating profit	53 209	10 907	494
Financial income and charges	-4 715	-111	0
Profit before extraordinary items	48 494	-10 538	494
Extraordinary income			
Group contribution	0	480	0
Profit before appropriations and taxes	48 494	-10 538	494
Appropriations			
Increase in depreciation difference (-)	-6 705	0	0
Income taxes	-9 228	0	0
Profit for the financial year	32 561	-10 538	494

Balance sheet

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€ 1 000	TRANSMISSION ACTIVITIES 2001	SALES ACTIVITIES 2001	OTHER ACTIVITIES 2001
ASSETS			
FIXED ASSETS			
Intangible assets	3 103	376	0
Tangible assets	408 563	522	2 746
Financial assets	354	9 835	0
CURRENT ASSETS			
Stocks	2 337	3 940	0
Debtors	25 217	45 608	561
Cash and cash equivalents	2 889	520	2
	442 463	60 801	3 309
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	190 911	11 326	696
ACCUMULATED APPROPRIATIONS			
Accumulated depreciation difference	127 034	0	0
CREDITORS			
Long-term	83 104	4 593	2 000
Short-term	41 414	44 882	613
	442 463	60 801	3 309

Gasum Oy's Board of Directors
Espoo, 18th February 2002

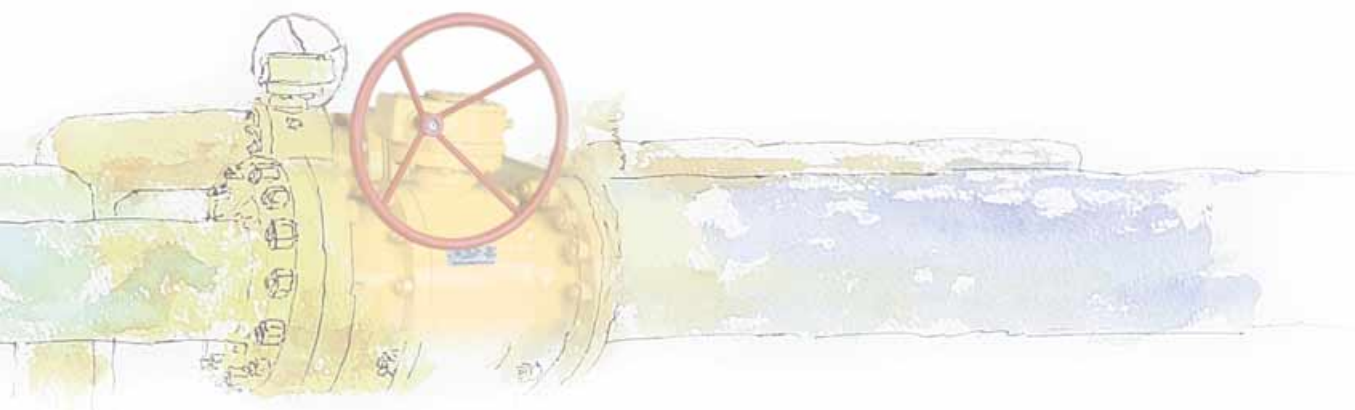
Antero Jännes

Juha Vainikka

Björn Ahlnäs

Vladimir Hramoff

Birger Sandström



To the shareholders of Gasum Oy

We have audited the accounting, the financial statements and the corporate governance of Gasum Oy for the period January 1, 2001 - December 31, 2001. 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 Managing Director. 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 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 Managing Director 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.

We have reviewed the income statements, balance sheets and supplementary information for the separated operations in the notes to the financial statements. In our opinion they have been prepared in accordance with the Natural Gas Market Act and the regulation and stipulations required by it.

Espoo, 5th March 2002

ARTHUR ANDERSEN OY
Authorized Public Accounting Firm

Jarmo Lohi
Authorized Public Accountant

Statement by the Supervisory Board

Meeting today, Gasum Oy's Supervisory Board considered the company's financial 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 recommend 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.

Espoo, 14th March 2002

Harri Malmberg
Chairman

Gasum Group established three new subsidiaries in 2001. Further progress was made with local distribution by separating natural gas sales and sales of construction, maintenance, installation and appliances into their own companies. Gas Exchange Ltd was established to serve trading on the secondary market.

Suomen Kaasuenergia Oy, Helsinkikaasu Oy, Helsingin Kaupunkikaasu Oy, Kotkan Kaasuenergia Oy and Gas Exchange Ltd are limited companies in which Gasum has a 100 per cent holding. Jarko Alanko is managing director of Suomen Kaasuenergia, Helsinkikaasu and Helsingin Kaupunkikaasu. Pekka Karinen is managing director of Gas Exchange Ltd.

Suomen Kaasuenergia becomes a natural gas distribution company

Suomen Kaasuenergia Oy started trading in October 2001 and continues the natural gas sales and transmission operations of Helsinkikaasu Oy. Sales of natural gas totalled 13.7 million cubic metres in 2001. Suomen Kaasuenergia has offices in Kotka, Helsinki and Lohja. The company employs eight people.

Local distribution of natural gas commenced in Lohja in 2001. The distribution network was added to in Porvoo and Siuntio. New natural gas customers in Porvoo included Haikko Manor. In Siuntio the network was extended to the Haga district. There was a pleasing rise in the number of natural gas connections in Helsinki, with some 500 new contracts being signed.

Greater use of natural gas as a traffic fuel in Helsinki

Suomen Kaasuenergia is responsible for running the natural gas filling station at the Ruskeasu bus depot in Helsinki and for the sale of traffic fuel. At year-end 2001, there were 37 natural gas powered buses and three lorries operating in

Helsinki. These refuelled at Ruskeasu. A new natural gas filling station was completed towards the end of the year. Additional capacity is required since 32 new natural gas powered buses will join those already operating in Helsinki traffic.

Helsinkikaasu provides appliances and services

Helsinkikaasu Oy is an expert in building distribution pipelines, installation, maintenance and appliance services. The company employs 20 people. Helsinkikaasu's turnover for the first nine months of 2001 was about €5 million, which also includes sales of natural gas, which were taken over by Suomen Kaasuenergi in October.

In 2001, Helsinkikaasu built new distribution pipelines in Porvoo, Siuntio and Lohja, and was commissioned by Pirken, a local heating company, to build a distribution pipeline at Ikaalinen.

Kotkan Kaasuenergia

Kotkan Kaasuenergia Oy is a local natural gas distribution and gas appliance sales company. The company had a 2001 turnover of €3.33 million. Kotkan Kaasuenergia sold 9.3 million cubic metres

Real lovers of good food cook with gas. In Europe, households account for almost half the use of natural gas. Similarly in Finland, growing numbers of households are switching to natural gas. Economical and non-polluting natural gas is ideal for heating the home and sauna, for cooking or even as a source of energy for a gas fire. Gas appliances are durable and require minimum servicing.



of natural gas. The company employed 5 persons at year-end. Sales rose by 23 per cent compared to 2000. This was mainly owing to construction of the new distribution grid in the Kaukola district. A total of 5 km of new pipelines were built.

Kotkan Kaasuenergia is to merge with Suomen Kaasuenergia in June 2002.

Helsingin Kaupunkikaasu

Helsingin Kaupunkikaasu Oy is responsible for transmission services in the Helsinki distribution network. The company employs three people. The company has some 250 km of natural gas distribution pipeline and around 30,000 gas meters in the Helsinki area. One major project occupying the company during 2001 was the renovation of Aleksanterinkatu street in Helsinki, which started later in the year. The old gas mains were replaced along the entire street and connections to properties along the street were replaced at the same time.

Lohja local grid – a masterwork for new companies

A long pending project to build a local distribution grid in Lohja finally got under way and the first stage was completed in 2001. The official opening was held on 8 November 2001. Natural gas had been long awaited and received much positive publicity in the local media.

Helsinginkaaasu was commissioned by Suomen Kaasuenergia to build the Lohja grid. Work on the basic planning of the Lohja grid began in February 2001 in collaboration with local environmental

authorities and the town's engineering departments. The contract was successfully completed to schedule by the end of September. Although 60 MW was reserved as the rated output, the maximum capacity that can be used is 80 MW. Pipeline length is 9.2 km.

Gas Exchange Ltd

Gasum established Gas Exchange Ltd (Kaasupörssi Oy) on 26 February 2001 as an independent place to trade on the deregulated natural gas secondary market. Trading on the secondary market takes place on the internet through Gas Exchange's online facility. Gas for the following day is traded using the closed matching method. Gas Exchange acts as a broker and clearer and receives notices of bilateral trading for forwarding to the operator responsible for the transmission system. Turnover comprises trading and service fees and a membership fee. Turnover amounted to €124,236 for the period 26 February to 31 December 2001.

Trading on the Gas Exchange commenced on 23 April 2001. The trading method and internet trading system have worked well. Trading volume was in line with expectations at about 200,000 MWh. At their highest, trading volumes have exceeded 6,000 MWh a day. Trading system prices per MWh were around €12-€13 in summer and autumn and €15 from the end of the year.

The Gas Exchange has 25 members, whose total gas consumption is equivalent to around 80 per cent of the natural gas used in Finland.



General meeting of shareholders

Ultimate decision-making power in Gasum Oy is vested in the general meeting of shareholders, which convenes at least once a year. The general meeting of shareholders considers business in accordance with the Finnish companies Act and Gasum's Articles of Association. The general meeting of shareholders elects members to the Supervisory Board.

Supervisory Board

Gasum Oy's Supervisory Board comprises the chairman, deputy chairman and six other members. The Supervisory Board is responsible for ensuring that the company is run in line with the decisions and instructions of the Supervisory Board and sound business principles.

Members:

Chairman: Harri Malmberg LLM
Vice Chairman: Valeri V. Remizov, Vice Chairman, OAO Gazprom (until 31 October 2001)
Eike Benke, PhD, Ruhrgas AG
Burckhard Bergmann, Vice Chairman of the Executive Board, Ruhrgas AG (until 15 May 2001)
Tapio Harra, Executive Vice President, Fortum Oil and Gas Oy (until 15 May 2001)
Bo Lindfors, Senior Vice President, Fortum Corporation, (from 15 May 2001)
Juhani Pohjolainen, Director, representative of Metsä-Serla, Stora Enso and UPM Kymmene (until 15 May 2001)
Veli-Matti Ropponen, Corporate Executive Vice President, Fortum Corporation (from 15 May 2001)
Heikki Sara, Director, UPM Kymmene Corporation (from 16 May 2001)
Evgenija K. Selihova, Adviser, OAO Gazprom
Taisto Turunen, Director-General, Ministry of Trade and Industry, Energy Department

Auditors:

Arthur Andersen Oy
(Authorised Public Accounting Firm),
with Jarmo Lohi APA as principal auditor.

Gasum Oy's Board of Directors:

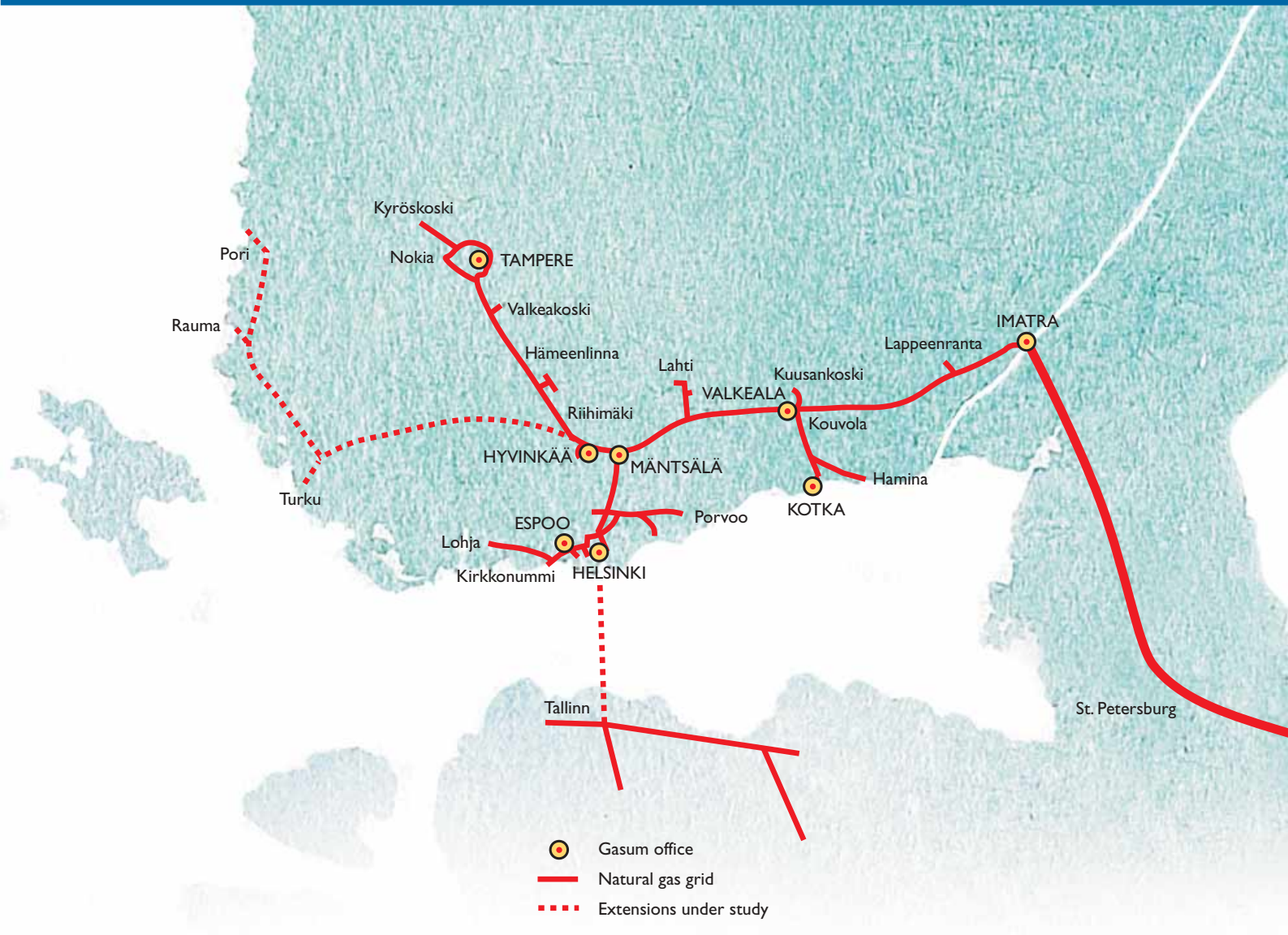
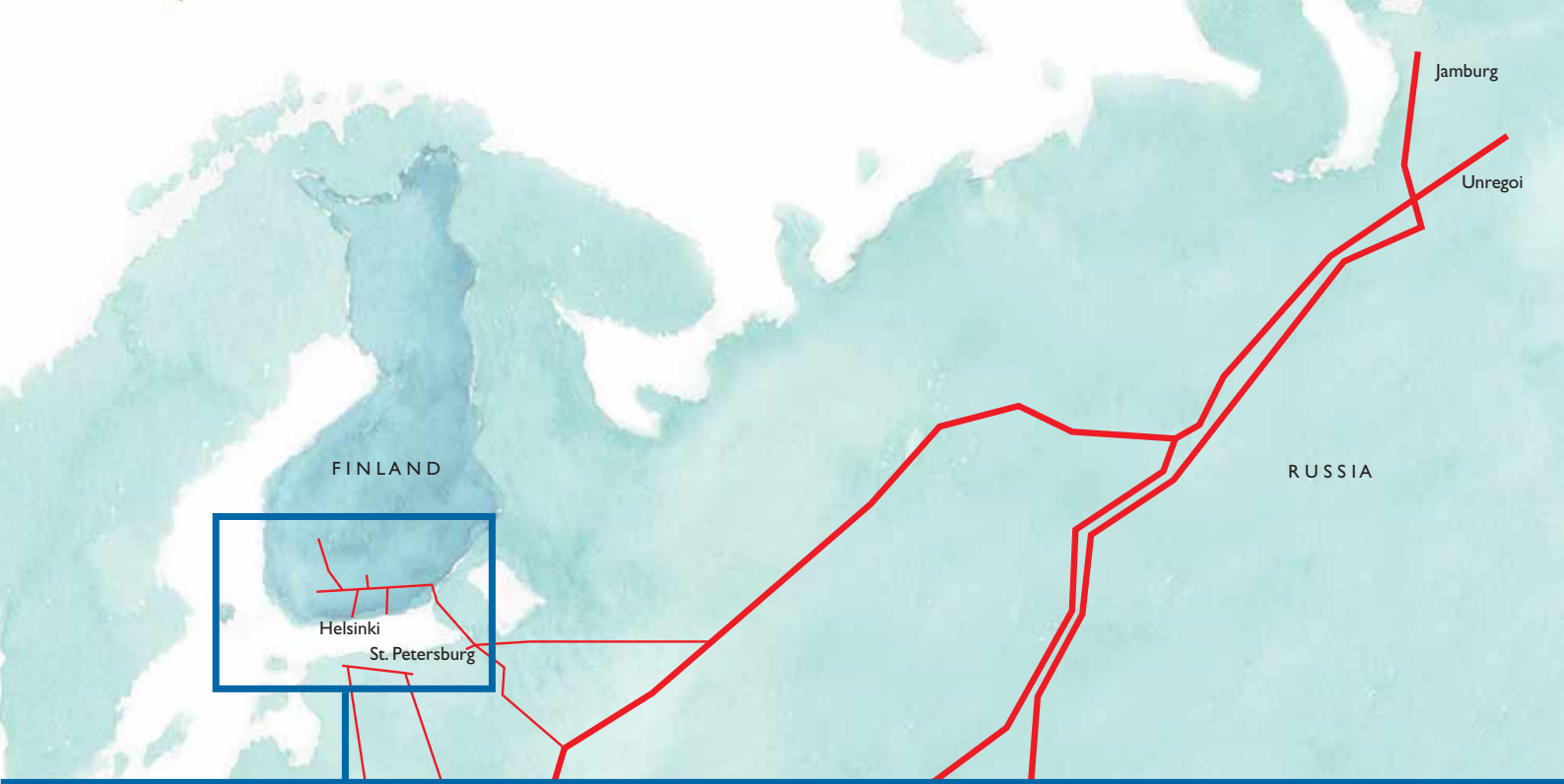
The Board of Directors is elected by the Supervisory Board. The board of Directors comprises the chairman, deputy chairman and min. three and max. six other members. The Board of Directors is responsible for company's administration and business in compliance with the law and Articles of Association.

Members:

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, Law and Finance

Gasum Oy's organisation

CEO: Antero Jännes
Marketing: Björn Ahlnäs
- *Sales:* Veli-Heikki Niiranen, Ossi Savolainen, Arto Riikonen
- *Quality and the environment:* Sonja Hellén-Nieminen
Supply: Vladimir Hramoff
- *Development projects:* Kari Salminen
- *Planning:* Jukka Kajjansinkko
Transmission: Juha Vainikka
- *Operation:* Jarmo Aho
- *Distribution:* Osmo Jääskeläinen
- *Compressors:* Ari Suomilammi
- *Mechanical maintenance:* Arto Korpela
- *Electrical maintenance:* Timo Parikka
- *Safety and technical support:* Esko Hyvärinen
- *Projects and materials supplies:* Kaj Christiansen
Accounting: Paula Lähde
- *Controller:* Leena Wallenius
Law and finance: Birger Sandström
Business planning: Christer Paltschik
- *IT management:* Jussi Hyvärinen
- *Price risk management:* Satu Raikaslehto
Human resources and corporate communications: Tuomo Saarni
- *Human resources:* Pekka Mäkitalo



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(management)

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Hyvinkää maintenance centre

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Tampere maintenance centre

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Fax +358 20 44 78695

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