




Annual Report 2005

Gasum

Contents

GASUM GROUP TODAY

- We import natural gas and market and sell it in Finland
- We deliver natural gas to our customers via our own transmission pipelines
- We are actively involved in developing local distribution
- We provide our customers with planning, building, maintenance, installation and other services relating to natural gas
- We diversify our business by drawing on our core expertise for the benefit of our customers
- We develop all our operations to sustain outstanding customer satisfaction
- We act responsibly towards our employees and want to be a good corporate citizen.

FINANCIAL INDICATORS FOR 2005

- Sales of natural gas: 41.9 TWh
- Employees: 184
- Turnover: €642.6 million
- Operating profit 6.2%
- ROCE after taxes: 7.2%
- Equity ratio: 58.9%
- Investments: €44.6 million
- Balance sheet total: €564.4 million

Chief Executive Officer's review: CHALLENGING YEAR

Gasum's financial performance in 2005 weakened notably year on year. Sales of natural gas were down and the supply price rose primarily owing to the sharp rise in the price of oil products and coal. We were unable to pass on the full impact of higher costs to tariff prices during 2005. Likewise there was no corresponding rise in sales prices based on long-term total delivery contracts.

I believe the consumption of natural gas will be back on the growth track in 2006 and that we will witness an upswing in the company's financial performance to the level of previous years. The new M2006 Pricing System takes into account higher supply and transmission costs, the impacts of total delivery contracts and the requirements of the Natural Gas Market Act. In conjunction with the new tariff, Gasum launched new price hedging and sales products to enable customers to flexibly supplement their orders for basic gas.

As far as sales growth is concerned, we have assumed that the year will be normal in terms of temperature and that the price competitiveness of natural gas will remain at least at its current level. Competitiveness depends greatly on the price trends of comparative fuels, electricity and emissions rights. The price competitiveness of natural gas is best seen in combined heat and power production and local distribution.

Valid until 2025, the current supply contract creates a sound platform for future natural gas investments. The current winter testified to the delivery reliability of natural gas in Finland, with customers receiving enough natural gas to meet their needs even during peak consumption periods. Flexible gas supplies are based on operative cooperation between Gasum and the Russian gas seller and transmission company. We hope we can further build on this excellent cooperation to benefit gas users in Finland.

The government's energy and climate policy report currently being debated by the Finnish Parliament promotes CHP production, increasing the share of natural gas used and extending the natural gas catchment area to Western Finland. Besides this, the report aims for a pipeline connection to the Central European system. Whilst it is easy to concur with the aims of the report, the actual choice of how these aims are to be achieved seems rather narrow. I do not think it makes sense for emission trading to be the only means to steer energy policy in the emission trading sector. We should bear in mind that energy production also has regional and local environmental impacts. Investments should start at home, since they enhance the state of the immediate environment, increase supply reliability and maintain employment.

The benefits provided by CHP in built-up areas in Southern Finland can be best reaped if natural gas is the fuel chosen to generate it. One natural gas-fired CHP plant producing 160 MW of heat also generates 160 MW of electricity, which in turn means over 0.5 million tonnes less carbon dioxide emissions per year compared to a similar coal-fired plant. Higher electricity production accounts for most of this decrease: the need for coal condensate declines. The cut in emissions is more than 6% of the reduction requirement calculated for the emissions trading sector between 2008 and 2012. At the same time, around 800 tonnes less of acidifying carbon dioxide emissions and some 90 tonnes less of small particulate emissions hazardous to the health would be produced each year. In the long term, there are many ways to reduce emissions, even though the target to do away completely with coal is not justified.

In Finland, investments in CHP plants have been postponed year after year. Investments could be made more attractive if a so-called benchmarking procedure were to be deployed when sharing out emissions rights to power plants – first to new plants. Emissions rights would be granted according to the heat and electricity produced and not based on fuel consumption as earlier. This would mean that solutions would not only depend on the specific emissions factor of the fuel, but also on the total efficiency achieved and, in CHP plants, both on the heat and power produced. Other means could include considering a reduction of the excise on natural gas to the minimum level permitted by the EU. In any case, the current tax benefit of natural gas must be retained to compensate for stricter emissions limits than for other fuels.

After delays, Gasum has embarked on a study of the Balticconnector link. Imports of natural gas into Finland via Estonia are just one of three options being examined to increase import capacity when it is required in 5-10 years from now. This option is appealing because it would give Gasum a possibility to link up with the large natural gas storage facilities in Latvia and the chance to be part of any joint liquefied natural gas import terminal to be built in the vicinity of the facilities. The study is being carried out in conjunction with other gas companies in the region and has been granted funding from the EU's TEN funds. Feasibility is being compared to other alternatives to enlarge the transmission capacity such as strengthening the existing transmission link via the Karelian isthmus and the possibility of linking up to the German-Russian Baltic Sea gas pipeline.

The report mentions promoting the use of bio-fuels as one way of reducing greenhouse gas emissions caused by traffic. The potential of natural gas as a traffic fuel has been given scant consideration. Use of natural gas cuts carbon dioxide emissions by about 25% compared to gasoline. Compared to diesel, the benefit of natural gas is particularly in evidence in the form of fewer small particulate emissions. Construction of a network of natural filling stations, to which Gasum is committed, and the fleet of natural gas powered vehicles dependent on it are required if biogas is to be widely used as a traffic fuel. Gasum seeks to set an example and switch over to natural gas powered vehicles in its own fleet. We also expect government institutions, municipalities and environmentally responsible companies to decide to switch over to using low-emission natural gas vehicles.

For Gasum, 2005 was an extremely challenging year. I would like to thank Gasum Group employees for their commitment to the company's goals and for their hard work to achieve our aims. I would also like to extend my warm thanks to our customers and other stakeholders for the support shown through the year.

Espoo, 7 April 2006

Antero Jännes
CEO

KEY FIGURES

- Sales of natural gas: 41 911 GWh
- Share of natural gas of total energy consumption in Finland: 10,5%
- Share of natural gas used in electricity generation in Finland: 11.5%
- Share of natural gas used in district heat production in Finland: 40%
- Average share of extra gas: 4.9%
- Share of secondary market gas of total consumption: 1.1%
- Gas Exchange Ltd's volume 287 GWh, commissions: 8620

HEDGING TO PROTECT AGAINST THE ENERGY CHARGE OF NATURAL GAS

The sales price of natural gas is based on a transmission charge and an energy charge. The energy charge depicts the amount of energy the natural gas contains and that customers receive by using natural gas.

The energy share of the price is based on the supply contract between Gasum and Gazprom. The price depends on the price trends of comparative fuels and is based on a so-called pricing basket, which comprises the prices of the main competitive fuels; heavy fuel oil and coal. Additionally, the Finnish energy price index is taken into account in the price. The average value of the benchmark fuel prices is calculated for the previous six months. The average price means that sharp fluctuations in the price of oil, for example, are not as such reflected in the price of natural gas.

During many previous years, the prices of comparative fuels have developed in different directions so that a rise in the price of one fuel has been offset by the price of the other. During 2005, the price of both coal and oil rose by almost 30%. The minor fall in the domestic energy price index failed to balance such a sharp rise in prices.

December 2002 was the first time Gasum offered its customers a chance to ensure the price of oil used in pricing gas for the following 12 months. Gasum buys the amount of heavy fuel oil it needs for hedging at a price known in advance. If the price of oil is higher, this will cause a loss in sales income from gas, which will be compensated as income from the sale of oil. This mechanism enables the use of a fixed oil component in natural gas sales.

However, the trend in oil prices during 2005 caught everyone out. The price hedging provided by Gasum did not sell, even though with hindsight it would have benefited customers.

Revamped price products in the new pricing system

Gasum particularly wanted to diversify pricing system structures and ensure the competitiveness of natural gas in the new

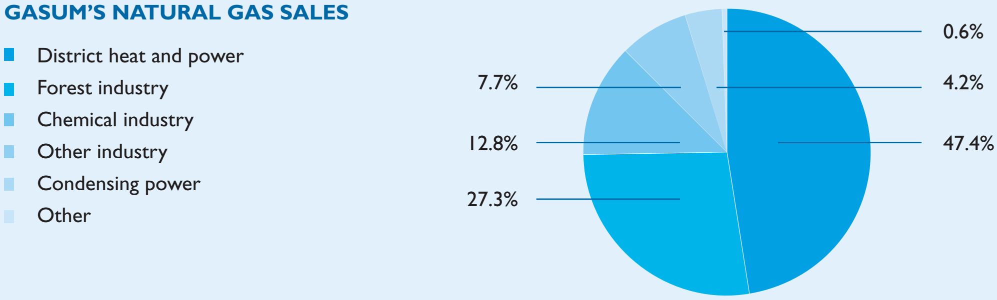
M2006 pricing system and to provide customers with several options to obtain extra gas in excess of their annual gas order. This makes it easier for customers to optimise gas use. Fixed-price products were also added to the pricing system especially for small gas consumers.

The Basic Gas 2 product was revamped and renamed Gasum Oil Hedging. This allows the customer to fix the share of oil in the natural gas price formula beforehand for 18 months.

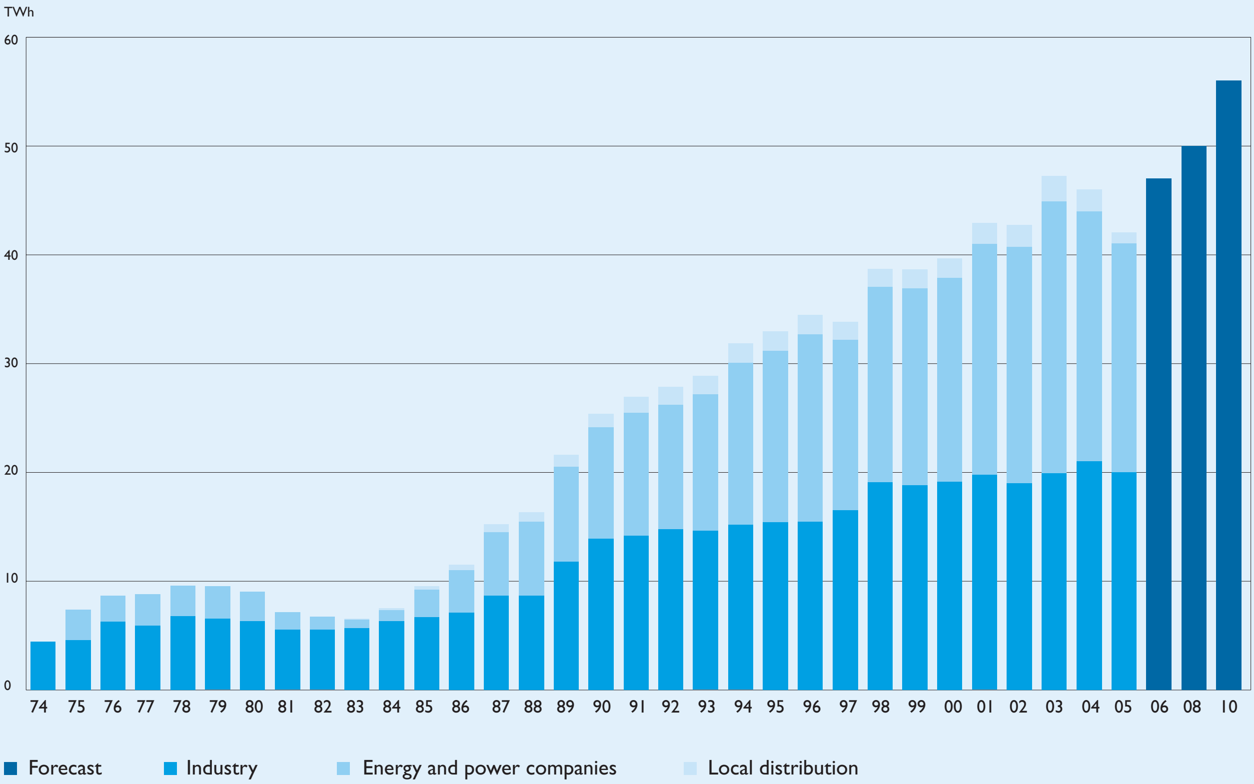
Gasum Plussa and Superplussa are products that enable Gasum to offer its customers an opportunity to acquire extra gas in excess of their annual order. The products are sold through the Gas Exchange. The amounts of gas to be sold are fixed each day in the natural gas control centre at Valkeala.

Additionally, Gasum launched Gasum Fixed, a new, completely fixed-price product. Gasum Fixed enables the customer to ensure energy charges at a certain predetermined level.

GASUM'S NATURAL GAS SALES



NATURAL GAS CONSUMPTION IN FINLAND 1974-2005



Gasum is also looking into the possibility of taking coal and electricity price trends into account in natural gas pricing.

Impacts of emissions trading difficult to predict

The year 2005 was the first year of emissions trading. The prices of emissions quotas rose higher than envisaged. Emissions trading gives rise to uncertainty on the energy market. This in turn curbs the willingness of energy producers to invest.

In the forest industry, emissions trading may well increase the use of bio-fuels produced by the industry, although this is not expected to have much impact on the use of natural gas in existing forest industry plants.

Gasum's subsidiary Gas Exchange's emissions exchange started trading at the end of September. Trading for physical emissions rights on the emissions exchange takes place through Gas Exchange's online facility. Owing to a warm autumn, no emissions were actually traded, although by the end of February 2006, 100,000 emissions rights tonnes had already been traded on the emissions exchange.

Gas Exchange has also innovated an emissions control and reporting service in which the parent company has been the trial user. It is planned the service will enter productive use in 2006.

Obligatory storage provides extra security in the event of disruptions

Since Finland has no earth strata suitable for the storage of natural gas and is dependent on just one supplier, alternative fuels, primarily light and heavy fuel oil, are stored in the event of disruptions in the supply.

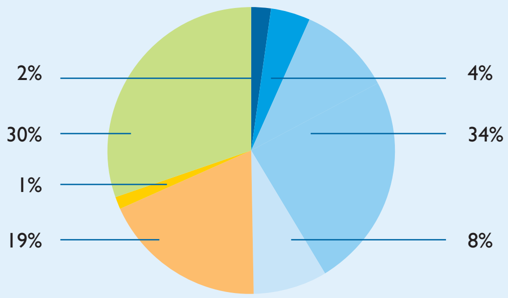
The 2006 pricing system changed the obligatory storage procedure so that it is payable separately. Earlier, the importer was responsible for obligatory storage on behalf of customers using less than 15 million cubic metres a year. The cost of storage was included in the natural gas price.

300 new customers join Gasum's local distribution in 2005

Higher oil prices were also reflected in the local distribution market since direct natural gas heating is an attractive option wherever natural gas is available. Suomen Kaasuenergia serves customers in Kotka, Porvoo, Helsinki, Riihimäki, Kirkkonummi, Siuntio and Lohja. In 2005, natural gas distribution started up in Tuusula, where a distribution pipeline was built from Koivukylä in Vantaa.. There are plans to offer natural gas to industrial customers in Vantaa from this pipeline in autumn 2006.

Helsinkikaasu, which sells, installs and services gas appliances, also witnessed growth in the heating business. During the year under review, Helsinkikaasu concluded new partnership agreements with appliance manufacturers. Suomen Kaasuenergia is responsible for the natural gas traffic business within the Gasum Group. Spring 2005 saw the construction in the Malmi district of Helsinki of Finland's first public natural gas filling station. The station was opened on 6 June. Gasum aims to open six new filling stations during 2006.

Markku Laukkanen MP and Deputy Mayor Pekka Sauri were present at the opening of the natural gas filling station at Malmi in Helsinki.

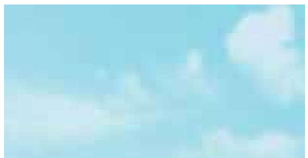


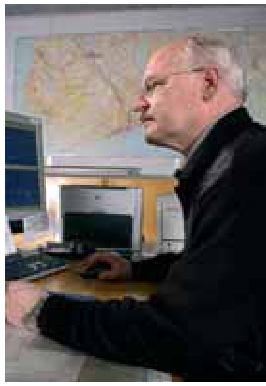
SUOMEN KAASUENERGIA'S SALES OF NATURAL GAS

- Households, gas cookers
- Small houses, heating
- Heating, properties
- Traffic
- Local and district heat
- Greenhouses, gardens
- Industry









GAS TRANSMISSION SYSTEM DEVELOPS IN BALTIC SEA AREA

The contract signed by Gasum and Gazprom in February 2005 ensures the Finnish natural gas market can be developed to meet the needs required by, for example, international climate protection treaties that Finland signs.

The new contract confirms the rules of play for gas pricing and ensures the availability of gas in Finland until 2025. The natural gas pipeline currently being built between Russia and Germany underpins the transmission of gas to the St Petersburg area, through which natural gas is also piped to Finland. If necessary, Gasum has a chance to connect to the new pipeline if the demand for gas in Finland calls for reinforcement of the import connection. Today, natural gas is piped to the Finnish border through two pipelines that have sufficient capacity to meet the needs of the near future.

Implementation of the Baltic Sea pipeline will fuel investments also in Russian gas production. In 2005, Gazprom produced a total of 598 billion cubic metres of natural gas.

Balticconnector opens many doors

Gasum, gas companies in the Baltic States and Gazprom are working on joint plans to build a natural gas pipeline between Finland and Estonia. Since Finland's bedrock contains no porous strata where natural gas could be stored, the chance to use Latvia's underground natural storage facilities would increase the reliability of natural gas supplies to Finland.

The project offers other possibilities to develop the use of natural gas in the Baltics and Finland.

It is planned the pipeline would run under the Gulf of Finland and the search is on for a site where the pipeline would come ashore near the Helsinki Metropolitan Area, which has major natural gas consumption potential.

A feasibility study of the Balticconnector project was launched in 2005 and is scheduled for completion by the end of 2007. The project has received funding from the European Union's TEN funds. Further studies will prepare for a full-scale environmental impact assessment procedure.

Imports of liquefied natural gas (LNG) may also be commercially viable as a joint project between the Baltic States and Finland. The use of liquefied natural gas calls for the construction of a reception terminal, which in itself is a major cost item. Furthermore, tankers coming to Finland are required to meet special ice class requirements. If a LNG tanker were to come ashore further south, a cheaper shipping fleet could perhaps be used and building the reception terminal as a joint project might be feasible.

ROUTE OF NATURAL GAS IMPORTS TO FINLAND

BALTICCONNECTOR

KEY FIGURES

- Imports in 2005: 4.19bn m3
- Largest daily volume imported (22 Feb.): 18.8m m3
- Average daily volume imported in winter 16m m3
- Cumulative volume purchased 1974-2005 73.9bn m3







DIVERSE DEVELOPMENT PROGRAMME FOR THE FINNISH TRANSMISSION SYSTEM

The strategic development plan, the so-called Master Plan, for Gasum's natural gas transmission system extending until 2020 was completed in 2005. The development plan established transmission system development needs taking into account any increase use of gas and new natural gas delivery potential.

The plan examined how any connection to the natural gas pipeline to be built under the Baltic Sea from Russia to Germany would affect development of the transmission system.

The impacts of the Balticconnector link that might be built under the Gulf of Finland between Estonia and Finland were also examined. New delivery routes in the Finnish gas transmission system would affect use of natural gas grid by providing more options for input and by improving delivery reliability in cases of disruption.

Planning the gas transmission system especially takes into account the need for increased capacity to growth centres, where the use of natural gas is expected to rise because of growing numbers of residents and the growing need for district heat. Growth centres include the Helsinki Metropolitan Area, Tampere and neighbouring areas and the Turku economic zone. The development plan also assessed and examined the feasibility of commencing deliveries of natural gas to western Uusimaa - Hanko, Karja and Tammisaari. Further connections to Pori and Rauma were examined in respect of the western extension. The plans included numerous alternative routes.

Completion of the stretch of parallel pipeline currently being built in the transmission pipeline system is already affecting use of the natural gas grid by increasing capacity and by slowing the changes in pressure when consumption falls and rises. By year-end 2005, Gasum had a total of 130 km of parallel pipeline in use.

New standard for natural gas flow measurement

The international ISO 5167 standard used to measure natural gas flow has been revised. Gasum studied the effects of this on the replacement of volume measurement at the Imatra reception station. After a study conducted in 2005, it was decided to try ultrasonic measurement at the Imatra reception station to measure the volume of natural gas received in Finland.

KEY FIGURES

- Length of transmission pipeline: 1028 km
- Volume of transmission pipeline: 220 367.8 cubic metres
- Compressor units: 9, capacity 63 MW
- Investments: €40.5 million
- Connections from Gasum's transmission pipeline: 198
- Highest average hourly flow, 836,518 cubic metres an hour
- Energy not delivered as a % of energy volume transmitted via the system: 0.03%
- Number of interruptions: 2
- Total duration of interruptions: 1.3 hours

An ultrasonic measuring instrument made by Dutch company Instromet was installed for trial use in January 2006. Although ultrasonic measurement is in use for measuring sales volume in Continental Europe, Finland is one of the first countries where it is also being tested in the commercial measurement of natural gas at a reception station. Current reception measurement is based on flange measurement.

Safe construction in the vicinity of natural gas pipelines

During the year under review, construction and excavation work in the vicinity of natural gas pipelines caused several situations where there was a risk of serious accident. In many cases, these situations were caused by ignorance or carelessness by the people carrying out the work.

During the year, Gasum informed along many different routes about the precautions excavators working in the proximity of a gas pipeline should take. A notice was sent to all landowners on whose land a natural gas pipeline runs. Excavation companies were notified through trade publications. Gasum held several safety training sessions for its own construction contractors before the start of building work. Over 200 persons were employed on Gasum's building sites during 2005. A new natural gas parallel pipeline was built between Anjalakoski and Elimäki and from Mäntsälä towards Sipoo.

Gasum also held a safety training event in association with resale companies in the natural gas centre at Valkeala and took aboard more people to work with safety issues.

Gasum involved in European gas transmission company benchmarking

In spring 2005, eight European gas transmission companies launched a study intended to obtain comparative material to measure the effectiveness of the companies' operations. The study compared the efficiency and quality of companies' operations using the same parameters that the companies report to the supervisory authorities in their own country. The study will be completed in early 2006.

Reasonableness of natural gas transmission pricing to be monitored in four-year periods

In May, the Energy Market Authority (EMA), which supervises the natural gas market, issued its decision on monitoring the reasonableness of natural gas transmission prices. Monitoring is to take place in four-year periods. At the end of each period, the EMA will examine whether the transmission charges made by the seller satisfy the criteria given. If, after a four-year monitoring period, the returns exceed a specified level, the EMA may require the seller to refund any excess to customers by reducing the transmission tariff for the following monitoring period. Under a supervision decision made by the EMA, the permitted rate of return on natural gas transmission activities during the first four-year (2006) monitoring period is 6.63% calculated in accordance with the present net value of the transmission system.

FINNISH TRANSMISSION SYSTEM + CONSTRUCTION PROJECTS

Existing grid

Under construction. Finished 2006

Construction decision. Finished 2007

Extension under study







INVESTMENTS TO REDUCE THE ENVIRONMENTAL IMPACTS OF BUILDING WORK

Gasum Oy's environmental management system complies with the international ISO 14001 standard and is valid until the end of September 2007. Since the subsidiaries do not have certified environmental systems, the figures below apply to the parent company's operations.

Methane emissions

The natural gas imported into Finland is 98 per cent methane, which is a greenhouse gas. Methane escapes into the atmosphere during venting, or emptying, a section of a natural gas pipeline. Venting is required when a pipeline has to be depressurised because of an emergency, maintenance work or when joining it to another pipeline.

In 2005, methane emissions totalled 1,003 tonnes. Methane emissions during use accounted for 0.011% of the volume of gas transmitted compared to a target of below 0.08%. Valve connections made in the transmission pipeline in summer 2005 meant that in summer 2006, joining new stretches of parallel pipeline to the existing pipeline can be made without the need to vent or disrupt gas deliveries. Preparations were made using connections to eliminate the need to disrupt work and thus the use of gas in the paper industry at Midsummer as was the case in earlier years. The connections also reduce the environmental impacts of natural case since there are no longer methane emissions as a result of emptying the pipeline.

Carbon dioxide and oxides of nitrogen 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 NOx are produced during natural gas combustion.

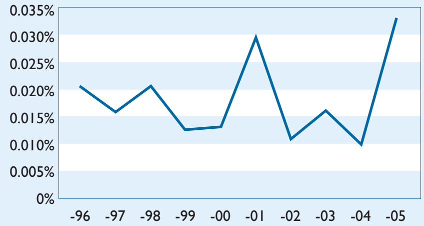
Carbon dioxide emissions totalled 54,200 tonnes during 2005. Overall oxides of nitrogen emissions amounted to 106 tonnes and the average specific emission from compressor stations was 113 mg per MJ compared to the target of 100 mg per MJ. The change in the calculation in 2005 from an average value to an hourly based one resulted in higher emissions.

Carbon dioxide emissions from compressor stations in the transmission system come within Finland's emissions trading quota. This is why Gasum had to give a detailed description in its emissions permit application of the method of measuring emissions caused by the use of natural gas. Emissions are measured on the basis of volume, emissions coefficient and the calorific value of natural gas. DNV Certification Oy verified the emissions volumes measured. Material about the verification procedure was also obtained for Gasum's customers for use in their own measurement and verification process.

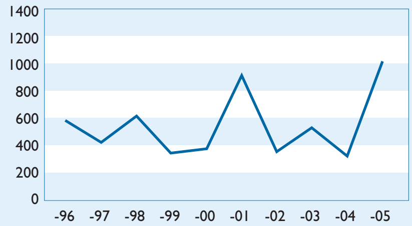
Energy consumption

Compressor stations used 205 GWh of natural gas as a turbine fuel. Pressure reduction stations consumed 62 GWh of energy to heat the gas transmitted and pressure reduction station buildings. The transmission process consumed 0.64% of the natural gas transmitted.

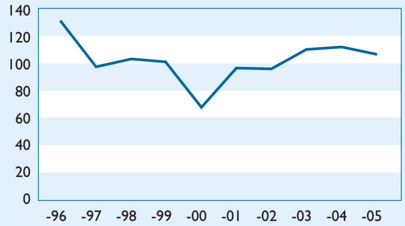
METHANE EMISSIONS / AS % OF GAS TRANSMITTED



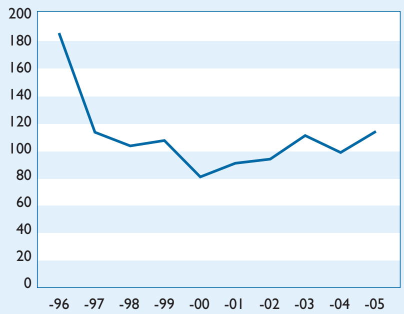
METHANE EMISSIONS (tonnes)



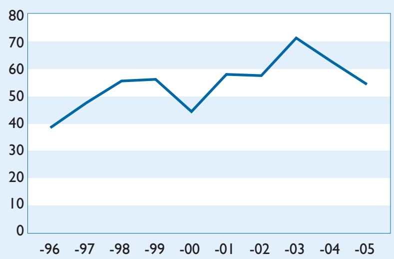
OXIDES OF NITROGEN (tonnes)



SPECIFIC EMISSIONS OF OXIDES OF NITROGEN (mg/MJ)



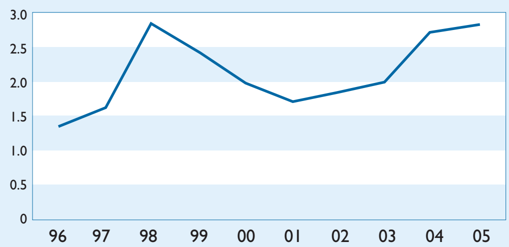
CARBON DIOXIDE EMISSIONS (1000 tonnes)



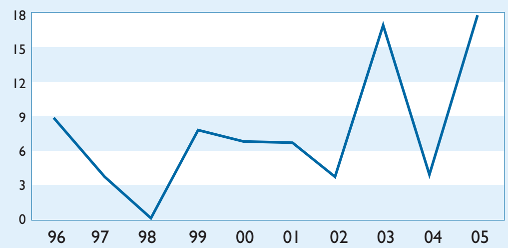
EXPERTISE PASSED ON TO A NEW GENERATION

Machine fitter Jukka Hasu was nominated Gasum Employee of the Year 2005. When nominated, Jukka worked at the Hyvinkää maintenance centre, but has since relocated to the Valkeala natural gas centre, where he is not only responsible for maintenance work but also for material supplies. The nomination is made by previous Gasum employees of the year.

SICK LEAVE, ABSENTEE RATE (%)



ABSENCES LASTING MORE THAN ONE DAY THROUGH INDUSTRIAL ACCIDENT PER MILLION WORKING HOURS



The diverse, in-depth expertise in the gas industry acquired over more than 30 years has played a key role in helping Gasum achieve its business targets. Gasum Group employees have broad expertise in the supply, sale and transmission of natural gas and the diverse use of natural gas in different applications.

Gasum strives to create and foster a working environment that encourages each and every employee to build on his or her own expertise. Gasum Group employed 184 employees at year-end 2005. The parent company employed 143 persons and subsidiaries 41.

The change of generation calls for operations to be developed on a new platform, especially in the parent company Gasum. Part-time retirement has proved to be a practical way to take ageing into account. Five people were in part-time retirement in 2005 and four retired.

Job rotation and swaps offer employees new challenges and opportunities.

In 2005, ten employees swapped jobs permanently. Four new employees were given permanent employment.

Gasum also cultivates new gas industry experts by, for example, employing over 30 students during the summer. For several years, Gasum has also employed students doing a thesis supervised by a member of Gasum's staff.

Gasum fosters workplace well-being in many ways. Various outdoor recreation and activity days are held each year, a masseur regularly visits workplaces and there is a wide range of different clubs. During holidays, employees can rent cottages at favourable rates. The company operates performance and profit bonus schemes.

Women account for 23% of employees. The average age of employees has shown a slight decline, with the 45 as average age in the parent company and 40 in subsidiaries.

Financial statements 2005

GASUM OY'S BOARD OF DIRECTORS REPORT FOR 2005

Sales of natural gas

Gasum sold a total of 41,911 GWh (4.2 billion m3) of natural gas in 2005. Use of natural gas in 2005 was down by 9% compared to 2004 and by 12% compared to 2003. Lower consumption was primarily owing to milder than average weather, the labour stoppage in the forest industry in May-June and more extensive maintenance shutdowns of some natural gas plants. Natural gas meets around 11% of Finland's energy balance.

In Finland, natural gas is used to generate 40% of district heat and the back-pressure electricity produced in conjunction with it. The share of natural gas as a fuel to produce district heat rose by 1% during the year under review. Electricity consumption in Finland in 2005 was 84.9 TWh, 2.5% less than in 2004. Net imports of electricity rose to 20% of that consumed and exports virtually petered out. Two thirds of the electricity imported came from Russia and the remainder, once the water situation had improved, from Norway and Sweden. Combined heat and power (CHP) production, where natural gas is primarily used, declined by more than 7%. Natural gas accounted for 10.5% of electricity procurement.

No new large natural gas plants came on stream during 2005. A new hydrogen plant to be built at Neste Oil's Porvoo refinery will increase the use of natural gas starting towards the end of 2006. During the year under review, a study was made to ascertain the natural gas sales potential and distribution requirements in the Heinola, Tammisaari, Lohja and Forssa areas.

Gasum delivered 2,039 GWh of extra gas, that is gas exceeding the volume ordered by customers in advance. Extra gas accounted for 4.9 per cent of natural gas sales.

Customers were offered a chance to hedge required deliveries of natural gas by buying basic gas 2, where the euro-denominated price of oil is fixed at the date the contract is signed. The number of hedging contracts fell sharply compared to 2004 and a total of 878 GWh of natural gas, 2.1% of the gas consumed in 2005, was hedged. The steep rise in oil prices that continued throughout the year was to blame for this decline.

Secondary trading between natural gas users rose by 21% on the year to 468 GWh and accounted for 1.1% of natural gas use. Around 60% of secondary trading took place via Gas Exchange Ltd.

Local sales of natural gas in seven places by Suomen Kaasuenergia Oy totalled 377 GWh.

Natural gas supply

Pricing of the energy sale of natural gas is based on the natural gas supply contract between Gasum and Gazprom's subsidiary Gazexport. The validity of the supply contract was extended until the end of 2025. This ensures the annual volume of natural gas supplied can be increased in line with the outlook for higher demand. The contract is based on the special structure of Finland's natural gas market, which is reflected in the fact that the price of natural gas follows not just changes in oil prices, but also changes in the price of coal and domestic market energy price. Supply talks resulted in a revision of the supply price of natural gas and an increase in the weighted value of the oil index.

New pricing system, new energy trade products

Gasum's new M2006 pricing system was introduced at the turn of 2006. The pricing system was reviewed to take into account new regulations applying to the transmission charge, changes in supply and transmissions costs and the impact of valid total delivery contracts. The new tariff allows customers to flexibly change the capacity they order. Besides this, a user-friendly Small Consumer Tariff was tailored for smaller customers.

The new transmission tariff rose by an average of 15%. Transmission accounts for 15-20% of the total price, excluding taxes, of natural gas. The Energy Market Authority confirmed for a fixed period the general terms and conditions applying to natural gas transmission services and the terms and conditions of the network operator in late December. The first monitoring period under the Natural Gas Market Act began at the start of 2006.

The costs of selling natural gas are those arising from sales and supply activities. The gross margin on sales activities has been determined on the basis of international comparison.

At the turn of the year, the review of the supply contract, the increase in the weighted value of oil in the price index and adjustment of the transmission price resulted in a rise of around 13% in the total price Gasum's tariff customers pay for natural gas. In addition, higher oil prices have increased the price of natural gas through index linking. We expect the price of natural gas to rise by an average of 30% in 2006 compared to the average price in 2005. However, prices will fluctuate monthly depending on the price trends of comparative fuels.

Some customers have requested the Energy Market Authority to examine the pricing of natural gas applied by Gasum and to ascertain whether Gasum has abused its market position.

Besides the M2006 pricing system, Gasum offers its customers hedging (Gasum Öljysuoja, Gasum Kiinteä) to manage price risks in the energy charge component of the sales tariff and an alternative option to cover the demand for natural gas exceeding the normal capacity ordered through fixed delivery lots. These short-term extra deliveries are offered to customers under the Gasum Plussa brand via the Gas Exchange.

Gasum also acts as the market maker on the Gas Exchange and gives a buying and selling order (Gasum Super Plus) for all trading periods during the next day, which improves the function of the secondary market and ensures the formation of a daily system price.

Transmission activities

Gasum is the Finnish natural gas grid system operator as referred to in the Natural Gas Market Act and is regulated by the Energy Market Authority. The terms and conditions imposed by the system operator to implement system responsibility were overhauled and in December 2005, the Energy Market Authority approved them for a fixed period.

Gasum achieved its delivery quality targets during 2005. According to the quality indicators to be reported to the Energy Market Authority, there were four planned disruptions in the transmission pipeline during 2005. These disruptions lasted a total of 42 hours. There were two malfunctions, which lasted a total of 1.3 hours. The amount of energy not delivered because of disruptions was 0.03% of the energy transmitted via the grid. Most of the disruptions and undelivered energy were owing to the connection of new pipeline to the existing pipeline at Midsummer.

The gas turbines used to power the compressors required in natural gas transmission come under emissions trading, which was launched at the start of 2005. The actual emissions slightly exceeded the quotas originally issued.

Investments

Gasum Oy invested €40.5 million in 2005. The parallel pipeline between Pajari in Anjalankoski and Valkeala to the west of the river Kymijoki was completed in 2005. The stretches of parallel pipeline from the river Kymijoki to Niinikoski in Orimattila and from Mäntsälä to Sipoo are currently under construction and are scheduled for completion in 2006. A decision was taken to build a parallel pipeline from Hirvikoski in Luumäki to Pajari. This will come on stream in 2007. These additions to the parallel pipeline network will ensure safe use of the network and improve security of supply of the natural gas grid. Gasum has an investment requirement of around €450 million up to 2012. This includes maintenance investments, parallel pipeline projects, a pipeline to the Turku region and the repair of the main transmission pipeline built in the 1970s between Imatra and Valkeala. This estimate excludes any new investments arising because of new supply channels.

The most significant system investments were a new energy management invoicing system and a new natural gas pipeline system management system.

Natural gas pipeline to the Turku economic zone

Gasum is ready to embark on construction of the natural gas pipeline from Mäntsälä to Turku and Naantali immediately agreement has been reached on the start of natural gas use in the largest applications in the area. Gasum is negotiating the terms of natural gas delivery with Turun Seudun Maakaasu ja

Energiantuotanto Oy. The aim is to begin supplying gas to the Turku region in 2010. The envisaged pipeline will be 195-km long and the plan also enables later branch pipelines to be built to Rauma and Pori. On 3 March 2005, the Finnish Government awarded Gasum a compulsory purchase order and an advance possession order for land on the natural gas pipeline route.

Environment, health and safety

Gasum's quality and environmental management systems are certified and comply with ISO 9001:2000 and ISO 14001 respectively. The company became a signatory to the Chemical Industry of Finland's Responsible Care Initiative in 1986, the industrial energy savings agreement in 2002 and, since the beginning of 2005, the Zero Accident Forum, which comes under the national industrial accident programme.

Gasum largely achieved its environment and health targets.

Gasum implemented an extensive safety campaign aimed at excavation workers, landowners and local distribution companies in a bid to prevent damage to natural gas pipelines particularly by outsiders. During repair work at Mäntsälä in the summer, an incident occurred in which three of the company's employees were slightly injured. A board of inquiry set up by the Safety Technology Authority (Tukes) reported that although there was no breach of the law or safety regulations, the board suggested that instructions be reviewed. The company reinforced in-house efforts to maintain safety.

Employees

Gasum Oy employed an average of 167 people during 2005. A further 39 people on average were employed by subsidiaries. The average age of Gasum Oy's employees is 45 years and that of employees in the subsidiaries 40 years. There are no women members of the company's Supervisory Board or Board of Directors. Women account for 23% of senior clerical employees, 43% of clerical employees and 12.5% of blue-collar employees.

All employees in the Gasum Group have basic pension provision under the Employee Pension Act. Managed by Fortum Pension Fund Dept B up to now, this provision was transferred to Varma Mutual Pension Insurance Company. The pension provision of those persons with supplementary pension provision who belonged to Fortum Pension Fund Dept A was transferred to Sampo Life Insurance Company Ltd. Employee pension benefits remain unchanged.

In 2005, Gasum's head office moved into leased premises at Miestentie 1, in Espoo.

Subsidiaries

Suomen Kaasuenergia Oy sells natural gas in eight localities. Natural gas distribution started up in Tuusula in 2005. Natural gas sales totalled 377 GWh. This is 5% more than in 2004 and accounts for around 16% of total local distribution in Finland. Suomen Kaasuenergia achieved its financial and other targets for the year under review and will continue to expand its business into new areas. The aim is to double local distribution by 2010.

The use of natural gas in traffic is an important new market. The first public filling station for natural gas vehicles was opened near Ring Road I in the Malmi district of Helsinki in June 2005. Gasum plans to build, either alone or with partners, a total of 30 natural gas filling stations by 2010. This requires a substantial increase in the natural gas powered vehicle stock - mostly buses and other heavy vehicles – over the same period. Suomen Kaasuenergia is responsible for implementation of the project.

In Estonia, Suomen Kaasuenergia's subsidiary, Gaasienergia AS, has expanded local natural gas distribution activities in Tabasalu, to the west of Tallinn and concluded the first natural gas sales contracts with the town of Rapla to the sourth of Tallinn. Natural gas deliveries in Rapla are pencilled in to begin in autumn 2006, once the local distribution network has been completed.

Helsinkikaasu Oy sells gas appliances, constructs distribution pipelines and is an expert in natural gas installation and maintenance services. Helsinkikaasu improved performance during 2005 and achieved its financial and operational targets.

Helsingin Kaupunkikaasu Oy owns the local distribution network in Helsinki and has leased it to Suomen Kaasuenergia. .

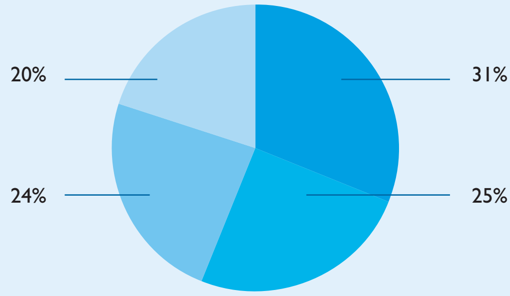
The year 2005 marked Gas Exchange Ltd's fifth year of

OWNERSHIP STRUCTURE

The year 2005 marked Gasum Oy's 12th year of business.
Gasum is owned by:

- Fortum Heat and Gas Oy
- OAO Gazprom
- Finnish state
- E.ON Ruhrgas International AG

In addition, the Finnish state owns one K Share.



trading. Gas Exchange's total trading was 287 GWh, up by 1.1% on the figure for 2004. Most of the trading is still for natural gas during the following 24 hours. The share of physical gas deliveries taking place in the future accounted for 2% of total trading. The number of commissions declined by around 3% compared to 2004. Gas Exchange Ltd has set up an emissions exchange for trading emissions rights and which also serves as a market place for CO2 emissions rights and clears the transactions made. Gas Exchange has 25 natural gas members.

Annual General Meeting, Supervisory Board and Board of Directors

Gasum Oy's Annual General Meeting was held on 18 May 2005. The shareholders adopted the financial statements for 2004, approved the payment of dividend recommended by the Board of Directors and the bonuses to be paid to employees and discharged the members of the Board of Directors and Supervisory Board and the company's CEO from liability for the 2004 financial year. The Board of Directors was authorised to decide on donations to Gasum Oy's natural gas fund established in 2004.

Members of Gasum Oy's Supervisory Board retiring by rotation were Dr. Matthias Keuchel of E.ON Ruhrgas and Tapio Kuula, Senior Vice President, Fortum. Both were reappointed for a further term of office. Chairman of the Supervisory Board Harri Malmberg LLM retired by rotation. Counsellor of Mining Mikko Kivimäki LLM was appointed to replace him as the Board's new chairman. Aarre Metsävirta Senior Executive Vice President and Deputy CEO of M-real tendered his resignation from the Supervisory Board and was replaced for the remaining term of office by Seppo Aho of Fortum. Taisto Turunen, Director General at the Ministry of Trade and Industry was reappointed as deputy chairman. Other Supervisory Board members were Stephan Kamphues of E.ON Ruhrgas, Alexander Rjazanov, Deputy Chairman, Gazprom and Sergei Serdjukov director also of Gazprom.

The Annual General Meeting reappointed PricewaterhouseCoopers Oy (authorised accounting firm) as Gasum Group's auditors, with Eero Suomela APA as the principal auditor.

CEO Antero Jännes served as Chairman of Gasum Oy's Board of Directors. Deputy chairman was Senior Vice President Juha Vainikka. Other members were Senior Vice Presidents Björn Ahlnäs, Vladimir Hramoff and Birger Sandström.

During the year under review, the Supervisory Board met three times and the Board of Directors 14 times.







Future prospects

Gasum estimates the present annual use of natural gas (46 TWh) in Finland to rise by some 10 TWh by 2011, with industry accounting for half of this increase and municipalities for the other half. Combined heat and power (CHP) production will generate most of this growth. Growth is dependent on back-pressure electricity produced by natural gas retaining its competitiveness compared to the market price of electricity. Natural gas consumption potential in Southern Finland is 100 TWh a year.

Gasum Oy, AS Eesti Gaas, JSC Latvijas Gaze and OAO Gazprom, the key natural gas players in the Baltic Rim, are together studying the possibility to develop interdependent transmission systems and to diversify the supply of natural gas. A feasibility study of the submarine pipeline (Balticconnector) to be built between Estonia and Finland is scheduled for completion by the end of 2007. Gasum will carry out investigations relating to this in conjunction with AS Eesti Gaas. These investigations have been granted funding from TEN-E funds earmarked for primary development projects in EU energy networks. The Balticconnector project would pave the way for Finland to agree on use of natural gas storage facilities in Latvia. Gasum has expressed a wish at sometime in the future to connect the Finnish grid to the so-called Baltic Sea gas pipe to be built by Gazprom and German companies.

Gasum is exploring the possibility to be involved in biogas production and distribution via its own gas grid. Work is also underway on developing small-scale distribution activities of natural gas liquefied from pipeline gas.

Net sales, balance sheet and result

Gasum Oy's revenue for 2005 was €635.0 million, up by 5.1% on the figure for 2004. Net financial charges were €0.1 million and depreciation according to plan €21.5 million. The profit before extraordinary items was €36.5 million, down by 34.5% on the corresponding figure for 2004. Profit for the 2005 financial year was €22.6 million, 33% less than in 2004. Poorer results are primarily attributable to a hike in the supply price at the start of 2005 and the sharp rise in the price of oil. These increases could not be passed on fully to sales prices in 2005. The balance sheet total at 31 December 2005 was €546.5 million. The equity ratio was 58.9%.

Proposal for the distribution of profit

Gasum Oy's profit for the financial year was €22,613,663.44. The Board of Directors recommends Gasum pay a 2005 dividend of €0.42 per share, equivalent to €22,284,900.67 and that the remainder be retained.

INCOME STATEMENT (€ million)

		GROUP		PARENT COMPANY	
		2005	2004	2005	2004
Net sales	(1)	643	611	635	604
Other operating income	(2)	0	0	0	0
Materials and services	(3)				
Raw materials and consumables					
Purchases during the financial year		-561	-509	-560	-509
Staff costs					
Wages and salaries	(4)	9	9	8	8
Social security costs					
Pension costs		1	1	1	1
Other social security costs		1	1	1	1
		-11	-11	-9	-9
Depreciation and value adjustments	(6)				
Depreciation according to plan		-23	-22	-21	-21
Other operating charges		-8	-9	-7	-8
Operating profit		40	59	37	57
Financial income and charges	(7)				
Other interest receivable and similar income					
From others		2	1	2	1
Interest payable and similar charges					
To others		-2	-3	-2	-3
		-0	-1	-0	-1
Profit before extraordinary items		40	58	37	56
Extraordinary items	(7)				
Group contribution				2	1
Profit before appropriations and taxes		40	58	39	57
Appropriations					
Increase in depreciation difference (-)	(8)			-8	-9
Income taxes	(9)	-11	-12	-8	-14
Profit for the financial year		29	46	23	34

BALANCE SHEET (€ million)

ASSETS		GROUP		PARENT COMPANY	
		2005	2004	2005	2004
FIXED ASSETS					
Intangible assets	(10)				
Other long-term expenditure		4	4	3	3
Goodwill on consolidation		3	3		
		7	7	3	3
Tangible assets	(10)				
Land and water		2	2	2	2
Buildings		341	326	319	307
Machinery and equipment		51	54	50	53
Other tangible assets		5	4	5	4
Tangible assets in the course of construction		32	25	32	24
		431	410	408	389
Financial assets	(11)				
Shares in Group companies				7	7
Amounts owed by Group companies				4	4
				10	11
NON-CURRENT ASSETS					
Stocks	(12)	6	5	6	5
Debtors	(13)				
Short-term					
Trade debtors		97	70	93	68
Amounts owed by Group companies		0	0	4	2
Prepayments and accrued income		4	0	4	0
		101	70	101	70
Cash and cash equivalents		19	43	18	41
		564	537	546	521

BALANCE SHEET (€ million)

SHAREHOLDERS' EQUITY AND LIABILITIES		GROUP		PARENT COMPANY	
		2005	2004	2005	2004
SHAREHOLDERS' EQUITY	(14)				
Share capital		178	178	178	178
Retained earnings		125	112	3	3
Profit for the financial year		29	45	23	34
		332	336	204	215
ACCUMULATED APPROPRIATIONS					
Accumulated depreciation difference				159	152
DEFERRED TAX LIABILITY	(16)	46	43		
CREDITORS					
Long-term	(17)				
Loans from financial institutions		48	54	48	53
		48	54	48	53
Short-term	(18)				
Loans from financial institutions		10	15	10	15
Trade creditors		82	69	81	68
Other creditors		43	16	42	15
Accruals and deferred income		4	4	3	3
		138	103	136	101
		564	537	546	521

CASH FLOW STATEMENT (€ million)

ASSETS	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Cash inflow from operating activities				
+ Payments received from sales	623	612	616	605
+ Payments received from other operating activities	0	0	0	0
- Payments of other operating charges	-549	-511	-546	-508
Cash inflow from operating activities before financial items and taxes	74	102	70	98
- Interest paid and payments of other financial charges for operating activities	-2	-2	-2	-3
+ Interest received from operating activities	2	0	2	1
+ Dividends received from operating activities	0	0	0	0
- Taxes paid	-12	-18	-12	-18
Cash inflow from operating activities before extraordinary	61	82	58	79
+/- Net cash flow from extraordinary financing items	0	0	0	0
Cash inflow from operating activities (A)	61	82	58	79
Cash inflow/outflow from investing activities				
- Investments in tangible and intangible assets	-42	-23	-39	-20
+ Gains on the divestment of tangible and intangible assets	1	0	0	0
- Investments in other financial assets	0	0	0	0
+ Gains on the divestment of other financial assets	0	0	0	0
- Loans granted	0	-1	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)	-41	-24	-39	-20
Cash inflow/outflow from financing activities				
+ Increase in short-term loans	0	1	0	0
- Repayments of short-term loans	0	0	0	0
+ Increase in long-term loans	15	0	15	0
- Repayments of long-term loans	-26	-15	-26	-15
+/- Increase/decrease in long-term debtors	0	0	0	0
- Dividends paid and other distribution of profit	-33	-32	-33	-32
Cash inflow/outflow from financing activities (C)	-44	-47	-44	-47
Change in liquid assets (A+B+C)	-24	12	-24	12
Liquid assets at 1 January	43	31	41	30
Liquid assets at 31 December	19	43	18	41
	-24	12	-24	12

ACCOUNTING PRINCIPLES

CONSOLIDATION

Gasum Oy is the parent company of the Gasum Group and has its registered office in Espoo, Finland. Copies of the consolidated financial statements are available from Gasum Oy's head office at Miestentie 1, FI-02150 Espoo, Finland.

The consolidated financial statements include the accounts of the parent company Gasum Oy and of subsidiaries Helsinkikaasu Oy, Helsingin Kaupunkikaasu Oy, Gas Exchange Ltd, Suomen Kaasuenergia Oy and Gaasienergia AS. Suomen Kaasuenergia Oy and Gaasienergia AS form a subgroup within the Gasum Group. Gaasienergia AS is fully owned by Suomen Kaasuenergia Oy. No separate consilidated accounts have been prepared for the subgroup. The difference between the acquisition cost and equity at the time of acquisition, arising from the elimination of mutual shareholdings, has been treated as goodwill on consolidation and is depreciated over its estimated lifetime 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 have been valued at the middle rates 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. The economic life expectancies used are:

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Buildings	15-40 yrs	20-40 yrs	15-40 yrs	20-40 yrs
Other tangible assets	20-40 yrs	20-40 yrs	20-40 yrs	20-40 yrs
Machinery and equipment	3-25 yrs	3-25 yrs	4-15 yrs	4-15 yrs
Other long-term expenditure	5-40 yrs	5-10 yrs	5-40 yrs	5-40 yrs
Intangible rights	3-5 yrs	5 yrs	3-5 yrs	5 yrs
Goodwill on consolidation	20 yrs	20 yrs		

STOCKS

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

PENSION COSTS

The Gasum-Group companies separated from Neste Oil Pension Fund on 30 June 2005. Since 1 July 2005 all the pension contributions of the division B have been passed on to Keskinäinen työeläkevakuutusyhtiö Varma and the pension contributions of the division A to Henki-Sampo. Neste Oil Pension Fund returned back all the pension contributions paid by companies during 1.1-30.6.2005 as well as the proceeds. The pension contributions returned have been allocated directly to pension costs of the accounting period and the proceeds returned to the adjustment of the fixed costs. The amounts returned to Gasum Oy were as follows: Pension contributions €720.1k, proceeds €950.5k and interest income €17.9k.

PROVISIONS FOR LIABILITIES AND CHARGES

The exceeding of the emission rights granted at the closing date valued by the market prices has been booked as an obligatory provision. The actual emission amounts of the financial year exceeded the granted amounts by 1 189 tonnes.

DEFERRED TAX LIABILITY

The depreciation difference in the consolidated financial statements has been divided into distributable equity and deferred tax liability.

EUR 1000	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
1. NET SALES				
By geographical area				
Finland	642 352	610 164	634 742	603 220
Rest of Europe	171	389	169	387
Other	70	3	70	0
Total	642 593	610 556	634 981	603 607
2. OTHER OPERATING INCOME				
Gains on the divestment of fixed assets	48	27	29	26
Rents	86	318	233	286
Other	170	100	1	54
Total	304	444	264	367
3. MATERIALS AND SERVICES				
Raw materials and consumables				
Purchases during the financial year	561 452	508 770	561 230	508 342
Change in stocks	-833	561	-932	499
	560 619	509 331	560 298	508 841
4. STAFF COSTS				
Staff costs and benefits				
Wages and salaries	9 297	9 165	7 731	7 622
Pension costs	1 099	1 323	959	1 052
Statutory social security costs	852	922	715	786
Total	11 246	11 409	9 405	9 460
Benefits	349	338	276	263
Total	11 595	11 747	9 681	9 723
Staff costs in the income statement exclude the cash value of benefits				
Management salaries and remuneration				
Managing directors	526	478		
Members of the Board of Directors and Supervisory Board	715	681		
Average number of employees in the Group and parent company during the year				
Salaried employees	138	139	117	117
Manual employees	68	63	50	48
Total	206	202	167	165

5. 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 Henki-Sampo.

EUR 1000	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
6. DEPRECIATION				
Depreciation according to plan				
Depreciation on tangible and intangible assets	22 679	22 135	21 498	21 024
7. FINANCIAL INCOME AND CHARGES				
Interest receivable from non-current financial assets				
From Group companies	0	0	126	128
Other interest receivable and similar income				
From Group companies	0	0	22	23
From others	1 644	1 332	1 619	1 323
	1 644	1 332	1 641	1 346
Interest receivable from non-current financial assets and other interest receivable and similar income, total	1 644	1 332	1 767	1 474
Interest payable and similar charges				
To Group companies	0	0	6	4
To others	1 887	2 803	1 884	2 800
	1 887	2 803	1 890	2 804
Financial income and charges, total	243	1 472	123	2 302
Extraordinary income				
Group contribution	0	0	1824	845
8. APPROPRIATIONS				
Depreciation difference	0	0	-7 686	-8 990
9. DIRECT TAXES				
Income taxes on ordinary business operations	8 066	13 898	8 065	13 899
Change in deferred tax liability	2 427	-1 972	0	0
	10 493	11 926	8 065	13 899
10. FIXED ASSETS				
Intangible assets				
Intangible rights	282	279	0	0
Increase	8	3	1	0
Acquisition cost at 31 December	290	282	1	0
Accumulated depreciation at 1 January	245	228	0	0
Depreciation for the financial year	16	17	0	0
Accumulated depreciation at 31 December	261	245	0	0
Book value at 31 December	29	37	1	0

EUR 1000	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Other long-term expenditure				
Acquisition cost at 1 January	9 335	8 870	7 811	7 446
Increase	323	465	240	365
Acquisition cost at 31 December	9 658	9 335	8 051	7 811
Accumulated depreciation at 1 January	5 101	4 493	4 456	3 896
Depreciation according to plan	615	609	569	561
Accumulated depreciation at 31 December	5 715	5 101	5 025	4 456
Book value at 31 December	3 943	4 235	3 025	3 356
Goodwill on consolidation				
Acquisition cost at 1 January	5 147	5 147	0	0
Acquisition cost at 31 December	5 147	5 147	0	0
Accumulated depreciation at 1 January				
Depreciation on divestments	2 303	2 044	0	0
Depreciation according to plan	259	259	0	0
Accumulated depreciation at 31 December	2 562	2 303	0	0
Book value at 31 December	2 586	2 845	0	0
Book value of intangible assets, total	6 558	7 117	3 026	3 355
Tangible assets				
Land and water				
Acquisition cost at 1 January	2 326	2 325	2 326	2 325
Increase	51	1	51	1
Acquisition cost at 31 December	2 377	2 326	2 377	2 326
Book value at 31 December	2 377	2 326	2 377	2 326
Buildings				
Acquisition cost at 1 January	485 935	483 612	462 581	462 484
Increase	30 935	2 650	26 364	422
Decrease	0	327	0	325
Acquisition cost at 31 December	516 332	485 935	488 945	462 581
Accumulated depreciation at 1 January	159 980	144 584	155 426	140 581
Depreciation according to plan	15 727	15 396	15 087	14 845
Accumulated depreciation at 31 December	175 707	159 980	170 513	155 426
Book value at 31 December	340 626	325 956	318 432	307 155

EUR 1000	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Machinery and equipment				
Acquisition cost at 1 January	90 959	88 627	88 183	86 233
Increase	3 578	2 755	3 282	2 373
Decrease	555	423	417	423
Acquisition cost at 31 December	93 982	90 959	91 049	88 183
Accumulated depreciation at 1 January	37 352	31 893	35 629	30 380
Depreciation on divestments	362	241	261	241
Depreciation according to plan	5 926	5 700	5 706	5 490
Accumulated depreciation at 31 December	42 916	37 352	41 074	35 629
Book value at 31 December	51 065	53 608	49 975	52 554
Other tangible assets				
Acquisition cost at 1 January	4 697	4 694	4 661	4 657
Increase	1 295	3	1 295	3
Acquisition cost at 31 Decembe	5 992	4 697	5 957	4 661
Accumulated depreciation at 1 January	976	848	939	811
Depreciation according to plan	136	128	136	128
Accumulated depreciation at 31 December	1 112	976	1 075	939
Book value at 31 December	4 881	3 721	4 881	3 722
Payments on account and tangible assets in the course of construction				
Acquisition cost at 1 January	24 675	5 470	23 739	5 390
Increase	26 780	20 496	26 717	19 640
Decrease	19 410	1 291	18 530	1 291
Acquisition cost at 31 December	32 046	24 675	31 926	23 739
Book value at 31 December	32 046	24 675	31 926	23 739
Book value of tangible assets at 31 December	430 995	410 286	407 591	389 496
Book values, total	437 553	417 403	410 617	392 850

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

EUR 1000	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
11. FINANCIAL ASSETS				
Shares in Group companies, %				
Suomen Kaasuenergia Oy, Kotka	100 %	100 %	100 %	100 %
Helsingin Kaupunkikaasu Oy, Helsinki	100 %	100 %	100 %	100 %
Helsinkikaasu Oy, Helsinki	100 %	100 %	100 %	100 %
Gas Exchange Ltd, Espoo	100 %	100 %	100 %	100 %
Gaasienergia AS, Tallinna	100 %	100 %	0 %	0 %
Group companies				
Acquisition cost at 1 January	0	0	6 637	6 637
Acquisition cost at 31 December	0	0	6 637	6 637
Book value at 31 December	0	0	6 637	6 637
Other shares and holdings				
Acquisition cost at 1 January	330	322	325	317
Increase	14	8	14	8
Acquisition cost at 31 December	344	330	339	325
Book value at 31 December	344	330	339	325
Amounts owed by Group companies				
Acquisition cost at 1 January	0	0	3 891	4 059
Increase	0	0	128	0
Decrease	0	0	296	168
Acquisition cost at 31 December	0	0	3 723	3 891
Book value at 31 December	0	0	3 723	3 891
Book value of financial assets at 31 December	344	322	10 698	10 853
12. STOCKS				
Goods	6 315	5 482	5 907	4 974
Work in progress	0	0	0	0
	6 315	5 482	5 907	4 974
Replacement cost	15 345	9 640	14 937	9 132
Book value	6 315	5 482	5 907	4 974
Difference	9 030	4 158	9 030	4 158
13. DEBTORS				
Long-term / Amounts owed by Group companies	0	0	25	0
Long-term / By others	264	408	158	306
Long-term debtors, total	264	376	183	313

EUR 1000	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Short-term				
Amounts owed by Group companies				
Trade debtors	0	0	1 709	890
Loan receivables	0	0	168	168
Prepayments and accrued income	0	0	9	0
Other debtors	0	0	1 882	901
Total	0	0	3 767	1 959
Trade debtors	96 252	69 754	93 524	67 700
Other debtors	285	522	259	494
Prepayments and accrued income	4 075	90	3 808	61
Short-term debtors, total	100 612	70 366	101 358	70 214
Debtors, total	100 876	70 742	101 541	70 527
Significant items included in the other dobtors				
Receivable form the pension insurance company	111	0	111	0
Significant items included in prepauments and accrued income				
Deferred tax receivable	3 754	0	3 754	0
14. SHAREHOLDERS' EQUITY				
Share capital at 1 January	178 279	178 279	178 279	178 279
Share capital at 31 December	178 279	178 279	178 279	178 279
Retained earnings at 1 January	158 096	144 332	36 385	34 743
Payment of dividend	-33 390	-32 090	-33 390	-32 090
Retained earnings at 31 December	124 706	112 242	2 995	2 653
Profit for the financial year	29 191	45 854	22 614	33 732
Shareholders' equity, total	332 177	336 376	203 887	214 664
Statement of distributable funds at 31 December				
Retained earnings	124 706	112 242	2 995	2 653
Profit for the financial year	29 191	45 854	22 614	33 732
booked in shareholders' equity	-130 585	-123 679	0	0
Total	23 313	34 417	25 607	36 384
The parent company's share capital is distributed as follows:				
Series A			53 000 000	53 000 000
Series K			1	1

EUR 1000	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
15. ACCUMULATED APPROPRIATIONS				
In the parent company, accumulated appropriations consist of the accumulated depreciation difference.				
16. DEFERRED TAX LIABILITIES				
Emission rights, exceeded tons valued by market price	25	0	25	0
Deferred tax liabilities				
arising from appropriations	45 881	43 455	0	0
17. LONG-TERM CREDITORS				
Loans from financial institutions	47 714	53 371	47 714	53 371
Other long-term creditors	685	428	0	0
Total	48 400	53 799	47 714	53 371
18. SHORT-TERM CREDITORS				
Amounts owed to Group companies				
Trade creditors	0	0	36	3
Accruals and deferred income	0	0	28	23
Total	0	0	65	26
Loans from financial institutions	9 857	15 257	9 857	15 257
Trade creditors	82 025	68 570	81 192	67 665
Other creditors	42 777	16 013	41 578	14 780
Accruals and deferred income	3 265	3 638	2 877	3 217
Short-term creditors, total	137 924	103 479	135 569	100 944
Significant items included in accruals and deferred income				
Annual holiday provision and social security costs	1 347	1 210	1 170	1 096
Unpaid wages and social security costs	1 128	696	936	611
Income billed in following year	449	393	449	393
Interest	322	406	322	406
Taxes	0	184	0	184
Employees' Pension Act (TEL) matching	0	25	0	0
19. Securities				
Securities pledged	1 300	2 523	1 300	2 523
Cash pledged	0	41	0	41
Debtors pledged	1 300	2 523	1 300	2 523
20. LIABILITIES				
Leasing liabilities				
To be paid during next accounting period	43	0	43	0
To be paid later on	93	0	93	0
Total	136	0	136	0

UNBUNDLED INCOME STATEMENT

EUR 1000	TRANSMISSION ACTIVITIES		SALES ACTIVITIES		OTHER ACTIVITIES	
	2005	2004	2005	2004	2005	2004
NET SALES	134 046	139 037	469 584	435 762	31 491	28 909
Other income	154	217	31 897	32 592	110	149
Materials and services						
Raw materials and consumables						
Purchases during the financial year	-20 699	-18 838	-513 897	-466 431	-25 955	-23 784
Staff costs	-7 659	-7 704	-1 679	-1 689	-67	-67
Depreciation and value adjustments						
Depreciation according to plan	-21 498	-21 024	0	0	0	0
Other operating charges	-37 472	-37 928	-1 442	-1 836	-250	-261
OPERATING PROFIT	46 872	53 761	-15 537	1 398	5 329	4 947
Financial income and charges	52	-1 155	-174	-175	0	0
Profit before extraordinary items	46 923	52 606	-15 711	1 223	5 329	4 947
Extraordinary charges						
Group contribution	0	0	1 824	845	0	0
PROFIT BEFORE APPROPRIATIONS AND TAXES	46 923	52 606	-13 888	-931	5 329	4 947
Appropriations						
Increase in depreciation difference (-)	-7 686	-8 990	0	0	0	0
Income taxes	-9 864	-12 914	2 919	229	-1 120	-1 214
PROFIT FOR THE FINANCIAL YEAR	29 373	30 702	-10 968	-703	4 209	3 733

UNBUNDLING OF 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.

Since 2003, natural gas activities include the share of the energy charges in sales tariffs in Gasum Oy's basic gas business.

Gasum Oy's transmission activities includes the transmission charges in the selling price of natural gas as well as most of the business in respect of old contracts outside the tariff agreement.

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 management accounting. Depreciation is calculated in accordance with the valid 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 in relation to assets.

The presentation of the reference data 2004 for transmission activities and salse activities has been changed to be comparable sith the figures of the financial year 2005

UNBUNDLED BALANCE SHEET

EUR 1000	TRANSMISSION ACTIVITIES		SALES ACTIVITIES		OTHER ACTIVITIES	
	2005	2004	2005	2004	2005	2004
ASSETS						
FIXED ASSETS						
Intangible assets	2 745	3 046	280	307	1	1
Tangible assets	404 613	388 783	667	649	2 311	64
Financial assets	334	320	10 364	10 533	0	0
NON-CURRENT ASSETS						
Stocks	2 888	2 241	3 019	2 727	0	6
Debtors	14 247	24 095	79 863	43 374	7 431	3 058
Cash and cash equivalents	11 363	32 569	238	344	6 116	8 459
	436 190	451 053	94 430	57 935	15 859	11 588
SHAREHOLDERS' EQUITY AND LIABILITIES						
SHAREHOLDERS' EQUITY	195 251	195 648	130	11 099	8 507	7 918
ACCUMULATED APPROPRIATIONS						
Accumulated depreciation difference	159 283	151 597	0	0	0	0
Provisions for liabilities and charges	25	0	0	0	0	0
CREDITORS						
Long-term	44 212	49 454	3 502	3 917	0	0
Short-term	37 420	54 355	90 798	42 919	7 352	3 670
	436 190	451 053	94 430	57 935	15 859	11 588

Gasum Oy's Board of Directors

Espoo, 13 February 2006

Antero Jännes
Juha Vainikka
Björn Ahlnäs
Vladimir Hramoff
Birger Sandström

AUDITORS' 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 2005. 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 of Gasum Oy.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance abut whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence to supporting the amounts and disclosures in the fi nancial 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 members of the Supervisory Board and the Board of Directors and the CEO 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's 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 can be discharged from liability for the period audited by us. The proposal by the Board of Directors to 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 unbundled 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 regulations and stipulations required thereby.

Helsinki, 20 February 2006

PricewaterhouseCoopers Oy	Eero Suomela
Authorised Public Accountants	Authorised Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

Meeting today, Gasum Oy's Supervisory Board considered the company's financial statement for 2005, which includes 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 recommend to the Annual General Meeting that the financial statement be approved.

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, 1 March 2006

Mikko Kivimäki	Taisto Turunen	Stephan Kamphues	Matthias Keuchel
Tapio Kuula	Aleksandr Rjazanov	Sergei Serdjukov	Seppo Aho

CORPORATE GOVERNANCE

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 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

Gasum Oy's Supervisory Board comprises the chairman, vice 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 sound business principles.

Members:

Chairman: Mikko Kivimäki LLM
Vice Chairman: Taisto Turunen, Director-General,
Ministry of Trade and Industry, Energy Department
Seppo Aho, director, Fortum
Stephan Kamphues, director, E.ON Ruhrgas
Matthias Keuchel, Director, E.ON Ruhrgas AG
Tapio Kuula, Fortum
Alexander Rjazanov, Deputy Chairman, Gazprom
Sergei Serdjukov, Director Gazprom

Auditors

PricewaterhouseCoopers Oy.
Principal auditor Eero Suomela APA

Gasum Oy's Board of Directors

The Board of Directors is elected by the Supervisory Board and comprises a chairman and a minimum of three and a maximum of 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 conveyance and mortgaging of fixed assets and to hire and dismiss senior managers not appointed by the Supervisory Board.

Members:

Antero Jännes, chairman, CEO
Juha Vainikka, vice chairman, senior vice president, transmission
Björn Ahlnäs, senior vice president, Marketing
Kristiina Vuori, director for Legal matters and HR
Aleksei Novitsky, senior vice president, Gas Supply
Paula Lähde, CFO
Christer Paltschik, senior vice president, Business planning

Gasum Oy's organisation:

CEO: Antero Jännes
Marketing: Björn Ahlnäs
- Sales: Veli-Heikki Niiranen, Ossi Savolainen, Arto Riikonen
- CRM: Sonja Hellén-Nieminen
- Distribution: Osmo Jääskeläinen

Supply: Aleksei Novitsky
- Baltic area: Seppo Nurminen

Transmission: Juha Vainikka
- Use: Ari Suomilammi
- Safety: Jarmo Aho
- Projects and materials supplies: Kaj Christiansen
- Maintenance: Arto Korpela

Regional Managers
Imatra Timo Kyllönen
Valkeala Pasi Karhula
Hyvinkää Eero Kummu
Tampere Mikko Lahti
Human resources, legal matters; Kristiina Vuori
Finance: Paula Lähde
- Controller: Leena Wallenius

Business planning: Christer Paltschik
- Information management: Jussi Hyvärinen
- Product risk management: Satu Raikaslehto
- Quality manager Rami Saajoranta
- Tariffs Jukka Kaijansinkko

Public Affairs Tuomo Saarni

Subsidiaries

Suomen Kaasuenergia Oy
Helsingin Kaupunkikaasu Oy
Managing director Jarko Alanko
Gaasienergia AS
Managing director Simo Lahesalu
Helsinkikaasu Oy
Managing director Kalevi Kemppainen
Kaasupörssi Oy (Gas Exchange Ltd)
Managing director Pekka Karinen