



# Annual Report 2006



Better energy solutions – naturally



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# 2006

## Gasum in brief

### GASUM GROUP TODAY

- We import, market and sell natural gas in Finland.
- We deliver natural gas to our customers via our own transmission pipelines; we are actively involved in developing local distribution and building a network of filling stations for vehicles running on natural gas.
- 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.

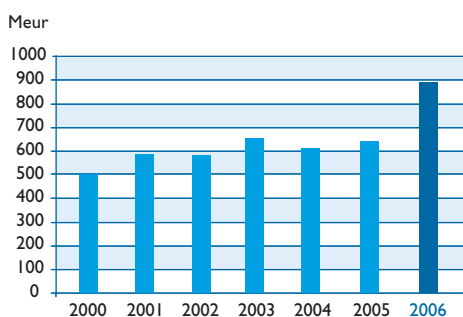
### FINANCIAL INDICATORS FOR 2006

- Sales of natural gas: 45.2 TWh
- Employees: 182
- Turnover: €888.3 million
- Operating profit 8.82%
- ROCE after taxes: 10.2%
- Equity ratio: 60.8%
- Investments: €40.8 million
- Balance sheet total: €582.6 million

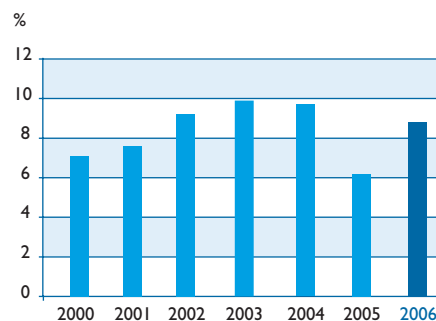
### OUR PROMISE

To deliver the superior advantages of natural gas for our customers' benefit.

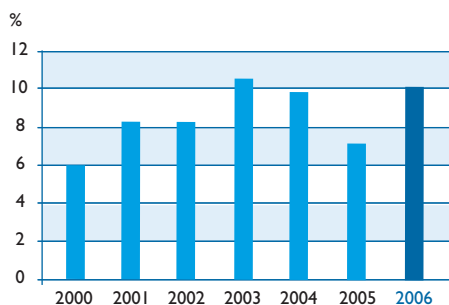
#### TURNOVER (Meur)



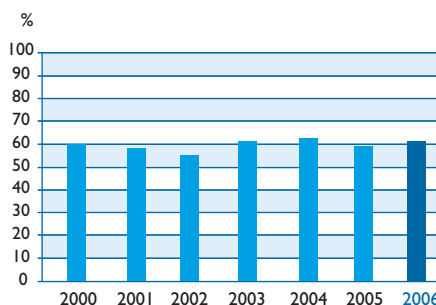
#### OPERATING PROFIT (%)



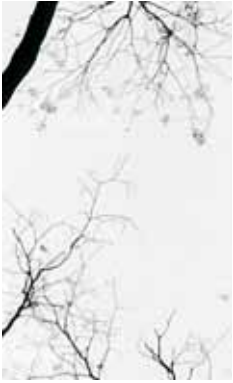
#### ROCE AFTER TAXES



#### EQUITY RATIO (%)



# Gasum's seasons



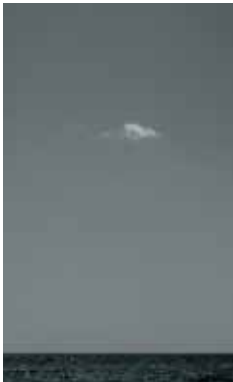
## Winter

- Natural gas sales during January-March totalled 14.5 TWh, representing a 4.6% increase compared to the equivalent period of the previous year. Colder weather and a high electricity price were contributing factors.
- The new M2006 pricing system and new tariff products were taken into use.
- In February, it was suspected that natural gas caused the explosion in the National Museum's treasure chamber.
- Gasum and Neste Oil Oyj signed a new natural gas agreement. The upgrade project of Neste Oil's Porvoo refinery will significantly increase the facility's use of natural gas.



## Spring

- Natural gas sales during April-June totalled 9.04 TWh. The competitiveness of natural gas was also good in the condensation production of electricity.
- 75 km of new parallel pipes lines were joined to the natural gas transmission network. A new filling station for natural gas vehicles was taken into use in Kouvola.
- Greater consistency was achieved in the naming of the Gasum Group's companies.
- Gasum studied the optimum location for the planned submarine pipeline (Balticconnector) running under the Gulf of Finland between Finland and Estonia.



## Summer

- Natural gas sales during July-September totalled 8.96 TWh. The September 2006 gas consumption figures set an all-time record high for that month. The price of electricity remained high owing to a dry summer.
- Gasum submitted an offer to Turun Seudun Maakaasu and Energiantuotanto Oy for the supply of natural gas.
- A new filling station for natural gas vehicles was taken into use in Karhula.
- Gasum initialised feasibility studies for a future natural gas pipeline from Western Uusimaa to Hankoniemi, and for a parallel pipeline from Hämeenlinna to Tampere.



## Fall

- Natural gas sales for October-December totalled 12.66 TWh. A warm fall clearly reduced natural gas sales compared to the equivalent period of the previous year.
- Tampere celebrated its 20th year of natural gas use. A large-scale pipeline realignment project was carried out as a result of the new housing area planned for Ratina.
- Gasum participated in Finland's Great Place To Work® contest, the results of which were announced in February 2007. Gasum acquitted itself with distinction by placing 7th in the General category.
- Gasum negotiated with Gazprom concerning the possible utilisation of additional transmission capacity at the Karelian Isthmus, which is under construction for the Nord Stream gas pipeline between Russia and Germany.



Chief Executive Officer's review:

## Natural gas is needed to combat global warming – Gasum is creating the prerequisites for its use

The year 2006 witnessed an upswing in natural gas sales; Gasum's financial result also developed favourably and the company achieved its set goals. The procurement price of natural gas remained stable during the year, registering a mild downturn at the end of the year that paralleled the lower price of oil. This trend is expected to continue, at least for the first half of 2007. With respect to sales volumes and financial results, the prospects for the year 2007 are good, and natural gas consumption

is expected to continue along its growth path.

**To combat global warming and its substantial dis-benefits**, the EU Environment Council has decided to unilaterally commit the EU to the reduction of greenhouse gas emissions by 20% to 1990 emissions levels by the year 2020. Although environmental ministers have agreed that the burden will be shared by Member States according to their energy needs and abilities to limit emissions, the target is considered

extremely burdensome in Finland; primarily biofuels and nuclear power-generated electricity have been offered as our selection of measures.

Owing to insufficient supply and long transport distances biofuels are however insufficient as a heating solution for Southern Finland's larger cities. During the next 20–40 years, the optimal way to reduce emissions at these locations will be to replace antiquated coal-fired power plants with ultra-efficient natural gas-fired plants that best exploit the advantages of combined electricity and heating production. In the soon to begin Kyoto Era, carbon dioxide emissions would have to be reduced by approximately 8 million tonnes in the emissions trading sector; over a period of one year, a single natural gas-fired combined production facility generating 160 MW of electricity and 160 MW of heat would lower carbon dioxide emissions by more than 0.5 tonnes of carbon dioxide emissions compared to an equivalent coal-fired solution because it would also replace the condensation electricity produced by the coal. Regional and local emissions, such as particle emissions, would also be reduced.

To improve the investment prerequisites for district heating plants, emission rights should be linked to the produced heating and electrical energy so that the quantity of the emission rights granted would also depend on, besides the specific emission factor of the fuel utilised, the achieved overall operating efficiency and building ratio. This method would improve the competitiveness of all new investments in low carbon dioxide-producing power stations.

**In its own operations Gasum is working to create the prerequisites for increased natural gas consumption.** To ensure the availability of natural gas, Gasum is currently studying three alternatives. When implemented, the Balticconnector linking the networks of Finland and Estonia would offer the possibility to optimise the transmission of natural gas to Finland and the Baltic States; besides forming a connection to Latvia's gas reserves, the new pipeline would open up the possibility to subsequently begin the importation of liquefied natural gas (LNG) as a joint venture carried out among the region's gas companies. The joining of Finland's network to the Nord Stream pipeline, that when completed will transmit 55 billion m<sup>3</sup> of natural gas each year from Russia to Germany, would also improve the reliability of natural gas deliveries for Finland. What is however most important from the Finnish perspective is the maintenance and strengthening of existing import channels, as well

as the construction of new compressor stations when necessary. It would then be possible to increase the capacity of the two transmission pipelines coming from St. Petersburg according to Finland's future needs.

**The decisions to expand the natural gas pipeline in the Turku region and Western Uusimaa** can be made as early as spring 2007 if natural gas users are ready to commit themselves to a sufficiently ample level of natural gas consumption. Another of our objectives is to rapidly enlarge the network of filling stations that vehicles powered by natural gas and biofuels require.

By 2011 the value of Gasum's investments will rise to approximately EUR 450 million. A prerequisite for the investments is a regulatory model that allows a sufficient yield level for transmission operations.

**The Energy Market Authority's discussion paper concerning Finland's natural gas markets** (Draft 7 February 2007) identifies many natural gas market-related problems that Gasum and the natural gas sector's other operators have, in their own position papers, brought forth since the Natural Gas Market Act came into force. A key consideration is that legislation or the decisions of authorities cannot achieve competition if the preconditions for genuine competition are lacking. The discussion paper also recognises the true fact that it has been possible to supply natural gas in Finland competitively compared to other EU Member States. We will make every effort to ensure that in the future as well, our customers will be able to obtain the natural gas they need, dependably and at a competitive price. We expect that the Energy Market Authority's discussion initiative will lead to a situation in which a regulatory model will be developed, as far as possible, on the basis of national needs.

The year 2006 was an extremely good year for Gasum. I would like to warmly thank all our stakeholder groups and customers for their continued support and excellent co-operation. In particular, I would also like to thank the company's personnel for their commitment and efforts that enabled us to attain our goals.

Espoo 28 February 2007

**Antero Jännes**  
President and CEO

# “The future is a path.”

## GASUM'S ENERGY TRADING, KEY INDICATORS:

- Sales of natural gas: 45 214 GWh
- Price and protection products' share of total sales: 3.5%
- Secondary market natural gas's share of total annual sales: 0.92%
- Gasum Paikallisjakelu Oy's sales of natural gas: 42.1 million m<sup>3</sup>

## MARKETS GROWING, OPERATIONS AND SERVICES DEVELOPING

Gasum strives to develop Finland's natural gas markets by bringing natural gas to entirely new areas and improving business in areas covered by the existing natural gas transmission network. Gasum provides its customers with new trading mechanisms as well as its diversified range of products and services.

From the market perspective, there was a significant developmental focus on the products that facilitate, on one hand

flexibility and on the other hand predictability, for natural gas pricing. The Gasum Plusa and Gasum Super Plusa products adopted in connection with the new M2006 pricing system, as well as the fixed-price Small Consumer Tariff, were well received in the market.

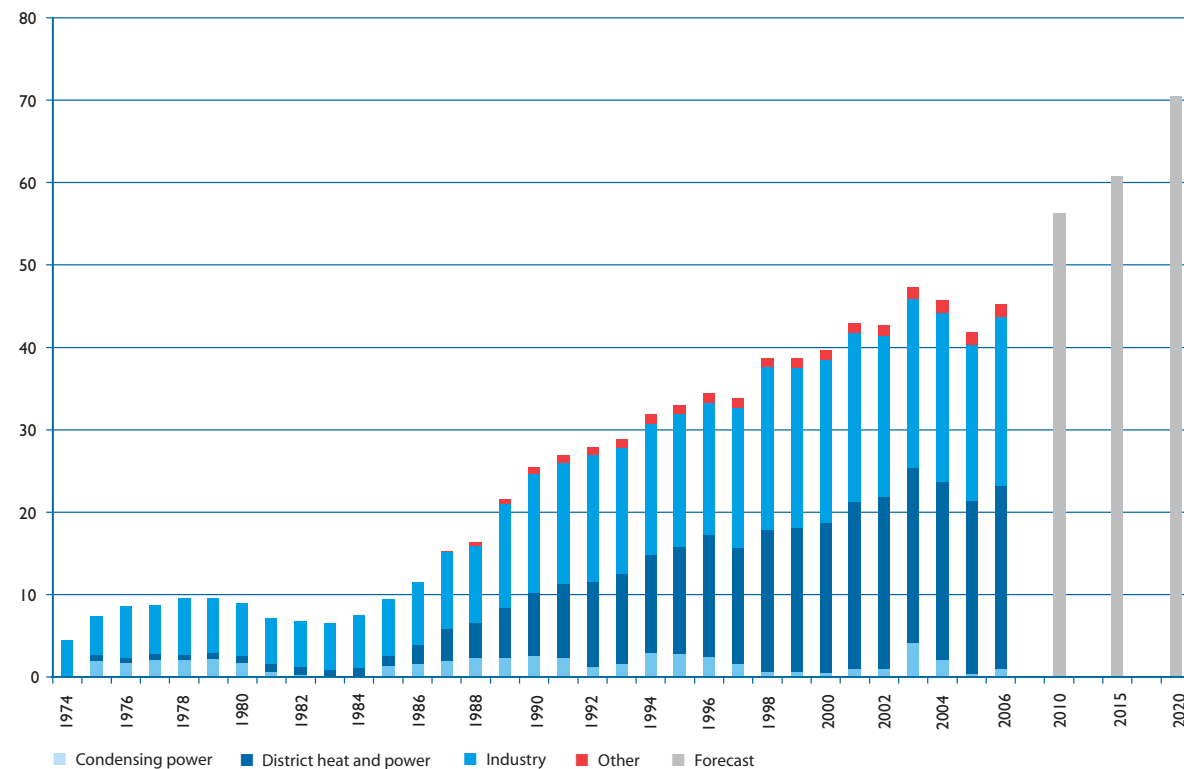
In early 2007 Gasum adopted a one hour balance period for its transmission network's balance management. The preparations carried out during 2006 included a renewal of information management systems as well as calculations of transmission capacities for different consumption situations. The enhanced precision and predictability of gas transmission capacity calculations facilitated by the adopted one hour balance period led to more efficient network utilisation. Gasum also adopted its new Gasum Miinus product that controls consumption in high demand situations.

The 1-hour balance period and shorter-term trading period also enables customers to tailor their gas procurements to better meet their functional needs. The procurement can take place two full hours before the moment of use at a precision of one hour.





TWh NATURAL GAS CONSUMPTION IN FINLAND 1974–2006



Gasum provides its customers with new trading options.

### A NEW DIVERSIFIED GASUM

The structure of the Gasum group was renewed and unified in 2006. A new corporate identity and service promise were formulated for Gasum that the parent company Gasum Oy as well as the newly-named subsidiaries Gasum Paikallisjakelu Oy and Gasum Energiapalvelut Oy will implement jointly. Greater consistency was achieved in the company's and employees' operational methods and working culture. Gasum now has even better opportunities to develop its own business operations as well as natural gas markets in general.

Gasum provides its customers with a comprehensive range of all products and services required for the adoption of natural gas; besides natural gas, the company supplies heat energy as well as equipment, network construction, design and maintenance.



Sales Manager Sonja Hellén-Nieminen introduced customers to Gasum's new short-term trading and risk-management products adopted in 2006.

### EXPANSION WESTWARDS

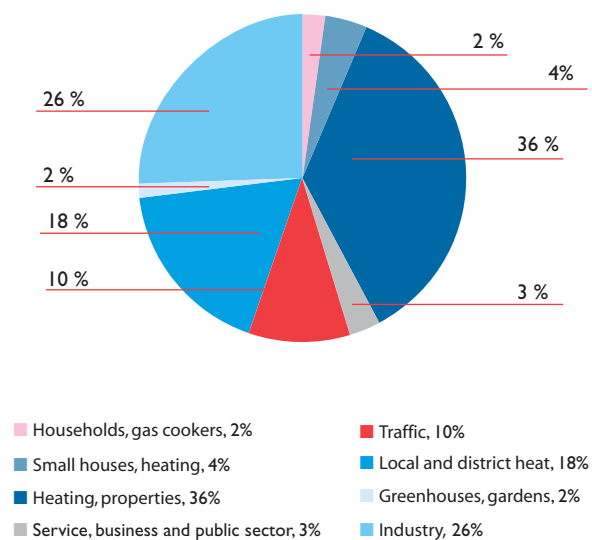
The expansion of the natural gas network westwards towards the Turku economic zone and Western Uusimaa are Gasum's main development projects. Negotiations with one of the Turku region's largest potential customers, Turun Seudun Maakaasu ja Energiantuotanto Oy (TSME) progressed to the offer stage in 2006.

Concurrently with these negotiations, Gasum has studied other possible natural gas utilisation areas. For example, there are enough natural gas users in the Forssa region to cover the cost of constructing a distribution pipeline to that area. In the Turku economic zone, studies focusing on the possible use of city buses running on natural gas have also been carried out. Neste Oil's refinery in Naantali is, like that company's refinery in Porvoo, a significant potential user of natural gas.

The additional capacity required by Fortum's new power station planned for Suomenoja, Espoo would lead to the construction of a new gas pipeline from Mäntsälä to Lohja. The new pipeline would create the prerequisites for an expansion of the natural gas network to several Western Uusimaa municipalities, including Vihti, Karkkila and Nurmijärvi. If sufficient demand exists, the natural gas pipeline could even be extended to Tammissaari and Hanko. Gasum will continue to map the region's market potential.

Gasum Paikallisjakelu Oy is engaged in the local distribution of natural gas in eight localities. In 2006 the company expanded its network to Kotka, Porvoo, Siuntio and Helsinki's Puistola district, primarily to meet domestic needs. In Lohja the construction of a backbone network for industrial heating and process use continued northwards. Approximately 17 km of newly constructed pipelines were added to the network.

**GASUM'S LOCAL DISTRIBUTION SALES OF NATURAL GAS (Gasum Paikallisjakelu Oy)**



Control room technician Heimo Komi checks the operation of an ultrasonic flow meter in test use.

### ULTRA-PRECISE RECEPTION MEASURING

In 2006 ultrasonic measuring was tested in connection with the measurement line at the Imatra reception station. The results of the ultrasonic measurements were good and comparable with the flange measurements currently in use. In the summer of 2006, based on the testing results, an agreement concluded with the gas supplier Gazpromexport stipulated that Gasum would begin planning a modernisation of the Imatra natural gas reception station based on the use of ultrasonic measurements. At the same time the area's older pipelines, as well as a laboratory used to assess gas quality, were renewed. As planned, the new system would be operable by the summer of 2008.

Compared to the flange measurements currently in use, ultrasonic measuring is a modern measurement method that is significantly more flexible and requires less maintenance. Measurements are based on the speed of ultrasounds in the gas flow.

Natural gas quantity measurements based on ultrasonic techniques have already been used in European gas companies for several years. Gasum is however the first EU-domiciled company that intends to use ultrasonic techniques to measure quantities of natural gas purchased from Russia.

### GASUM STUDYING LIQUEFIED NATURAL GAS AND BIOGAS MARKETS FOR FINLAND

The role of liquefied natural gas (LNG) is expected to become increasingly important in international natural gas trading. LNG trading is also based on long-term agreements concluded between producers and buyers, but the growth in LNG trading is expected to increase flexibility in natural gas trading. The

LNG technology is also more advanced than previously; more efficient and inexpensive methods of LNG production and transport, as well as the construction of reception terminals, are expanding the commercial possibilities.

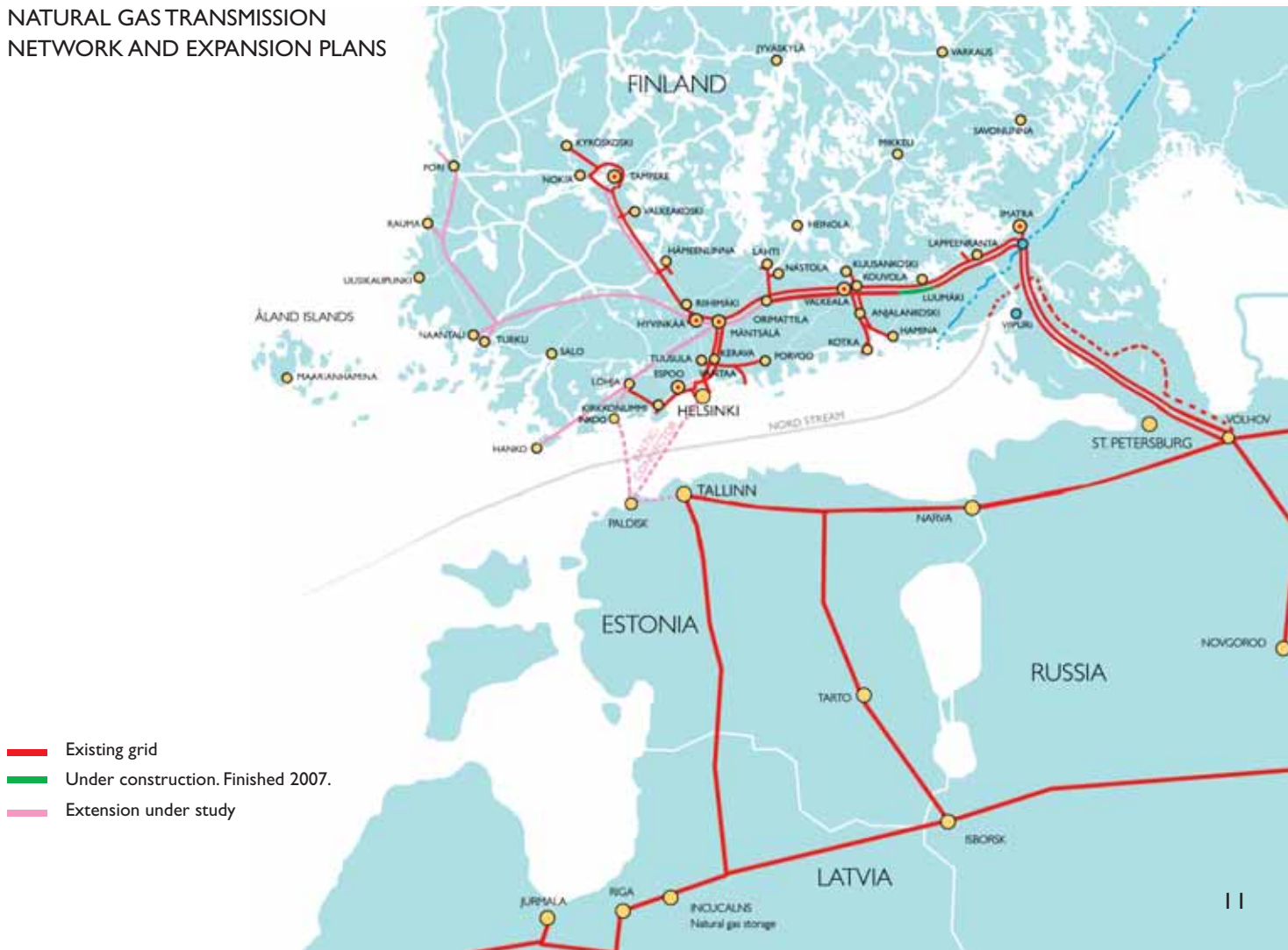
The initialisation of LNG imports solely to meet Finland's needs is economically unfeasible. If the planned Balticconnector – a project planned by Gasum jointly with other Baltic gas companies for the construction of a submarine natural gas pipeline under the Gulf of Finland between Finland and Estonia – is implemented, a LNG reception terminal built for joint use by Finland and the Baltic States could be feasible.

In Finland Gasum is studying the liquefaction of natural gas to meet Finnish needs in areas currently beyond the reach of the existing natural gas pipeline network. Liquefied natural gas would be manufactured from natural gas imported to Finland, then transported to customers in tank lorries. The construction of a liquefaction plant has been studied, for example, in connection with Gasum's compressor station at Mantsälä. The clarification work continues, and a possible implementation decision may be forthcoming in the fall of 2007 at the earliest.

Gasum currently receives LNG from a natural gas liquefaction plant functioning in connection with the Kilpilahti refinery in Porvoo. The facility sells liquefied natural gas for research purposes. Liquefied natural gas is also exported to Sweden, where it serves as a standby fuel for biogas. In 2006 Gasum sold 2 300 tonnes of liquefied natural gas.

In 2006, Gasum also began to study the feasibility of recovering, purifying and transmitting biogases originating at the Ämmässuo waste dump through the natural gas transmission network to filling stations for vehicles running on natural gas. The conversion of dump gases into a suitable vehicular fuel requires the purification and pressurisation of the recovered gas. In Sweden biogas has been used as a fuel to power vehicles for almost 10 years.

## NATURAL GAS TRANSMISSION NETWORK AND EXPANSION PLANS



# “What you leave behind you’ll find in

## GASUM'S TRANSMISSION NETWORK, KEY INDICATORS

- Transmission pipeline's length: 1.102 km
- Transmission pipeline's volume: 220.370 m<sup>3</sup>
- Compressor units: 9 units, power 63 MW
- Maximum 24-hour use (7 Feb) was 20.1 million m<sup>3</sup>
- Connections from transmission pipes: 198
- Undelivered energy compared to energy transmitted via the grid: 0.03%
- Number of service interruptions: 1
- Duration of service interruptions: 0.25 hours



A regular servicing programme guarantees the workability of the transmission network's equipment and dependable deliveries of natural gas. Harri Mielonen tests the performance of the Valkeala compressors' new carbon ring gaskets before they were taken into use. Installing the new gaskets led to an approximately 10% decrease in the consumption of compressed air.

## TRANSMISSION CAPACITY TO MEET GROWTH CENTRES' HEAT PRODUCTION NEEDS

In recent years Gasum has invested substantially in the construction of a parallel pipeline network. The goal is to build a new parallel pipeline from the Imatra reception station to the Mäntsälä compressor station by the year 2013.

The parallel pipelines will increase transmission capacity and supply reliability over the entire network's area. In possible malfunction or servicing situations they provide an alternative delivery channel that further enhances supply reliability. Preparations for the construction of parallel pipelines necessary to meet growing demand are underway in the Helsinki Metropolitan Area, Pirkanmaa and the Turku economic zone. Growth centres' growing district heating needs will increase the utilisation of natural gas in existing natural gas-fuelled power plants.

If Fortum's planned power station is implemented in Suomenoja, Espoo, a new pipeline from Mäntsälä to Lohja will be built. Besides serving the Suomenoja power station, the new pipeline will also function as an alternative transmission route for the entire Helsinki Metropolitan Area.

The expansion may also require increased compressor power at Mäntsälä's compressor station. Gasum estimates that the total investments required for the pipeline will amount to EUR 450 million by 2012.



front of you.”

#### NATURAL GAS IN FINLAND AS % OF

- total energy consumption: 11%
- district heating production: 33%
- electricity production: 10.5%

#### GASUM IS CREATING THE PREREQUISITES FOR THE USE OF NATURAL GAS IN TRAFFIC

According to the European Union’s stated target, 10% of the vehicles moving within the Union’s area should be running on natural gas by the year 2020. Currently there are approximately half a million natural gas powered vehicles in the EU, accounting for approximately 0.2% of the region’s entire vehicle stock. Italy has the most vehicles running on natural gas. In recent years the most rapid growth in the quantities of natural gas-powered vehicles and filling stations has been registered in Germany.

Since 2004, when the extra tax that had previously burdened natural gas-powered cars in Finland was abolished, Gasum has actively worked to develop a network of filling stations for vehicles running on natural gas. Currently 5 natural gas filling stations are in use, and new locations for filling stations are being actively sought over the entire natural gas network’s area. In particular, the aim has been to find filling station sites at locations where natural gas is already being distributed and there is public transport. The expansion of the natural gas filling station network has been slowed by the complexity of finding suitable sites, as well as the slowness of construction-related licensing procedures.

Gasum is actively developing a network of filling stations for natural gas-powered vehicles.

Gasum is also investing in the procurement of natural gas-powered vehicles for its own use. The entire stock of service vehicles will be replaced with natural gas-powered vehicles as the older cars and vans become obsolete. At the same time the company cars used by Gasum employees will be replaced by cars running on natural gas. By the end of 2006 Gasum had the use of about 20 natural gas-powered service vehicles. Gasum personnel also drive 25 company cars running on natural gas.



Kouvola’s filling station for natural gas-powered cars was officially taken into use on 21 June 2006. On hand to assist the Mayor of Kouvola Aimo Ahti in the opening ceremonies were Henna Träskelin (left) and Heidi Kumm, a part-time summer employee in communications. Every year Gasum provides about 40 summer jobs.

Gasum employees can be identified in traffic, either by the adhesives indicating natural gas use or the GAS prefix that was acquired for the company cars’ license plates.

#### GASUM – A RESPONSIBLE EMPLOYER

Gasum regularly evaluates its image as an employer through surveys carried out among its employees. In 2006 Gasum participated in the Great Place To Work® contest whose results were published in February of this year; Gasum was ranked a respectable 7th in the general category. The results demonstrated that Gasum’s employees value their jobs and their employer. Because Gasum employees’ working relationships are long-term, the staff remains firmly committed to the development of the company’s operations; consequently there is very little personnel turnover.

Gasum invests substantially in its personnel’s well being and professional development. Already for several years, the development of safety has been a common indicator in the company’s results cards. In 2006 no accidents occurred in the parent company; one accident occurred in a subsidiary. The sickness absence percentage in the parent company was 2.24%, in Gasum Paikallisjakelu 2.2% and in Gasum Energiapalvelu 3.07%.

Gasum’s employees receive bonus pay based on the company’s results as well as a results-oriented salary based on personal work performance and development.

## RESPONSIBILITY FOR THE ENVIRONMENT

Gasum Oy's control system for environmental issues is based on the international ISO 14001 standard. The certificate for Gasum's environmental system is valid until 30 September 2007. Because the subsidiary companies do not have certified environmental systems, the figures cited below concern the operations of the parent company.

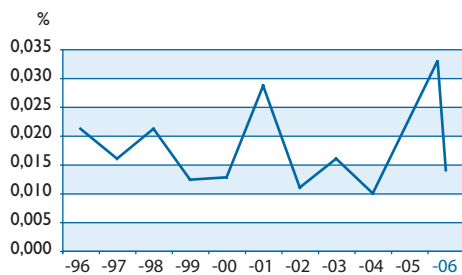
### METHANE EMISSIONS

Methane accounts for 98% of the natural gas imported to Finland. Methane is one of the so-called greenhouse gases contributing to the greenhouse effect, or global warming. Methane enters the atmosphere when, for example, pipes are emptied, or in connection with blowdowns. Blowdowns are necessary when the natural gas in a pipeline has to be depressurised in an emergency situation or as a result of servicing or connection works.

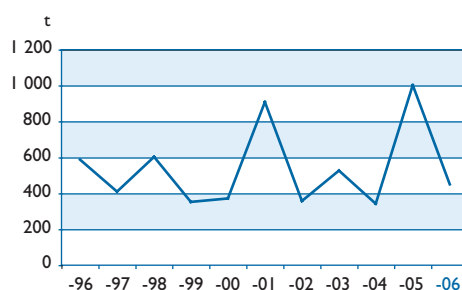
In 2006 methane emissions totalled 451 tonnes. During utilisation periods, emissions accounted for 0.014% of the transmitted gas volumes, compared to the set target of less than 0.08%.

Methane emissions resulting from the transmission of natural gas accounted for 0.2% of Finland's total methane emissions.

METHANE EMISSIONS/as % of gas transmitted



METHANE EMISSIONS (tonnes)



### CARBON DIOXIDE AND NITRIC OXIDE EMISSIONS

The pressure of natural gas is raised at compressor stations located along the pipeline at approximately 100-kilometre intervals. The compressors' operational power is obtained from gas turbines using natural gas as their fuel. The combustion of natural gas creates carbon dioxide, water vapour and nitric oxides.

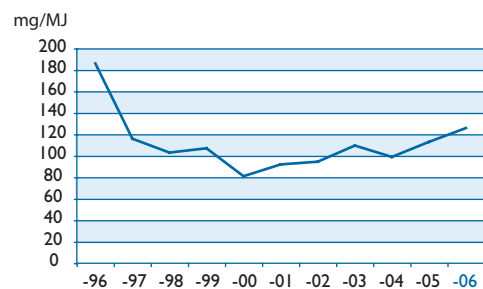
In 2006 the quantity of carbon dioxide emissions totalled 53,200 tonnes. Nitric oxide emissions totalled 112 tonnes and the compressor stations' average NOX specific emission was 126 mg/MJ, compared to the set target of less than 100 mg/MJ.

The combined power of the compressors belonging to the natural gas transmission system is 63 MW. Compressor stations fall within the sphere of emissions trading and have been granted national emissions rights. Compressor stations accounted for approximately 40,000 tonnes of Gasum's carbon dioxide emissions.

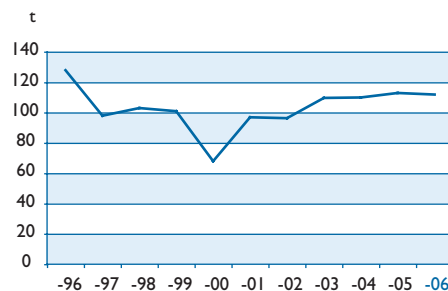
In early 2006 Gasum joined the coal fund administered by the Nordic Environment Finance Corporation (NEFCO).

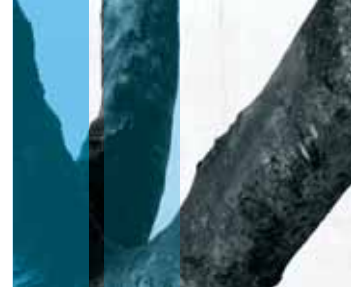
DNV (Det Norske Veritas) verified the emissions volumes of greenhouse gases for Gasum. The verification methods included inspections of operations related to gas volume measurements, as well as the determination of emissions factors and thermal values. Gasum's customers have also used the information in the calculations of their own greenhouse gas emission volumes.

SPECIFIC EMISSIONS OF OXIDES OF NITROGEN (mg/MJ)



OXIDES OF NITROGEN (tonnes)





The alignment of a natural gas pipeline is designed to be as unobtrusive as possible in the landscape; planning also takes environmental viewpoints into account.

Methane emissions resulting from the transmission of natural gas accounted for 0.2% of Finland's total methane emissions.

### CONSTRUCTION OF NATURAL GAS PIPELINES

The construction phase of a natural gas pipeline is visible in the environment, and a pipeline alignment can also cause permanent changes – typically excavated bedrock areas and narrow swaths cut through forests – in the landscape.

Gasum strives to identify and minimise any temporary or permanent environmental impacts. When constructing a natural gas transmission network, environmental perspectives are taken into account in all phases of the construction project: from investment planning to follow-up works. Special attention is paid to the protection of the soil and ground water, and every effort is made to minimise any inconvenience caused to neighbours or landowners.

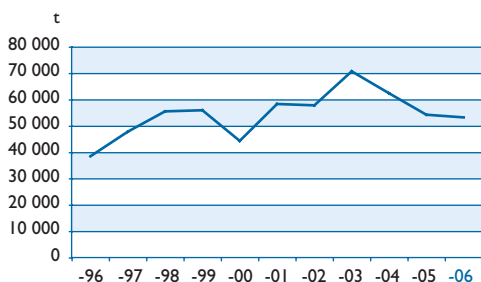
Before an investment decision can be made in an investment project's preliminary planning stage, an EIA report is prepared for projects with substantial environmental impacts. Particularly extensive projects such as the natural gas pipeline planned for the Turku economic zone fall within the scope of Finland's Environmental Impact Assessment Act (YVA).

During the alignment planning stage, preliminary statements are requested from public authorities and all concerned stakeholder groups. The alignment is designed to pass through the landscape as unobtrusively as possible and conserve nature.

As a customer Gasum requires that its main contractors furnish clarifications describing how they intend to minimise environmental impacts during the construction period. Project-specific indicators are formulated to achieve these objectives. Job site traffic arrangements also take environmental perspectives into consideration.

Construction period-related environmental impacts are avoided by co-ordinating the project's time schedule with the seasons of the year, as well as by utilising environmentally friendly building technologies such as drilling methods that eliminate open excavations. When attaching new pipeline sections, the pressure in pipelines that have to be emptied is set as low as possible to minimise methane emissions.

### CARBON DIOXIDE EMISSIONS



# “Skill and will are the motors of succ



Lohja gardener Harry Sohlman and Milla Jussila, working in Gasum Paikallisyakelu's sales department, consider the quantity of natural gas required to heat a garden.

## CUSTOMERS AND PARTNERS VALUE GASUM EMPLOYEES' PROFESSIONALISM

Gasum conducts regular surveys concerning its customers' and stakeholders' opinion of the company. The customer satisfaction survey carried out every year provides Gasum's customers with an opportunity to evaluate the professionalism and skills of Gasum's employees. In customer satisfaction assessments, the staff's technical expertise has always been given a clearly above-average rating; in 2006 the rating was 8.86/10. The respondents were virtually unanimous in agreeing that Gasum's operations are highly professional. Likewise, almost all respondents considered Gasum a dependable partner and the most capable service company in the Finnish natural gas sector.

In 2006 Gasum also asked other stakeholder groups to provide opinions concerning their perceptions of Gasum and its operations. The respondents included civil servants, political decision-makers, as well as the representatives of associations and academic institutions. Over 70% of the respondents considered Gasum's operations to be highly professional, and the questionnaire's free-form responses strengthened the perception of Gasum as an expert and dependable company.







Markku Kyllönen, voted Gasum Employee of the Year, is a fearless and diligent multitasker.

### MARKKU KYLLÖNEN GASUM EMPLOYEE OF THE YEAR

Warehouse employee Markku Kyllönen from the Imatra branch was voted Gasum Employee of the Year for 2006. This award is Gasum employees' way of showing their appreciation of the personalities and professional skills of their fellow employees, as well as their efforts made to make a good working community even better. Those previously

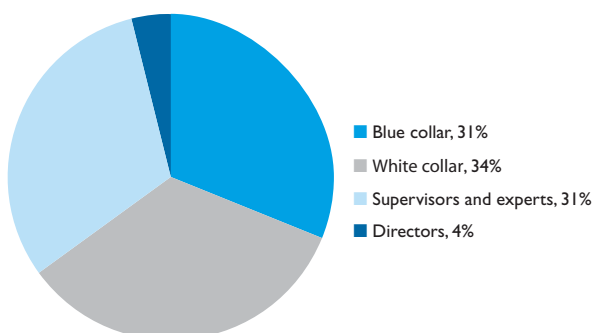
earning the title selected Markku Kyllönen, citing that: "Markku is a fearless and diligent multitasker who takes his free time as seriously as his job. He keeps his equipment and his affairs in good order. Markku is always friendly and considerate of his fellow employees."

#### GASUM'S PERSONNEL IN FIGURES:

Number of full-time staff on 31 December 2006

- Gasum Oy: 143
- Gasum Paikallissjakelu Oy: 19
- Gasum Energiapalvelut Oy: 25

#### PERSONNEL GROUPS:



#### AVERAGE AGE:

- Gasum Oy: 46 years
- Gasum Energiapalvelut Oy: 41 years
- Gasum Paikallissjakelu: 37 years

Percentage of female Gasum employees: 24%.

Gasum's expertise is based on the professionalism of its dedicated employees, as well as their long-term experience in the sector.

### TRADITIONS OBLIGATE THE NEED TO STAY UP-TO-DATE

Gasum's expertise is based on the professionalism and experience of its committed and long-term employees, up-to-date training, as well as the ability to hire the best new talents in the sector.

In its recruitment policies Gasum is impartial and promotes equality. Gasum offers its employees opportunities for possible further training, and also trains new professionals with, for example, apprenticeship agreements. In 2006 Gasum had one apprenticeship trainee as well as approximately 40 practicians.

Gasum actively follows the development of the natural gas sector and is a member of Eurogas, Gas Infrastructure Europe (GIE) and Pipeline Research Council International (PRCI). Gasum employees also sit on the International Gas Union's committees. In 2006 Gasum participated in a benchmarking survey of European gas companies that compared the operational efficiency and safety of the participating organisations.

In Finland, Gasum participates in the Finnish National Gas Association's training activities, as well as in technical institutes' teaching in the energy sector. Every year, Gasum also supports the preparation of diploma works related to the natural gas sector.

Gasum's Natural Gas Fund supports research in the Finnish natural gas sector. In 2006 the fund awarded grants to two researchers. Gasum's Board of Directors has proposed augmenting the foundation's assets with a substantial single investment. The aim is to safeguard the fund's operational prerequisites far into the future while ensuring continued support for research in the natural gas sector. The fund is one of the special funds administered by the Technological Foundation of Finland (TES). TES manages the fund's assets and decides on the granting of the stipends based on a proposal submitted by Gasum's Foundation Committee.

As a supporter of the Millennium Foundation, Gasum supports the development of technology that promotes human welfare. Gasum is also participating in the next Millennium term.

## Gasum supports science, art and sports

Gasum supports research through its Natural Gas Fund and participates in the Millennium Foundation's activities.

The EMMA – Espoo Museum of Modern Art, whose operations Gasum supports, opened in 2006. EMMA's 5.000 m<sup>2</sup> of exhibition space make it Finland's largest art museum.

In the sports arena, Gasum's partner is the Kouvola basketball team Kouvolan Kouvot. The co-operation will also continue in 2007.



EMMA, or the Espoo Museum of Modern Art, now has renovated facilities at the WeeGee building.



## Timo Kellaranta

The photographs on pages 1, 3, 5, 8, 12, 16 and 18 of Gasum's Annual Report 2006 are taken from photographic artist Timo Kellaranta's *The Quiets* series that was displayed in EMMA's inaugural exhibition.

Timo Kellaranta's (b. 1951) photographs have been shown in solo and group exhibitions since the mid-1970s in Finland and abroad. Kellaranta received the State Award for Photography in 1985 and 1992, and had a 5-year Professorship during the period 1994–1999. Besides functioning in teaching capacities, the versatile artist is also known as an author.

Timo Kellaranta's photographs are small observations of reality; a dialogue between graphics and painting transpires in the images.

Timo Kellaranta's work *Iris* (2003) from *The Quiets* exhibition.

# Financial statements 2006

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# Report of the Gasum Group for 2006

## SALES OF NATURAL GAS

Gasum sold a total of 45.2 TWh of natural gas in 2006. The use of natural gas in 2006 was up by 8% compared to 2005. The higher consumption was primarily the result of cold weather at the beginning of the year and an electricity price that remained high for an extended period. Natural gas meets around 11% of Finland's energy balance.

Combined heat and power (CHP) production, where natural gas is primarily used, increased by more than 5% in 2006 compared to the previous year. Natural gas was used to generate 33% of district heating and combined production electricity. The share decreased by six percentage points compared to the previous year.

Electricity consumption in Finland in 2006 approached 90 TWh, 6.5% more than in 2005. The growth was quantitatively greater than any previous level. Natural gas accounted for 10.9% of electricity procurement.

No new large natural gas plants came on stream during 2006. A new hydrogen plant to be built at Neste Oil's Porvoo refinery will increase the use of natural gas beginning in early 2007. During the year under review, a study ascertained the natural gas sales potential and distribution requirements in the Turku area and Western Uusimaa.

Gasum's new M2006 pricing system was introduced in early 2006. The pricing system has two elective tariffs, a general tariff and a Small Consumer Tariff. The Small Consumer Tariff is selected when a customer's annual consumption is less than 5 million m<sup>3</sup>. In its decision rendered 20 June 2006, the Energy Market Authority approved the general terms for Gasum's natural gas deliveries, as well as its delivery terms for transmission activities and conditions governing system responsibilities.

The first 4-year monitoring period under the Natural Gas Market Act began in early 2006. The Energy Market Authority confirmed the calculation principles to be followed in natural gas transmission network activities for the years 2006–2009. The principles ratified by the Authority specify a reasonable level of profitability for transmission activities and in practice form an upper limit for the pricing of natural gas-related transmission network services.

For its part the gross margin on sales activities has been determined on the basis of international comparisons. The energy price of gas in the supply contract concluded between Gasum and Gazprom is tied to the price of comparative fuels (heavy fuel oil and coal).

During the year under review Gasum launched new short-term and risk management products which are traded at the marketplace maintained by Gasum's subsidiary Gas Exchange Ltd. Gasum Plussa provides an alternative in situations where the demand of a customer for natural gas exceeds the capacity ordered through fixed delivery lots. The volume of the Gasum Plussa product's turnover was 734 GWh. In the Gasum Super Plussa model Gasum acts as the market maker on the SPOT market by issuing a buying and selling order whose pricing and volume information is announced to traders, for all trading periods during the next day. The arrangement improves the function of the secondary market and ensures the formation of a daily system price. The sales of Gasum Plussa and Gasum Super Plussa products totalled 928 GWh, accounting for 2% of all natural gas sales.

In early 2007, SPOT and FUT market products were combined as a new GPF (Gas Physical Forward). The change is mainly due to the adoption of a one hour balance period in all natural gas trading at the beginning of 2007.

Gasum also offers its customers hedging to manage price risks in the energy charge component of the sales tariff in the form of the Gasum Öljysuoja and Gasum Kiinteä products. During the year under review, the sales volumes were 585 GWh for Gasum Öljysuoja and 78 GWh for Gasum Kiinteä. Hedging trades accounted for 1.5% of total natural gas sales.

During the year under review, the Energy Market Authority, based on the requests of certain customers, had examined the legality of the pricing of natural gas applied by Gasum, as well as whether Gasum had possibly abused its market position. In its decision rendered in March, the Energy Market Authority found no discrepancies between Gasum's pricing and the regulations of the Natural Gas Market Act. With respect to the possible abuse of market position, the Authority referred the matter to the Finnish Competition Authority, where it is currently under review. The investigation has been assumed to have no effect on the financial results of Gasum.

## NATURAL GAS SUPPLY

Pricing of the energy sales of natural gas is based on the natural gas supply contract between Gasum and Gazprom's subsidiary Gazexport. The supply contract, valid until the end of 2025, ensures that the annual volume of natural gas supplied can be increased in line with the foreseen 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 fluctuations in the price of coal and domestic market energy prices.

## TRANSMISSION ACTIVITIES

Gasum is the Finnish natural gas grid system operator designated in the Natural Gas Market Act, and is regulated by the Energy Market Authority. The Energy Market Authority approves the terms and conditions imposed by the system operator to implement system responsibility. During the year under review preparations were made for the taking into use of a one hour balance period at the beginning of 2007 that will replace the previous 6-hour period. As the operator responsible for the system, Gasum will manage the maintenance of the transmission network's pressure during each balancing period. The one hour balancing period will apply to all natural gas trading.

Gasum met its delivery quality targets during 2006. According to the quality indicators to be reported to the Energy Market Authority, there were six planned interruptions in the transmission pipeline during 2006. These interruptions lasted a total of 50.25 hours. There was one malfunction that lasted a total of 0.25 hours. The amount of undelivered energy resulting from interruptions was 0.004% of the energy transmitted via the grid. Most of the interruptions and undelivered energy resulted when new pipeline sections were joined to the existing pipeline.

In early 2007 a condition survey of the Imatra-Kouvola transmission pipeline was completed. The survey demonstrated a higher incidence of corrosion than had been known previously. The most severely damaged section of the pipeline next to Kouvola (Pajari-Valkeala) will be repaired in the immediate future. Accordingly, an additional depreciation of €4.6 million euro for the section has been made in this fiscal year and the depreciation period has been reduced to three years.

## INVESTMENTS

In 2006 Gasum Oy invested €37.6 million and took a total of 75 km of new parallel pipelines into use. Gasum is building the new parallel pipelines because additional transmission capacity is needed to meet the increasing demand for natural gas consumption. The addition of parallel pipelines will ensure the safe use of the network and improve the natural gas grid's security of supply. In 2006 the stretch of parallel pipeline from the river Kymijoki to Niinikoski in Orimattila was completed. The construction of a parallel pipeline from Hirvikoski in Luumäki to Pajari in Anjalankoski is underway. As planned, this section of pipeline will come

on stream in September of 2007. Basic planning for a parallel pipeline from Niinikoski in Orimattila to Hirvihaara in Mätsälä is in progress. Gasum has also initialised the basic planning for a future pipeline to Hanko. The Hankoniemi municipalities and local industries have considerable natural gas potential. The planning of the Western Uusimaa extension is also underway.

Gasum has an investment requirement of around €450 million up to 2012. This estimate excludes any new investments arising as a result of new supply channels.

## 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. The most significant environmental effects of Gasum's operations result from the use of compressors and the construction of pipelines.

The gas turbines powering the compressors required in natural gas transmission come under emissions trading, which was launched in early 2005. The actual emissions measured in 2006 matched the quotas originally issued. Selecting compressor units utilising low-emissions fuel technologies reduced nitric oxide emissions. Carbon dioxide emissions were minimised by using less fuel gases.

Gasum for the most part met its environment and health targets.

## EMPLOYEES

Gasum Oy employed an average of 158 people during 2006. Of the subsidiaries larger in terms of their personnel, Gasum Paikallisjakelu subgroup employed 18 persons and Gasum Energiapalvelut Oy employed 25 persons. The average age of Gasum Oy's employees is 46 years, at Gasum Paikallisjakelu Oy 37 years and at Gasum Energiapalvelut Oy 41 years.

The total sum of Gasum Oy's salaries and emoluments during the year under review was €8,439,927.62. Gasum Paikallisjakelu Oy's salaries and emoluments totalled €822,639.08 and Gasum Energiapalvelut Oy's salaries and emoluments totalled €1,020,332.20.

Women account for 29% of Gasum Oy's senior management, 24% of senior clerical employees, 42% of clerical employees and 11% of blue-collar employees.

## RESEARCH AND DEVELOPMENT OPERATIONS

In its meeting of 18 December 2006, the Board of Directors decided to propose, at the Annual General Meeting that will be held in the Spring of 2007, that Gasum Oy donate the sum of €2,000,000.00 to the Natural Gas Fund administered by the Technological Foundation. The Natural Gas Fund distributes grants for the Finnish natural gas sector's educational, research and development activities, as well as other projects promoting the use of natural gas.

## SUBSIDIARIES

Gasum Oy's wholly owned subsidiary Suomen Kaasuenergia Oy changed its name to Gasum Paikallisjakelu Oy, effective 7 June 2007. The company sells natural gas in eight localities. Natural gas sales totalled 42.1 million m<sup>3</sup>, a 12% increase compared to 2005. Natural gas sales remained around 5% less than the volume budgeted, the result of an exceptionally warm year. The company will continue to expand its business into new areas. The aim is to double local distribution by 2010.

Gasum Paikallisjakelu Oy also sells natural gas for use in traffic, an important new market. Finland's first public filling station for natural gas vehicles was opened near Ring Road I in the Malmi district of Helsinki in June 2005. During the year under review filling stations for natural gas vehicles were opened in Kotka and Kouvola. A new station at Nekala in Tampere was opened in January 2007. Gasum plans to build a total of 30 natural gas filling stations – one-third of which would be located in the Helsinki Metropolitan Area – by 2010. The implementation of the investment plan requires a substantial increase in the natural gas powered vehicle stock over the same period.

Gasum Paikallisjakelu Oy's Estonian subsidiary Gaasienergia AS distributes natural gas in the Tallinn area. During the year under review Gaasienergia AS continued the sales of natural gas as well as the construction of a distribution network in the municipality of Harku, located to the west of Tallinn. Natural gas deliveries to a local district heating company in the town of Rapla began in the autumn of 2006. Two new distribution areas, Kehtna and Tamsalu were also obtained.

Gasum Oy's subsidiary Helsingikaasu Oy changed its name to Gasum Energiapalvelu on 13 June 2006. The company sells gas appliances, constructs distribution pipelines and is an expert in natural gas installation and maintenance services. Gasum Energiapalvelu Oy met its financial and operational targets.

Helsingin Kaupunkikaasu Oy owns the local distribution network in Helsinki and has leased it to Gasum Paikallisjakelu Oy for

distribution activities. Helsingin Kaupunkikaasu Oy is responsible for investments in the local distribution network, new connections, and the network's operational condition. The company is a wholly owned subsidiary of Gasum Oy.

The year 2006 marked the sixth year of trading for Gasum Oy's subsidiary Gas Exchange Ltd. Gas Exchange's total trading was 375 GWh, up by 30% on the figure for 2005 (287 GWh). SPOT trading totalled 373 GWh (282 GWh for 2005) and FUT trading for its part totalled 2 GWh (6 GWh for 2005).

The total volume for natural gas's secondary markets was 415 GWh, down by 12% on the figure for 2005. Secondary market gas accounted for 0.92% of Finland's total natural gas consumption (1.1% for 2005). The volume of so-called bilateral secondary market trading among customers was 40 GWh (180 GWh for 2005).

Gas Exchange Ltd has set up an emissions exchange for trading emissions rights that also serves as a marketplace for CO<sub>2</sub> emissions rights and clears the transactions made. The volume of emissions trading was 191.000 CO<sub>2</sub> tonnes.

Gas Exchange Ltd has 27 natural gas members.

## OWNERSHIP STRUCTURE

The year 2006 marked Gasum Oy's 13th year of business. Gasum is owned by:

|                               |     |
|-------------------------------|-----|
| Fortum Heat and Gas Oy        | 31% |
| OAQ Gazprom                   | 25% |
| Finnish state                 | 24% |
| E.ON Ruhrgas International AG | 20% |

The company's share capital is divided into A Series and K Series shares. The quantity of shares belonging to the A Series is 53.000.000. The K Series contains a single share owned by the Finnish State.

Each share entitles its owner to one vote when voting in shareholders' meetings. The rendering of decisions in shareholders' meetings regarding amendments to the company's Articles of Association, as well as the selection of the Supervisory Board's Chairman, Deputy Chairman and Members as well as the discharge of responsibilities required by the Companies Act requires, besides a general majority, the majority of the votes given by the A Shares as well as the votes given by the K Share.

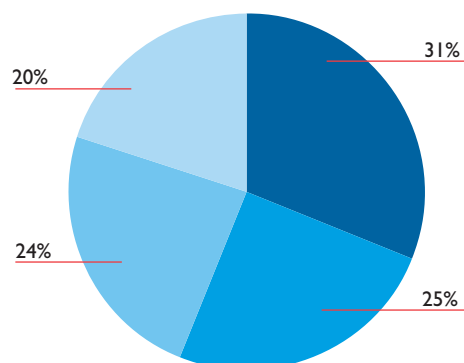
All A and K series shares have the same right to dividends and the company's assets.

Conveyance for the acquisition of the K Series share requires the consent of Gasum Oy's Board of Directors. If this consent is not forthcoming, the holder of the K Share has the right to demand that the share be converted to an A Share.

## OWNERSHIP STRUCTURE

The year 2006 marked Gasum Oy's 13th year of business. Gasum is owned by:

- Fortum Heat and Gas Oy, 31%
- OAO Gazprom, 25%
- Finnish state, 24%
- E.ON Ruhrgas International AG, 20%



## ANNUAL GENERAL MEETING, SUPERVISORY BOARD AND BOARD OF DIRECTORS

Gasum Oy's Annual General Meeting was held 17 May 2006. The shareholders adopted the financial statements for 2005, approved the payment of dividends 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 2005 financial year.

Members of Gasum Oy's Supervisory Board retiring by rotation were **Alexander Rjazanov**, Deputy Chairman, Gazprom and Director **Sergei Serdjukov**, also of Gazprom. They were replaced by Director **Stanislav Tsygankov** and Director **Sergey Emeliyanov**, both of Gazprom. Retiring Board Member Director **Stephan Kamphues** of E.ON Ruhrgas was reappointed for a further term of office. **Dr. Matthias Keuchel** of E.ON Ruhrgas and **Tapio Kuula**, Senior Vice President, Fortum tendered their resignations and were replaced for their remaining terms of office by Director **Marcus Söhrich** of E.ON Ruhrgas and Director **Timo Karttinen** of Fortum.

Counsellor of Mining **Mikko Kivimäki** LLM continued as the Chairman of the Supervisory Board, and **Taisto Turunen**, Director General at the Ministry of Trade and Industry, was reappointed as Deputy Chairman. The other Member was Director **Seppo Aho** of Fortum.

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. The Deputy Chairman was Senior Vice Pres-

ident **Juha Vainikka**. Other members were Senior Vice Presidents **Björn Ahlnäs**, **Paula Lähde**, **Aleksei Novitsky**, **Christopher Paltschik** and **Kristiina Vuori**.

During the year under review, the Supervisory Board met three times and the Board of Directors 11 times.

## FUTURE PROSPECTS

Gasum estimates that the annual use of natural gas in Finland could rise from the present-day 46 TWh to around 60 TWh by 2015, 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. The natural gas consumption potential in Southern Finland is 100 TWh annually.

In September Gasum submitted an offer to Turun Seudun Maakaasu ja Energiatuotanto Oy (TSME) for the supply of natural gas to the Turku economic zone. If TSME decides to build a natural gas-fuelled power station, it could be operable in 2010. The decision would also facilitate the supply of natural gas to Neste Oil Plc's Naantali refinery. The intent is to conclude an agreement with TSME in early 2007. 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.

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 of developing interdependent



Gasum Oy's Board of Directors: Kristiina Vuori (left, front row), Christer Paltschik, Antero Jännes and Paula Lähde as well as Juha Vainikka (left, back row), Aleksei Novitsky and Björn Ahlnäs.

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, and these investigations have been granted funding from TEN-E funds earmarked for primary development projects in EU energy networks. A contract agreement for seafloor studies was signed in June. The Balticconnector project would pave the way for Finland to agree on use of natural gas storage facilities in Latvia. Gasum has expressed its desire to eventually 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 bio-gas 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.

## REVENUE, BALANCE SHEET AND RESULT

The Gasum Group's revenue for 2006 was €883.3 million (in 2005, €642.6 million) and the profit before extraordinary items was €76.9 million (in 2005, €39.7 million). The profit percentage for the financial year was thus 8.8% (in 2005, 6.2%).

The improved results were primarily attributable to an electricity price that remained high for an extended period, as well as improved competitiveness for natural gas. During the finan-

cial year the Gasum Group's return on equity was 16.1% (in 2005, 8.7%). Gasum Oy's balance sheet total was €582.6 million (in 2005, €546.5 million) and for the Group's part was €602.4 million (in 2005, €564.4 million). Gasum Oy's equity ratio was 60.9% (in 2005, 58.9%). With respect to the Group the equivalent figures are 60.8% (in 2005, 58.9%).

In this fiscal year, an additional depreciation of €4.6 million for the damaged section (Pajari-Valkeala) of pipeline has been made and the depreciation period has been reduced to three years.

The financial targets set for Gasum Oy's business operations were achieved.

## PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Gasum Oy's distributable assets are €47,849,402.02 of which the profit for the financial year is €44,525,868.57.

Regarding the use of distributable assets, the Board of Directors recommends that the payment of a dividend of €0.84 per share, in other words a total of €44,520,000.84 and that the remaining shareholders' equity of €3,329,401.18 be retained.

Following the conclusion of the period under review no essential changes in the company's financial position have taken place. The company's liquidity is good, and in the view of the company's Board of Directors, the proposed distribution of profit will not endanger the company's solvency.



# Income statement (€ million)

|   |     | GROUP |      | PARENT COMPANY |      |
|---|-----|-------|------|----------------|------|
|   |     | 2006  | 2005 | 2006           | 2005 |
| <b>Net sales</b>                              | (1) | 888   | 643  | 880            | 635  |
| Other operating income                        | (2) | 0     | 0    | 0              | 0    |
| Materials and services                        | (3) |       |      |                |      |
| Raw materials and consumables                 |     |       |      |                |      |
| Purchases during the financial year           |     | -758  | -561 | -758           | -560 |
| Staff costs                                   |     |       |      |                |      |
| Wages and salaries                            | (4) | 10    | 9    | 8              | 8    |
| Social security costs                         |     |       |      |                |      |
| Pension costs                                 |     | 2     | 1    | 2              | 1    |
| Other social security costs                   |     | 1     | 1    | 1              | 1    |
|   |     | -13   | -11  | -11            | -9   |
| Depreciation and value adjustments            | (6) |       |      |                |      |
| Depreciation according to plan                |     | -28   | -23  | -27            | -21  |
| Other operating charges                       |     | -11   | -8   | -10            | -7   |
| <b>Operating profit</b>                       |     | 78    | 40   | 75             | 37   |
| <b>Financial income and charges</b>           | (7) |       |      |                |      |
| Other interest receivable and similar income  |     |       |      |                |      |
| From others                                   |     | 1     | 2    | 1              | 2    |
| Interest payable and similar charges          |     |       |      |                |      |
| To others                                     |     | -2    | -2   | -2             | -2   |
|   |     | -1    | -0   | -1             | -0   |
| <b>Profit before extraordinary items</b>      |     | 77    | 40   | 74             | 37   |
| <b>Extraordinary items</b>                    | (7) |       |      |                |      |
| Group contribution                            |     |       |      | 1              | 2    |
| <b>Profit before appropriations and taxes</b> |     | 77    | 40   | 75             | 39   |
| Appropriations                                |     |       |      |                |      |
| Increase in depreciation difference (-)       | (8) |       |      | -15            | -8   |
| Income taxes                                  | (9) | -21   | -11  | -16            | -8   |
| <b>Profit for the financial year</b>          |     | 56    | 29   | 45             | 23   |

## Balance sheet (€ million)

|   | GROUP |      | PARENT COMPANY |      |
|---|-------|------|----------------|------|
|   | 2006  | 2005 | 2006           | 2005 |
| <b>ASSETS</b>                                 |       |      |                |      |
| <b>FIXED ASSETS</b>                           |       |      |                |      |
| <b>Intangible assets</b> (10)                 |       |      |                |      |
| Other long-term expenditure                   | 5     | 4    | 4              | 3    |
| Goodwill on consolidation                     | 2     | 3    |                |      |
|   | 8     | 7    | 4              | 3    |
| <b>Tangible assets</b> (10)                   |       |      |                |      |
| Land and water                                | 2     | 2    | 2              | 2    |
| Buildings                                     | 365   | 341  | 341            | 319  |
| Machinery and equipment                       | 48    | 51   | 47             | 50   |
| Other tangible assets                         | 6     | 5    | 6              | 5    |
| Tangible assets in the course of construction | 20    | 32   | 20             | 32   |
|   | 442   | 431  | 416            | 408  |
| <b>Financial assets</b> (11)                  |       |      |                |      |
| Shares in Group companies                     |       |      | 7              | 7    |
| Amounts owed by Group companies               |       |      | 5              | 4    |
|   |       |      | 11             | 10   |
| <b>NON-CURRENT ASSETS</b>                     |       |      |                |      |
| <b>Stocks</b> (12)                            | 7     | 6    | 6              | 6    |
| <b>Debtors</b> (13)                           |       |      |                |      |
| Short-term                                    |       |      |                |      |
| Trade debtors                                 | 91    | 97   | 89             | 93   |
| Amounts owed by Group companies               | 0     | 0    | 3              | 4    |
| Prepayments and accrued income                | 1     | 4    | 0              | 4    |
|   | 92    | 101  | 92             | 101  |
| <b>Cash and cash equivalents</b>              | 54    | 19   | 53             | 18   |
|   | 602   | 564  | 583            | 546  |

# Balance sheet (€ million)

|   | GROUP |      | PARENT COMPANY |      |
|---|-------|------|----------------|------|
|   | 2006  | 2005 | 2006           | 2005 |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |       |      |                |      |
| <b>SHAREHOLDERS' EQUITY</b>                 | (14)  |      |                |      |
| Share capital                               | 178   | 178  | 178            | 178  |
| Retained earnings                           | 132   | 125  | 3              | 3    |
| Profit for the financial year               | 56    | 29   | 45             | 23   |
|   | 366   | 332  | 226            | 204  |
| <b>ACCUMULATED APPROPRIATIONS</b>           |       |      |                |      |
| Accumulated depreciation difference         |       |      | 174            | 159  |
| <b>DEFERRED TAX LIABILITY</b>               | (16)  | 46   |                |      |
| <b>CREDITORS</b>                            |       |      |                |      |
| <b>Long-term</b>                            | (17)  |      |                |      |
| Loans from financial institutions           | 20    | 48   | 20             | 48   |
| Other non-current liabilities               | 1     | 0    | 0              | 0    |
|   | 21    | 48   | 20             | 48   |
| <b>Short-term</b>                           | (18)  |      |                |      |
| Loans from financial institutions           | 35    | 10   | 35             | 10   |
| Trade creditors                             | 68    | 82   | 67             | 81   |
| Other creditors                             | 55    | 43   | 53             | 42   |
| Accruals and deferred income                | 8     | 4    | 7              | 3    |
|   | 165   | 138  | 163            | 136  |
|   | 602   | 564  | 583            | 546  |

## Cash flow statement (€ million)

|  | GROUP      |            | PARENT COMPANY |            |
|--|------------|------------|----------------|------------|
|  | 2006       | 2005       | 2006           | 2005       |
| <b>Cash inflow from operating activities</b>                                     |            |            |                |            |
| + Payments received from sales   | 902        | 623        | 894            | 616        |
| + Payments received from other operating activities                              | 0          | 0          | 0              | 0          |
| - Payments of other operating charges  | -792       | -549       | -789           | -546       |
| Cash inflow from operating activities before financial items and taxes           | 110        | 74         | 105            | 70         |
| - Interest paid and payments of other financial charges for operating activities | -2         | -2         | -2             | -2         |
| + Interest received from operating activities                                    | 1          | 2          | 2              | 2          |
| + Dividends received from operating activities                                   | 0          | 0          | 0              | 0          |
| - Taxes paid   | -9         | -12        | -9             | -12        |
| Cash inflow from operating activities before extraordinary                       | 100        | 61         | 95             | 58         |
| +/- Net cash flow from extraordinary financing items                             | 0          | 0          | 0              | 0          |
| <b>Cash inflow from operating activities (A)</b>                                 | <b>100</b> | <b>61</b>  | <b>95</b>      | <b>58</b>  |
| <b>Cash inflow/outflow from investing activities</b>                             |            |            |                |            |
| - Investments in tangible and intangible assets                                  | -41        | -42        | -37            | -39        |
| + Gains on the divestment of tangible and intangible assets                      | 1          | 1          | 1              | 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          | 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          |
| <b>Cash inflow/outflow from investing activities (B)</b>                         | <b>-40</b> | <b>-41</b> | <b>-37</b>     | <b>-39</b> |
| <b>Cash inflow/outflow from financing activities</b>                             |            |            |                |            |
| + Increase in short-term loans   | 0          | 0          | 0              | 0          |
| - Repayments of short-term loans   | 0          | 0          | 0              | 0          |
| + Increase in long-term loans  | 14         | 15         | 15             | 15         |
| - Repayments of long-term loans  | -17        | -26        | -17            | -26        |
| -/+ Increase/decrease in long-term debtors                                       | 0          | 0          | -1             | 0          |
| -/+ Net cash flow from extraordinary financial items                             | 0          | 0          | 2              | 0          |
| - Dividends paid and other distribution of profit                                | -22        | -33        | -22            | -33        |
| <b>Cash inflow/outflow from financing activities (C)</b>                         | <b>-25</b> | <b>-44</b> | <b>-24</b>     | <b>-44</b> |
| <b>Change in liquid assets (A+B+C)</b>   | <b>35</b>  | <b>-24</b> | <b>35</b>      | <b>-24</b> |
| <b>Liquid assets at 1 January</b>  | <b>19</b>  | <b>43</b>  | <b>18</b>      | <b>41</b>  |
| <b>Liquid assets at 31 December</b>  | <b>54</b>  | <b>19</b>  | <b>53</b>      | <b>18</b>  |
|  | <b>35</b>  | <b>-24</b> | <b>35</b>      | <b>-24</b> |

# 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.

The consolidated financial statements include the accounts of the parent company Gasum Oy and of the subsidiaries Gasum Energiapalvelut Oy, Helsingin Kaupunkikaasu Oy, Gasum Paikallislakelu Oy, Kaasupörssi Oy and Gaasienergia AS. Gasum Paikallislakelu Oy and Gaasienergia AS together form a subgroup within the Gasum Group. Gaasienergia AS is fully owned by Gasum Paikallislakelu Oy. No separate consolidated 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. Internal transactions in the Gasum Group has 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 the expectation of economic lifetime.

The economic lifetime expectancies used are:

|                             | GROUP   |         | PARENT COMPANY |         |
|-----------------------------|---------|---------|----------------|---------|
|                             | 2006    | 2005    | 2006           | 2005    |
| Buildings and structures    | 15–40 y | 15–40 y | 15–40 y        | 15–40 y |
| Other tangible assets       | 20–40 y | 20–40 y | 20–40 y        | 20–40 y |
| Machinery and equipment     | 4–25 y  | 3–25 y  | 4–15 y         | 4–15 y  |
| Other long-term expenditure | 5–40 y  | 5–40 y  | 5–40 y         | 5–40 y  |
| Intangible rights           | 2–5 y   | 3–5 y   | 2–5 y          | 3–5 y   |
| Goodwill on consolidation   | 20 y    | 20 y    |                |         |

## STOCKS

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

## PENSION COSTS

The Group's companies disassociated themselves from the Neste Oil Pension Foundation on 30 June 2005. Beginning 1 July 2005 all B department's pension payments were transferred to the Varma Mutual Pension Insurance Company and the A department's pension payments to the Henki-Sampo Insurance Company. The Neste Oil Pension Foundation refunded all advance contribution payments paid in 2005, as well as accumulated proceeds, to the Group's companies. In 2006 the Neste Oil Pension Foundation also paid additional refunds, based on an auditing calculation, for proceeds. Gasum Oy's share of the rectification was EUR 66.7 thousand and the interest amounted to EUR 5.7 thousand.

## MANDATORY PROVISIONS

In the financial statements of 31 December 2005, the mandatory provision of EUR 25 thousand for the overdraft of emissions rights is rescinded. The emissions volumes implemented for the financial period fell under the obtained and purchased rights by 7.512 tonnes, that assessed according to the market price on the accounting date, forms a non-balance sheet asset of EUR 49 thousand.

## DEFERRED TAX LIABILITY

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

EUR 1 000

|   | GROUP          |                | PARENT COMPANY |                |
|---|----------------|----------------|----------------|----------------|
|   | 2006           | 2005           | 2006           | 2005           |
| <b>I. NET SALES</b>   |                |                |                |                |
| By geographical area  |                |                |                |                |
| Finland   | 887 332        | 642 352        | 878 841        | 634 742        |
| Rest of Europe  | 848            | 171            | 845            | 169            |
| Other   | 145            | 70             | 145            | 70             |
| <b>Total</b>  | <b>888 324</b> | <b>642 593</b> | <b>879 830</b> | <b>634 981</b> |
| <b>2. OTHER OPERATING INCOME</b>  |                |                |                |                |
| Gains on the divestment of fixed assets                                     | 64             | 48             | 57             | 29             |
| Rents   | 86             | 86             | 198            | 233            |
| Other   | 141            | 170            | 1              | 1              |
| <b>Total</b>  | <b>291</b>     | <b>304</b>     | <b>257</b>     | <b>264</b>     |
| <b>3. MATERIALS AND SERVICES</b>  |                |                |                |                |
| Raw materials and consumables   |                |                |                |                |
| Purchases during the financial year   | 758 600        | 561 452        | 758 082        | 561 230        |
| Change in stocks  | -180           | -833           | -177           | -932           |
|   | <b>758 419</b> | <b>560 619</b> | <b>757 904</b> | <b>560 298</b> |
| <b>4. STAFF COSTS</b>   |                |                |                |                |
| <b>Staff costs and benefits</b>   |                |                |                |                |
| Wages and salaries  | 9 967          | 9 297          | 8 133          | 7 731          |
| Pension costs   | 1 776          | 1 099          | 1 479          | 959            |
| Statutory social security costs   | 1 052          | 852            | 868            | 715            |
| <b>Total</b>  | <b>12 795</b>  | <b>11 246</b>  | <b>10 481</b>  | <b>9 405</b>   |
| Benefits  | 380            | 349            | 307            | 276            |
| <b>Total</b>  | <b>13 176</b>  | <b>11 595</b>  | <b>10 788</b>  | <b>9 681</b>   |
| Staff costs in the income statement exclude the cash value of benefits      |                |                |                |                |
| Management salaries and remuneration  |                |                |                |                |
| Managing directors  | 602            | 526            |                |                |
| Members of the Board of Directors and Supervisory Board                     | 731            | 715            |                |                |
| Average number of employees in the Group and parent company during the year |                |                |                |                |
| Salaried employees  | 129            | 138            | 103            | 117            |
| Manual employees  | 72             | 68             | 55             | 50             |
| <b>Total</b>  | <b>201</b>     | <b>206</b>     | <b>158</b>     | <b>167</b>     |

**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.

|  | GROUP  |        | PARENT COMPANY |        |
|--|--------|--------|----------------|--------|
|  | 2006   | 2005   | 2006           | 2005   |
| <b>6. DEPRECIATION</b>   |        |        |                |        |
| <b>Depreciation according to plan</b>  |        |        |                |        |
| Depreciation on tangible and intangible assets   | 28 358 | 22 679 | 27 080         | 21 498 |
| <b>7. FINANCIAL INCOME AND CHARGES</b>   |        |        |                |        |
| <b>Interest receivable from non-current financial assets</b>   |        |        |                |        |
| From Group companies   | 0      | 0      | 133            | 126    |
| <b>Other interest receivable and similar income</b>  |        |        |                |        |
| From Group companies   | 0      | 0      | 32             | 22     |
| From others  | 1 421  | 1 644  | 1 406          | 1 619  |
|  | 1 421  | 1 644  | 1 438          | 1 641  |
| <b>Interest receivable from non-current financial assets and other interest receivable and similar income, total</b> | 1 421  | 1 644  | 1 571          | 1 767  |
| <b>Interest payable and similar charges</b>  |        |        |                |        |
| To Group companies   | 0      | 0      | 15             | 6      |
| To others  | 2 358  | 1 887  | 2 355          | 1 884  |
|  | 2 358  | 1 887  | 2 370          | 1 890  |
| Financial income and charges, total  | 936    | 243    | 799            | 123    |
| <b>Extraordinary income</b>  |        |        |                |        |
| Group contribution   | 0      | 0      | 1 402          | 1 824  |
| <b>8. APPROPRIATIONS</b>   |        |        |                |        |
| Depreciation difference  | 0      | 0      | -14 505        | -7 686 |
| <b>9. DIRECT TAXES</b>   |        |        |                |        |
| Income taxes on ordinary business operations   | 16 768 | 8 066  | 16 394         | 8 065  |
| Change in deferred tax liability   | 3 876  | 2 427  | 0              | 0      |
|  | 20 643 | 10 493 | 16 394         | 8 065  |
| <b>10. FIXED ASSETS</b>  |        |        |                |        |
| <b>Intangible assets</b>   |        |        |                |        |
| <b>Intangible rights</b>   |        |        |                |        |
| Acquisition cost at 1 January  | 290    | 282    | 1              | 0      |
| Increase   | 118    | 8      | 115            | 1      |
| Acquisition cost at 31 December  | 408    | 290    | 116            | 1      |
| Accumulated depreciation at 1 January  | 261    | 245    | 0              | 0      |
| Depreciation for the financial year  | 41     | 16     | 24             | 0      |
| Accumulated depreciation at 31 December  | 302    | 261    | 24             | 0      |
| <b>Book value at 31 December</b>   | 106    | 29     | 91             | 1      |

EUR 1 000

|   | GROUP          |                | PARENT COMPANY |                |
|---|----------------|----------------|----------------|----------------|
|   | 2006           | 2005           | 2006           | 2005           |
| <b>Intangible assets</b>                      |                |                |                |                |
| <b>Other long-term expenditure</b>            |                |                |                |                |
| Acquisition cost at 1 January                 | 9 658          | 9 335          | 8 051          | 7 811          |
| Increase                                      | 1 805          | 323            | 1 795          | 240            |
| Acquisition cost at 31 December               | 11 463         | 9 658          | 9 846          | 8 051          |
| Accumulated depreciation at 1 January         | 5 715          | 5 101          | 5 025          | 4 456          |
| Depreciation according to plan                | 605            | 615            | 574            | 569            |
| Accumulated depreciation at 31 December       | 6 320          | 5 715          | 5 599          | 5 025          |
| <b>Book value at 31 December</b>              | <b>5 143</b>   | <b>3 943</b>   | <b>4 246</b>   | <b>3 025</b>   |
| 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         | 2 562          | 2 303          | 0              | 0              |
| Depreciation according to plan                | 259            | 259            | 0              | 0              |
| Accumulated depreciation at 31 December       | 2 821          | 2 562          | 0              | 0              |
| <b>Book value at 31 December</b>              | <b>2 327</b>   | <b>2 586</b>   | <b>0</b>       | <b>0</b>       |
| <b>Book value of intangible assets, total</b> | <b>7 576</b>   | <b>6 558</b>   | <b>4 337</b>   | <b>3 026</b>   |
| <b>Tangible assets</b>                        |                |                |                |                |
| <b>Land and water</b>                         |                |                |                |                |
| Acquisition cost at 1 January                 | 2 377          | 2 326          | 2 377          | 2 326          |
| Increase                                      | 0              | 51             | 0              | 51             |
| Decrease                                      | 50             | 0              | 50             | 0              |
| Acquisition cost at 31 December               | 2 327          | 2 377          | 2 327          | 2 377          |
| <b>Book value at 31 December</b>              | <b>2 327</b>   | <b>2 377</b>   | <b>2 327</b>   | <b>2 377</b>   |
| <b>Buildings</b>                              |                |                |                |                |
| Acquisition cost at 1 January                 | 516 332        | 485 935        | 488 945        | 462 581        |
| Increase                                      | 45 803         | 30 397         | 42 894         | 26 364         |
| Acquisition cost at 31 December               | 562 135        | 516 332        | 531 839        | 488 945        |
| Accumulated depreciation at 1 January         | 175 707        | 159 980        | 170 513        | 155 426        |
| Depreciation according to plan                | 21 398         | 15 727         | 20 655         | 15 087         |
| Accumulated depreciation at 31 December       | 197 105        | 175 707        | 191 167        | 170 513        |
| <b>Book value at 31 December</b>              | <b>365 031</b> | <b>340 626</b> | <b>340 672</b> | <b>318 432</b> |



|   | GROUP          |                | PARENT COMPANY |                |
|---|----------------|----------------|----------------|----------------|
|   | 2006           | 2005           | 2006           | 2005           |
| <b>Machinery and equipment</b>  |                |                |                |                |
| Acquisition cost at 1 January   | 93 982         | 90 959         | 91 049         | 88 183         |
| Increase  | 3 260          | 3 578          | 2 776          | 3 282          |
| Decrease  | 491            | 555            | 365            | 417            |
| Acquisition cost at 31 December                                       | 96 751         | 93 982         | 93 460         | 91 049         |
| Accumulated depreciation at 1 January                                 | 42 916         | 37 352         | 41 074         | 35 629         |
| Depreciation on divestments   | 134            | 362            | 43             | 261            |
| Depreciation according to plan  | 5 888          | 5 926          | 5 657          | 5 706          |
| Accumulated depreciation at 31 December                               | 48 670         | 42 916         | 46 688         | 41 074         |
| <b>Book value at 31 December</b>                                      | <b>48 081</b>  | <b>51 065</b>  | <b>46 772</b>  | <b>49 975</b>  |
| <b>Other tangible assets</b>  |                |                |                |                |
| Acquisition cost at 1 January   | 5 992          | 4 697          | 5 956          | 4 661          |
| Increase  | 1 750          | 1 295          | 1 750          | 1 295          |
| Decrease  | 174            | 0              | 174            | 0              |
| Acquisition cost at 31 December                                       | 7 568          | 5 992          | 7 532          | 5 956          |
| Accumulated depreciation at 1 January                                 | 1 112          | 976            | 1 075          | 939            |
| Depreciation according to plan  | 168            | 136            | 168            | 136            |
| Accumulated depreciation at 31 December                               | 1 280          | 1 112          | 1 243          | 1 075          |
| <b>Book value at 31 December</b>                                      | <b>6 290</b>   | <b>4 881</b>   | <b>6 290</b>   | <b>4 881</b>   |
| Payments on account and tangible assets in the course of construction |                |                |                |                |
| Acquisition cost at 1 January   | 32 046         | 24 675         | 31 926         | 23 739         |
| Increase  | 16 023         | 26 780         | 15 928         | 26 717         |
| Decrease  | 27 921         | 19 410         | 27 882         | 18 530         |
| Acquisition cost at 31 December                                       | 20 148         | 32 046         | 19 972         | 31 926         |
| <b>Book value at 31 December</b>                                      | <b>20 148</b>  | <b>32 046</b>  | <b>19 972</b>  | <b>31 926</b>  |
| <b>Book value of tangible assets at 31 December</b>                   | <b>441 876</b> | <b>430 995</b> | <b>416 033</b> | <b>407 591</b> |
| <b>Book values, total</b>   | <b>449 453</b> | <b>437 553</b> | <b>420 369</b> | <b>410 617</b> |

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

EUR 1 000

|  | GROUP         |               | PARENT COMPANY |               |
|--|---------------|---------------|----------------|---------------|
|  | 2006          | 2005          | 2006           | 2005          |
| <b>11. FINANCIAL ASSETS</b>                          |               |               |                |               |
| <b>Shares in Group companies, %</b>                  |               |               |                |               |
| Gasum Paikallisjakelu Oy, Kotka                      | 100 %         | 100 %         | 100 %          | 100 %         |
| Helsingin Kaupunkikaasu Oy, Helsinki                 | 100 %         | 100 %         | 100 %          | 100 %         |
| Gasum Energiapalvelut Oy, Helsinki                   | 100 %         | 100 %         | 100 %          | 100 %         |
| Kaasupörssi Oy, Espoo                                | 100 %         | 100 %         | 100 %          | 100 %         |
| Gaasienergia AS, Tallinn                             | 100 %         | 100 %         | 0 %            | 0 %           |
| <b>Group companies</b>                               |               |               |                |               |
| Acquisition cost at 1 January                        | 0             | 0             | 6 637          | 6 637         |
| Acquisition cost at 31 December                      | 0             | 0             | 6 637          | 6 637         |
| <b>Book value at 31 December</b>                     | <b>0</b>      | <b>0</b>      | <b>6 637</b>   | <b>6 637</b>  |
| <b>Other shares and holdings</b>                     |               |               |                |               |
| Acquisition cost at 1 January                        | 345           | 330           | 339            | 325           |
| Increase   | 33            | 14            | 33             | 14            |
| Acquisition cost at 31 December                      | 378           | 344           | 372            | 339           |
| <b>Book value at 31 December</b>                     | <b>378</b>    | <b>344</b>    | <b>372</b>     | <b>339</b>    |
| <b>Amounts owed by Group companies</b>               |               |               |                |               |
| Acquisition cost at 1 January                        | 0             | 0             | 3 723          | 3 891         |
| Increase   | 0             | 0             | 950            | 128           |
| Decrease   | 0             | 0             | 168            | 296           |
| Acquisition cost at 31 December                      | 0             | 0             | 4 505          | 3 723         |
| <b>Book value at 31 December</b>                     | <b>0</b>      | <b>0</b>      | <b>4 505</b>   | <b>3 723</b>  |
| <b>Book value of financial assets at 31 December</b> | <b>378</b>    | <b>344</b>    | <b>11 513</b>  | <b>10 698</b> |
| <b>12. STOCKS</b>                                    |               |               |                |               |
| <b>Goods</b>   | <b>6 495</b>  | <b>6 315</b>  | <b>6 084</b>   | <b>5 907</b>  |
| <b>Repurchase price</b>                              | <b>10 944</b> | <b>15 345</b> | <b>10 532</b>  | <b>14 937</b> |
| Book value   | 6 495         | 6 315         | 6 084          | 5 907         |
| Difference   | 4 448         | 9 030         | 4 448          | 9 030         |
| <b>13. DEBTORS</b>                                   |               |               |                |               |
| <b>Long-term</b>                                     |               |               |                |               |
| Amounts owed by Group companies                      | 0             | 0             | 0              | 25            |
| By others  | 129           | 264           | 10             | 158           |
| <b>Long-term debtors, total</b>                      | <b>129</b>    | <b>264</b>    | <b>10</b>      | <b>183</b>    |

|  | GROUP          |                | PARENT COMPANY |                |
|--|----------------|----------------|----------------|----------------|
|  | 2006           | 2005           | 2006           | 2005           |
| <b>Short-term</b>  |                |                |                |                |
| <b>Amounts owed by Group companies</b>                                   |                |                |                |                |
| Trade debtors  | 0              | 0              | 1 375          | 1 709          |
| Loan receivables   | 0              | 0              | 218            | 168            |
| Prepayments and accrued income   | 0              | 0              | 0              | 9              |
| Other debtors  | 0              | 0              | 1 427          | 1 882          |
| <b>Total</b>   | <b>0</b>       | <b>0</b>       | <b>3 021</b>   | <b>3 767</b>   |
| <b>From others</b>   |                |                |                |                |
| Trade debtors  | 91 287         | 96 252         | 88 525         | 93 524         |
| Other debtors  | 166            | 285            | 158            | 259            |
| Prepayments and accrued income   | 385            | 4 075          | 339            | 3 808          |
| <b>Total</b>   | <b>91 837</b>  | <b>100 612</b> | <b>89 022</b>  | <b>97 591</b>  |
| <b>Short-term debtors, total</b>   | <b>91 837</b>  | <b>100 612</b> | <b>92 043</b>  | <b>101 358</b> |
| <b>Debtors, total</b>  | <b>91 965</b>  | <b>100 876</b> | <b>92 053</b>  | <b>101 541</b> |
| <b>Significant items includes in other receivables 2006</b>              |                |                |                |                |
| Receivables from pension insurance company                               | 158            | 111            | 158            | 111            |
| <b>Significant items included in prepayments and accrued income 2006</b> |                |                |                |                |
| Sampo/Handelsbanken cap premiums   | 232            | 3 754          | 232            | 3 754          |
| <b>14. SHAREHOLDERS' EQUITY</b>  |                |                |                |                |
| Share capital at 1 January   | 178 279        | 178 279        | 178 279        | 178 279        |
| <b>Share capital at 31 December</b>                                      | <b>178 279</b> | <b>178 279</b> | <b>178 279</b> | <b>178 279</b> |
| Retained earnings at 1 January   | 153 900        | 158 098        | 25 608         | 36 385         |
| Payment of dividend  | -22 285        | -33 390        | -22 285        | -33 390        |
| <b>Retained earnings at 31 December</b>                                  | <b>131 616</b> | <b>124 708</b> | <b>3 324</b>   | <b>2 995</b>   |
| <b>Profit for the financial year</b>                                     | <b>56 284</b>  | <b>29 191</b>  | <b>44 526</b>  | <b>22 614</b>  |
| Shareholders' equity, total, of which                                    | 366 178        | 332 180        | 226 128        | 203 887        |
| restricted equity  | 178 279        | 178 279        | 178 279        | 178 279        |
| free equity  | 187 899        | 153 901        | 47 849         | 25 608         |
| <b>Statement of distributable funds at 31 December</b>                   |                |                |                |                |
| Retained earnings  |                |                | 3 324          | 2 995          |
| Profit for the financial year  |                |                | 44 526         | 22 614         |
| <b>Total</b>   |                |                | <b>47 849</b>  | <b>25 608</b>  |
| The parent company's share capital is distributed as follows:            |                |                | kpl            | kpl            |
| Series A   |                |                | 53 000 000     | 53 000 000     |
| Series K   |                |                | 1              | 1              |

All A-Series and K-Series shares have the same right to dividends and the company's assets.

EUR I 000

|   | GROUP          |                | PARENT COMPANY |                |
|---|----------------|----------------|----------------|----------------|
|   | 2006           | 2005           | 2006           | 2005           |
| <b>15. ACCUMULATED APPROPRIATIONS</b>   |                |                |                |                |
| In the parent company, accumulated appropriations consist of the accumulated depreciation difference. |                |                |                |                |
| <b>16. MANDATORY PROVISIONS</b>   |                |                |                |                |
| Emission rights, exceeded tons valued by market price   | 0              | 25             | 0              | 25             |
| <b>16. DEFERRED TAX LIABILITIES</b>   |                |                |                |                |
| Deferred tax liabilities arising from appropriations  | 49 757         | 45 881         | 0              | 0              |
| <b>17. LONG-TERM CREDITORS</b>  |                |                |                |                |
| Loans from financial institutions   | 19 857         | 47 714         | 19 857         | 47 714         |
| Other long-term creditors   | 921            | 685            | 0              | 0              |
| <b>Total</b>  | <b>20 778</b>  | <b>48 399</b>  | <b>19 857</b>  | <b>47 714</b>  |
| <b>18. SHORT-TERM CREDITORS</b>   |                |                |                |                |
| <b>Amounts owed to Group companies</b>  |                |                |                |                |
| Trade creditors   | 0              | 0              | 20             | 36             |
| Accruals and deferred income  | 0              | 0              | 30             | 28             |
|   | 0              | 0              | 50             | 65             |
| <b>To others</b>  |                |                |                |                |
| Loans from financial institutions   | 35 357         | 9 857          | 35 357         | 9 857          |
| Trade creditors   | 67 648         | 82 025         | 67 066         | 81 192         |
| Other creditors   | 54 495         | 42 777         | 53 112         | 41 578         |
| Accruals and deferred income  | 8 237          | 3 265          | 7 628          | 2 877          |
| <b>Total</b>  | <b>165 737</b> | <b>137 924</b> | <b>163 163</b> | <b>135 505</b> |
| <b>Short-term creditors, total</b>  | <b>165 737</b> | <b>137 924</b> | <b>163 213</b> | <b>135 569</b> |
| <b>Essential items contained in accrued expenses</b>  |                |                |                |                |
| Annual holiday provision and social security costs  | 1 289          | 1 347          | 1 164          | 1 170          |
| Unpaid wages and social security costs  | 1 235          | 1 128          | 1 085          | 936            |
| Income billed in following year   | 479            | 449            | 479            | 449            |
| Interest  | 568            | 322            | 568            | 322            |
| Taxes   | 3 885          | 0              | 3 885          | 0              |
| <b>19. SECURITIES</b>   |                |                |                |                |
| Securities pledged  | 1 300          | 1 300          | 1 300          | 1 300          |
| Cash pledged  | 15             | 0              | 15             | 0              |
| <b>Debtors pledged</b>  | <b>1 315</b>   | <b>1 300</b>   | <b>1 315</b>   | <b>1 300</b>   |
| <b>20. LIABILITIES</b>  |                |                |                |                |
| <b>Leasing liabilities</b>  |                |                |                |                |
| To be paid during next accounting period  | 206            | 43             | 194            | 43             |
| To be paid later on   | 376            | 93             | 354            | 93             |
|   | 582            | 136            | 548            | 136            |
| <b>Leasing liabilities</b>  |                |                |                |                |
| To be paid during next accounting period  | 492            | 0              | 492            | 0              |
| To be paid later on   | 1 106          | 0              | 1 106          | 0              |
|   | 1 598          | 0              | 1 598          | 0              |
| Bank guarantee's counter-obligation   | 379            | 0              | 379            | 0              |

## Unbundled income statement (EUR 1 000)

|   | TRANSMISSION<br>ACTIVITIES |         | SALES<br>ACTIVITIES |          | OTHER<br>ACTIVITIES |         |
|---|----------------------------|---------|---------------------|----------|---------------------|---------|
|   | 2006                       | 2005    | 2006                | 2005     | 2006                | 2005    |
| NET SALES                                 | 167 195                    | 134 046 | 638 591             | 469 584  | 74 422              | 31 491  |
| Other income                              | 31                         | 154     | 60 049              | 31 897   | 196                 | 110     |
| Materials and services                    |                            |         |                     |          |                     |         |
| Raw materials and consumables             |                            |         |                     |          |                     |         |
| Purchases during the financial year       | -20 139                    | -20 699 | -675 211            | -513 897 | -62 932             | -25 955 |
| Staff costs                               | -8 446                     | -7 659  | -1 910              | -1 679   | -126                | -67     |
| Depreciation and value adjustments        |                            |         |                     |          |                     |         |
| Depreciation according to plan            | -26 580                    | -21 498 | 0                   | 0        | -501                | 0       |
| Other operating charges                   | -65 842                    | -37 472 | -3 533              | -1 442   | -444                | -250    |
| OPERATING PROFIT                          | 46 220                     | 46 872  | 17 986              | -15 537  | 10 616              | 5 329   |
| Financial income and charges              | -631                       | 52      | -168                | -174     | 0                   | 0       |
| PROFIT BEFORE EXTRAORDINARY ITEMS         | 45 589                     | 46 923  | 17 819              | -15 711  | 10 616              | 5 329   |
| Incidental capital gains                  |                            |         |                     |          |                     |         |
| Group contribution                        | 0                          | 0       | 1 402               | 1 824    | 0                   | 0       |
| PROFIT BEFORE APPROPRIATIONS<br>AND TAXES | 45 589                     | 46 923  | 19 221              | -13 888  | 10 616              | 5 329   |
| Appropriations                            |                            |         |                     |          |                     |         |
| Increase in depreciation difference (-)   | -14 323                    | -7 686  | 0                   | 0        | -183                | 0       |
| Income taxes                              | -9 909                     | -9 864  | -4 178              | 2 919    | -2 307              | -1 120  |
| PROFIT FOR THE FINANCIAL YEAR             | 21 357                     | 29 373  | 15 043              | -10 968  | 8 126               | 4 208   |

### 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 business activities include the energy portion of daily gas, the sale of liquefied natural gas for testing and research purposes, and the 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.

## Unbundled balance sheet (EUR 1 000)

|   | TRANSMISSION<br>ACTIVITIES |         | SALES<br>ACTIVITIES |        | OTHER<br>ACTIVITIES |        |
|---|----------------------------|---------|---------------------|--------|---------------------|--------|
|   | 2006                       | 2005    | 2006                | 2005   | 2006                | 2005   |
| <b>ASSETS</b>                               |                            |         |                     |        |                     |        |
| <b>FIXED ASSETS</b>                         |                            |         |                     |        |                     |        |
| Intangible assets                           | 3 822                      | 2 745   | 400                 | 280    | 115                 | 1      |
| Tangible assets                             | 411 119                    | 404 613 | 737                 | 667    | 4 176               | 2 311  |
| Financial assets                            | 328                        | 334     | 11 144              | 10 364 | 41                  | 0      |
| <b>NON-CURRENT ASSETS</b>                   |                            |         |                     |        |                     |        |
| Stocks                                      | 3 072                      | 2 888   | 3 012               | 3 019  | 0                   | 0      |
| Debtors                                     | 9 340                      | 14 247  | 77 927              | 79 863 | 4 785               | 7 431  |
| Cash and cash equivalents                   | 32 610                     | 11 363  | 12 623              | 238    | 7 363               | 6 116  |
|   | 460 291                    | 436 190 | 105 844             | 94 430 | 16 480              | 15 859 |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> |                            |         |                     |        |                     |        |
| <b>SHAREHOLDERS' EQUITY</b>                 | 201 454                    | 195 251 | 15 173              | 130    | 9 502               | 8 507  |
| <b>ACCUMULATED APPROPRIATIONS</b>           |                            |         |                     |        |                     |        |
| Accumulated depreciation difference         | 173 605                    | 159 283 | 0                   | 0      | 183                 | 0      |
| Provisions for liabilities and charges      | 0                          | 25      | 0                   | 0      | 0                   | 0      |
| <b>CREDITORS</b>                            |                            |         |                     |        |                     |        |
| Long-term                                   | 18 467                     | 44 212  | 993                 | 3 502  | 397                 | 0      |
| Short-term                                  | 66 765                     | 37 420  | 89 678              | 90 798 | 6 398               | 7 352  |
|   | 460 291                    | 436 190 | 105 844             | 94 430 | 16 480              | 15 859 |

Gasum Oy's Board of Directors  
7 February 2007

Antero Jännes  
Juha Vainikka  
Björn Ahlnäs  
Paula Lähde  
Aleksi Novitsky,  
Christer Paltschik  
Kristiina Vuori

# Auditors' report

## TO THE SHAREHOLDERS OF GASUM OY

We have audited the accounting, the financial statements and the administration of Gasum Oy for the period 1.1.–31.12.2006. The Board of Directors and the Managing Director have prepared the report of Board of Directors and the financial statements, which include consolidated and parent company balance sheets, income statements, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the report of the Board of Directors and on administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and 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 administration is to examine whether the members of the Supervisory Board as well as Board of Directors and the Managing Director of the parent company have 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 in Finland. 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 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 distributable funds 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 regulations and stipulations required by it.

Helsinki, 23 March 2007

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Eero Suomela  
Authorised Public Accountant

## Statement by the Supervisory Board

Meeting today, Gasum Oy's Supervisory Board considered the company's financial statement for 2006, 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, 13 February 2007

Mikko Kivimäki  
Stephan Kamphues

Taisto Turunen  
Timo Karttinen

Seppo Aho  
Marcus Söhrich

Sergey Emeljanov  
Stanislav Tsygankov

# 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, Fortum

Sergey Emeliyanov, Gazexport

Stephan Kamphues, E.ON Ruhrgas

Timo Karttinen, Fortum

Marcus Söhrich, E.ON Ruhrgas

Stanislav Tsygankov, 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 President, Transmission

Kristiina Vuori, Vice President, Legal Matters and HR

Björn Ahlnäs, Vice President, New Ventures

Paula Lähde, Vice President, Finance

Aleksei Novitsky, Vice President, Gas Supply and Sales

Christer Paltschik, Vice President, Business Planning



## GASUM OY'S ORGANISATION:

CEO: Antero Jännes

Gas supply and sales: Aleksei Novitsky

- Sales: Ossi Savolainen, Sonja Hellén-Nieminen
- Baltic area: Seppo Nurminen

New ventures: Björn Ahlnäs

- Natural gas as traffic fuel: Jussi Vainikka
- New areas: Veli-Heikki Niiranen
- LNG, biogas: Arto Riikonen

Transmission: Juha Vainikka

- Use: Ari Suomalampi
- Electric maintenance: Timo Parikka
- 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

Finance: Paula Lähde

- Controller: Leena Wallenius

Legal Matters and HR: Kristiina Vuori

Public Affairs: Tuomo Saarni

Business planning: Christer Paltschik

- Information technology Jussi Hyvärinen
- Product risk management Satu Raikaslehto
- Quality Manager Rami Saajoranta
- Tariffs Jukka Kaijansinkko
- Communications Minna Ojala

## SUBSIDIARIES

Gasum Paikallisjakelu Oy

Managing Director Jarko Alanko

Gaasienergia AS

Managing Director Simo Lahesalu

Gasum Energiapalvelut Oy

Managing Director Kalevi Kemppainen

Kaasupörssi Oy (Gas Exchange Ltd)

Managing Director Pekka Karinen

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Reception station  
Räikköläntie 170, FI-55100 IMATRA

Hyvinkää maintenance centre  
Kerkkolankatu 42, FI-05800 HYVINKÄÄ

Tampere maintenance centre  
Raspinkatu 4, FI-33840 TAMPERE

Compressor station  
Hyvinkääntie 565, FI-04680 HIRVIHAARA

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## Annual Report 2006

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