GASUM FINANCIAL REVIEW

2018

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Gasum

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Information about Annual Reporting for 2018
Gasum's Annual Reporting for 2018 comprise Gasum Financial Review, Governance and Remuneration and Corporate Responsibility Report, which is available on the Gasum webpage, Publications and Key figures.

"During the year under review, gas was recognized as playing an increasingly important role in efforts to cut carbon dioxide emissions."

STRENGTHENING NORDIC GAS ECOSYSTEM CREATES SUSTAINABLE GROWTH

The year 2018 marked a turn in the energy and climate debate. We need to take even more determined steps towards a carbon-neutral society to reach the climate targets set by the Paris Agreement.

During the year under review, gas was recognized as playing an increasingly important role in efforts to cut carbon dioxide emissions. This was reflected in Finland in developments such as the change in energy taxation that improved the competitiveness of energy-efficient natural gas compared with coal. We also received significant financial support for the development of gas filling station infrastructure from the Swedish government and the European Union.

The year was a financial success for Gasum. Our revenue grew 27% year on year and our operating profit was €124.2 million. We continued the sustained implementation of our strategy and strengthened the evolving gas ecosystem in the Nordic countries.

Natural gas volume took a clear upturn in Finland in 2018, and the use of gas increased in combined heat and power (CHP) production in particular. In the context of growing demand, we enhanced our energy trade competencies by acquiring the energy market services business of Enegia. The Enegia transaction enables us to provide a new, comprehensive alternative in our service mix: our customers will be able to source the gas as well as electrical energy they need from us.

The year saw favorable LNG market development on land as well as at sea. We increased our shareholding Skangas to 100% in 2018. The completion of the Manga LNG terminal in Tornio, Finland, in 2019 will provide access to energy-efficient gas to an even broader spectrum of customers.

The increase in the number of LNG-fueled heavy-duty vehicles shows that liquefied gas is a key way of reducing transport emissions. We are seeking sustainable growth through long-term investment: we will open around 50 new gas filling stations for heavy-duty vehicles in Finland, Sweden and Norway by the beginning of the 2020s.

The bridge created by gas to a carbon-neutral society is supplemented by biogas. Circular economy innovations made together with our partners have created unique business models based on closing the loop. We kicked off several new partnerships during the year, with biogas produced from the partner's own waste at the core of these.

In Sweden, Stora Enso and Gasum entered into cooperation where Gasum produces liquefied biogas (LBG) from the Nymölla paper mill's wastewater for use as a road fuel. In Finland, the dairy manufacturer Valio took a biogas-fueled delivery vehicle into service in the Helsinki Metropolitan Area, with feedstock for the fuel supplied by Valio from its factory to the Gasum biogas plant. The grocery store chain Lidl is reducing emissions from its deliveries with its new truck fueled by liquefied biogas produced from biowaste generated at Lidl grocery stores.

The Finnish natural gas wholesale and retail markets will be opened to competition at the beginning of 2020. I would like to thank all key actors for their excellent cooperation in the formulation of the market rules. Gasum has been preparing for the change capably and on the basis of plans. As part of the preparations for the unbundling of the transmission network, we integrated the Balticconnector interconnector project into the Group.

We have taken several development steps in the past few years, and Gasum has undergone determined renewal. Satisfaction among our customers as well as our personnel is showing a clear increase. We have succeeded in providing our customers with flexible solutions that have resulted in business benefits as well as emission cuts.

A very big thank you for this work is due to our competent personnel who have been the foundation of our success. In 2019, we will step up our drive even further on our journey towards a clean energy future.

Johanna Lamminen
Chief Executive Officer

FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT 2018

BOARD OF DIRECTORS' REPORT

OPERATING ENVIRONMENT

Natural gas accounts for more than 20% of the total energy consumption in Europe. Demand for gas is projected to grow by an estimated 30% over the next 20 years.

Oil price increases and continued uncertainty about price development have increased interest in the use of gas. Electricity prices have been high in the Nordics countries due to low water reservoirs in Norway and Sweden following a dry summer. This has also boosted gas demand among those customers who use electricity and gas side by side. There are several projects relating to gas production, storage and transport underway in the Group's operating environment. These projects increase competition while at the same time build confidence in the availability and market-based pricing of gas.

Effective from the start of 2019, changes have taken place in Finnish energy taxation. The halving of the carbon dioxide tax in combined heat and power (CHP) production has been abandoned and replaced with a lower energy content tax of €7.63 per megawatt hour for fuels used in CHP. This increases coal taxation in CHP by around €3 per megawatt hour and that of natural gas by around €0.70 per megawatt hour.

Liquefied natural gas (LNG) and liquefied biogas (LBG) both offer a competitive option to achieve the targets published by the European Commission in 2018 according to which carbon dioxide emissions from heavy-duty vehicles must be 15% lower by 2025 and 30% lower by 2030 compared with the 2019 level.

In road transport, the number of gas-fueled vehicles increased in Finland in 2018. During 2018, a total or more than 1,200 first registrations of gas cars were made, in addition to which more than 1,400 used gas cars were imported. The number of gas-fueled vehicles was approximately 3,400 in the end of the year 2017, the increase was almost 80%. Finland has set the goal of 50,000 gas-fueled vehicles by 2030 and, at the current growth rate, this can be achieved.

Sweden aims to be fossil-free by 2045. The aim for road transport is to reduce greenhouse gas emissions by 70% from the 2010 level by 2030. Sweden's national freight transport strategy sets targets for continuously improving energy efficiency and breaking dependence on fossil fuels in order to reduce the climate impacts of the transport system. The Swedish Government has allocated almost to SEK 2 billion (around €200 million) under the Climate Leap program for local initiatives to reduce greenhouse gas emissions. National investment support has been granted for biogas production, filling station infrastructure and buying low-emission vehicles.

In Norway, the target is to cut greenhouse gas emissions by at least 40% by 2030 and to become a low-emission society by 2050, with greenhouse gas emissions 80–95% lower than in the reference year of 1990. To reach these targets, national financial support is offered for initiatives that help to reduce greenhouse gas emissions and to develop new energy and climate technologies.

The circular economy targets set by the EU provide increasing steering towards ways of processing sludge and biowaste where the benefits obtained from side streams are fully utilized. According to these targets, 65% of municipal waste must be recycled by 2030. The current rate in Finland averages 30–35%.

GASUM'S STRATEGY IS TO EXPAND THE GAS MARKET

During the year under review, Gasum advanced its strategy in Nordic countries which is to expand gas market on land and at sea in the Nordics. Renewal is a key element of Gasum's strategy. Gasum's mission is 'Cleaner energy' and our vision is 'Leading the Nordic gas ecosystem'. The following components of the Gasum strategy are the cornerstones of the company's operations: promoting sustainability, adding customer value, building a smart gas ecosystem, and developing Gasum together.

The strategically important transactions involving the acquisition of the Enegia energy market services business and the increasing ownership in the Gasum subsidiary Skangas AS (renamed Gasum AS) from 70% to 100% took place in 2018. Both aqcuisitions were part of the Gasum strategy, a core element of which is to develop the Nordic gas market and LNG infrastructure. The acquisition of the energy market services business also enables service expansion in the energy wholesale market.

Gasum is committed to the development of a low-emission road fuel gas market in the Nordic countries. Gasum is expanding the gas filling station network to respond to the rapidly increasing demand for gas as a road fuel. During the financial year, Gasum announced an investment program to construct around 50 LNG filling stations for heavy-duty vehicles in Finland, Sweden and Norway by the beginning of the 2020s. In addition, liquefied biogas provides an alternative also for industrial operators and maritime transport to achieve emissions targets, and Gasum entered into several new agreements in these sectors during the reporting period.

Safety and security are at the core of Gasum's strategy and corporate responsibility, and there is a continuous focus on related issues. The rate of injuries has developed in a positive direction at Gasum and is now at its lowest in 10 years.

KEY FINANCIAL INDICATORS

€ thousand	2018	2017	Change
Revenue	1,177,448	924,987	27.3%
Operating profit	124,169	114,170	8.8%
Operating profit (%)	10.5%	12.3%	
Equity ratio (%)	43.7%	41.6%	
Return on equity (%)	13.3%	13.7%	
Return on investment (%)	9.2%	9.1%	
Balance sheet total	**1,526,550**	**1,421,201**	**7.4%**
Net interest-bearing debt	562,715	585,872	-4.0%
Gearing ratio (%)	84.7%	99.2%	
Net debt/EBITDA	2.9	3.2	
Personnel at the end of period	434	409	6.1%

BUSINESS DEVELOPMENT IN 2018

The Gasum Group's revenue for 2018 totaled €1,177.4 million, up 27% year on year (2017: €925.0 million). The revenue growth was particular strong in the Natural Gas and LNG business units. The Group's operating profit was €124.2 million (€114.2 million), up 9% year on year and with all business units of the Group better than planned. The operating profit margin was slightly below the previous year's level at 11% (12%). This was partly owing to the non-recurring write-off of €11.1 million for the Porvoo LNG liquefaction plant.

DEVELOPMENT OF REVENUE BY BUSINESS UNIT

Natural Gas business

The previous downward trend in natural gas volumes has been reversed and in 2018 sales volumes rose to a level clearly above those seen a year earlier, totaling 24.7 TWh and up 11% year on year (2017: 22.3 TWh). Gas consumption was greater than a year earlier in combined heat and power (CHP) production in particular. This was partly attributable to both a cold first part of the year and the rise in electricity market price due to a dry summer. The supply certainty of natural gas remained at an excellent level in 2018.

The revenue of the Natural Gas business unit in 2018 was up 29% year on year, totaling €874.9 million (€678.7 million). The considerable revenue growth was attributable to increased gas consumption, the price development of natural gas and the acquisition of the Enegia energy market services business that took place in August.

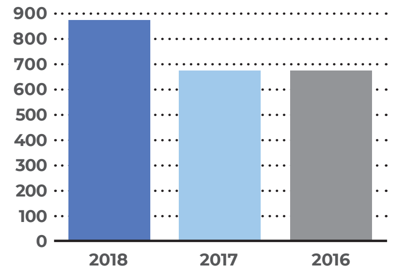
Gasum acquired the energy market services business of the Finnish energy industry expert Enegia in August 2018. Enegia Consulting Oy, Enegia Portfolio Services Oy and Intstream Oy became part Gasum's Natural Gas business. The acquisition strengthens Gasum's Nordic strategy by enabling service expansion in the energy wholesale market. Capacity to operate more broadly in the energy market strengthens Gasum's position as an energy company of the future.

Finland's new Natural Gas Market Act entered into force at the start of 2018. The market rules were published in September, and preparations for the open market are progressing as planned. Due to enter into force in 2020, the Gas Transmission Tariffs will be published in early 2019 and a related consultation will be organised by the Energy Authority if the amendment proposed by the Government in December 2018 will be accepted by Parliament in early 2019. If the amendment enters into force before April 30, 2019, the Gas Transmission Tariffs for 2020 will be published by June 30, 2019.

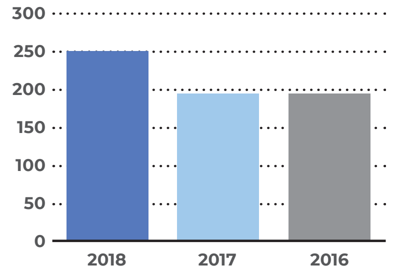
Gasum's transmission business will be unbundled by January 1, 2020, in the manner required by the Natural Gas Market Act. As part of the preparations, Gasum has founded a new subsidiary, Suomen Kaasunsiirtopalvelut Oy, which is tasked with planning transmission network business development processes for the period after the unbundling. At the end of 2018, Baltic Connector Oy, which is building a gas interconnector between Finland and Estonia, was transferred from the State of Finland to the Gasum Group.

Development of revenue by business unit

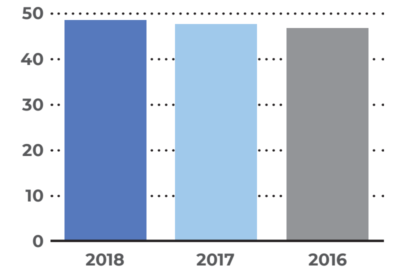
NATURAL GAS
€ million



LNG
€ million



BIOGAS
€ million



LNG business

Sales volumes of the LNG business in 2018 totaled 6.3 TWh, up 4.1% year on year (2017: 6.1 TWh). Interest in using liquefied natural gas (LNG) grew further during the year, especially in maritime transport and industry.

The revenue of the LNG business unit in 2018 totaled €252.0 million, up 29% from the previous year (€195.2 million). Revenue growth was driven by the price development and improved competitiveness of LNG resulting from oil price increases. The introduction of the bunkering vessel Coralius increased the number of ship-to-ship bunkerings in 2018. The vessel was taken into service in late 2017 and has strengthened Gasum's position as the leading small-scale player in the LNG market.

Gasum increased its shareholding in Skangas AS (renamed Gasum AS) from 70% to 100% in October 2018. This was part of the Gasum strategy to develop the Nordic gas market and LNG infrastructure. Gasum will now operate under the same strong brand in all Nordic countries.

The supply certainty of LNG was 100% in 2018. Supply certainty was strengthened by the introduction of the world's first LNG carrier holding the Ice Class 1A Super, Coral EnergICE. The vessel enables disruption-free deliveries in all weather conditions.

During the period under review, the business unit also supplied liquefied biogas (LBG) to industry and maritime transport. The advantage of LBG compared with gaseous biogas is that it can be utilized in the same sites and processes and LNG.

Progress has been made in the joint venture in the construction of Manga LNG Ltd's gas import terminal at Röyttä Harbor of the Port of Tornio, Finland, and the terminal is expected to be ready for commercial use in 2019. Gasum partners in the project with Outokumpu Oyj, SSAB Europe Oy and EPV Energy Ltd.

Biogas business

The Biogas business unit's sales volumes in 2018 totaled 517.7 GWh (2017: 536.6 GWh), which equates to the annual fuel consumption of more than 50,000 cars. Developing the biogas market and increasing the transport use of gas and biogas production capacity are key elements of the Gasum strategy.

The revenue of the Biogas business unit totaled €48.7 million in 2018 (€47.9 million). The growth in revenue was attributable to the increase in the number of gas vehicles in Finland and the growing demand for circular economy solutions and biomass processing services. Gasum sold the biogas distribution sales agreements to Suomen Kaasuenergia Oy during the period under review.

The Biogas business is undergoing a strong development phase. In 2018 Gasum launched an investment program to construct around 50 gas filling stations for heavy-duty vehicles in Finland, Sweden and Norway by the beginning of the 2020s. In addition, the company continued the construction of new stations serving lighter transport in Finland and opened new filling stations in Espoo, Salo and Vantaa.

EU as well as national targets provide strong steering towards rapid reductions in transport emissions. The Swedish state and the EU have granted Gasum investment support totaling €19.2 million for the construction of gas filling stations in the years ahead. Of the stations receiving financial support, 24 are located around Sweden at key transport nodes as regards logistics operations, mainly serving heavy-duty transport, and 14 in Finland within the area covered by the international TEN-T Core Network, serving passenger, delivery well as heavy-duty transport.

In 2018, Gasum invested in increasing the operational efficiency of its biogas plants and in the production of organic nutrient products. The feedstocks base of the biogas plants in Sweden is being expanded from agricultural side streams to biowaste. In Finland, Gasum uses an annual total of around 200,000 tonnes of sewage sludge in biogas and fertilizer production. In addition to biowaste, sewage sludge is an important feedstock for biogas and recycled nutrients. In collaboration with partners, Gasum has increased the use of organic nutrient products created in biogas production in new uses.

In 2018, Gasum and Stora Enso signed an agreement on the construction of a biogas plant at Stora Enso's Nymölla Mill in Sweden. With Gasum responsible for construction and operation, the plant will turn the mill's wastewater into renewable energy. The plant is anticipated to produce 220 MWh of liquefied biogas per day. The commissioning of the plant is scheduled for 2020. The Swedish state has granted a subsidy of €12.7 million to the project.

A sub-project relating to the expansion and modernization of Gasum's Topinoja biogas plant in Turku was completed in 2018. Developing a circular energy solution based on the Turku biogas plant is one of the key energy aid projects of the Finnish Government. The entire Turku plant is due for completion for production use during Q3 of 2019.

The Finnish Ministry of Economic Affairs and Employment granted Gasum €7.83 million in 'Bioeconomy and clean solutions' key project support for increased biogas production capacity. Gasum has looked into the opportunity to construct a biogas plant in Lohja, Finland. More detailed design and planning of the biogas plant project commenced in 2018.

The supply certainty of biogas has been excellent over the past years and also remained at an excellent level in 2018.

BALANCE SHEET AND FINANCIAL POSITION

The Group's balance sheet total at December 31, 2018 came to €1,526.6 million (December 31, 2017: €1,421.2 million). The biggest individual factor behind the increase was the Coral EnergICE vessel which is treated as a financial lease liability. The Group's financial position strengthened further thanks to good performance in the 2018 financial year, with the equity ratio being 43.7% (41.6%). The Group's interest-bearing debt at the reporting date totaled €580.6 million (€588.5 million), including borrowings from financial institutions as well as finance lease liabilities.

CAPITAL EXPENDITURE AND ACQUISITIONS

The Gasum Group's capital expenditure on intangible and tangible assets in 2018 totaled €48.0 million (2017: €22.9 million), and most of this was spent on biogas plant expansion investments and the construction of new filling stations. Capital expenditure during the year supports and promotes the implementation of the Gasum strategy in which the development of the biogas market and increasing production capacity are key elements.

Gasum received a total of €20.6 million in investment support during the financial year (2017: €11.7 million), targeted at currently ongoing investments as well as ones being launched in Finland and Sweden.

On August 31, 2018, Gasum Ltd and Enegia Group Oy closed a transaction under which Gasum acquired Energia's energy market services business comprising the shareholdings of Enegia Consulting Oy, Enegia Portfolio Services Oy and Intstream Oy. Following the acquisition, Enegia Consulting Oy was renamed Gasum Consulting Oy and Enegia Portfolio Services Oy was renamed Gasum Portfolio Services Oy.

In October 2018, Gasum exercised a call option and bought 30% of the shares in Skangas AS (renamed Gasum AS). The transaction raised Gasum's ownership in the company to 100%. Towards the end of the year, Skangas AS and its subsidiaries were renamed to align them with the Gasum brand.

QUALITY, ENVIRONMENT, SAFETY AND RESPONSIBILITY

There were no significant environmental nonconformities in Gasum in 2018, and the level of environmental performance remained high. The company's quality and environmental management systems have been recertified. An external audit took place on the Energy Management System, and the supplier audit process was developed further. In addition, the integrated management system was audited successfully in November.

The Group's injury rate developed positively during 2018 and was at its lowest in 10 years. There were a total of six accidents at work in 2018 (2017: 10 accidents), with four of these resulting in at least one day off work.

Safety is at the core of Gasum's strategy and responsibility. Several measures took place during the year to improve health and safety at work, and the company introduced new online courses in safety. The business functions report on their respective safety and environmental performance on a monthly basis. The year also saw a safety campaign themed on changing the safety culture. Together with the Emergency Services College, Gasum organized an accident preparedness exercise themed on gas transport.

The Zero Accident Forum awarded Gasum occupational safety classification for 2017 at Level II – Approaching the World's Forefront – for efforts made towards continuous improvement of health and safety at work.

Gasum also conducted an extensive stakeholder survey in the Nordic countries relating to corporate responsibility. Responsibility plays an important role in the Gasum strategy. The results of the survey will be utilized in the development of Gasum's corporate responsibility reporting.

RESEARCH AND PRODUCT DEVELOPMENT

During the year, the focus in the Group's research and product development was on the development of the Biogas business in Finland and Sweden. Costs related to the Biogas business development totaled €6.4 million in 2018. The circular economy and recycled nutrients in particular are strongly at the core of Gasum's research and product development. Gasum has developed new solutions for digestate processing and potential uses for nutrient residues through product development together with partners. The aim is to process nutrient residues from biogas production to meet the needs of industrial processes, for example.

Gasum supports research and development in the gas sector through the Gasum Gas Fund, with seven research grants, amounting to a total of €40,800 (in 2017: €81,000), given out in 2018 from the Gasum Gas Fund administered by the Finnish Foundation for Technology Promotion.

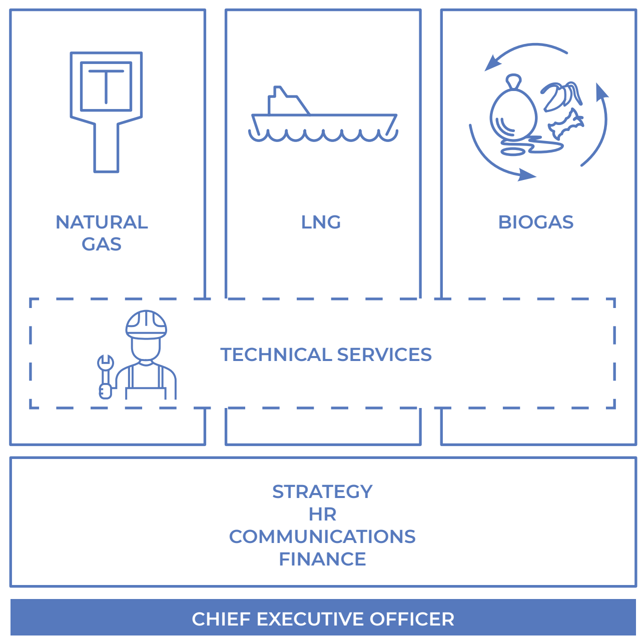
PERSONNEL AND ORGANIZATION

At December 31, 2018, the Gasum Group had a total of 434 employees (December 31, 2017: 409). Of these, 61 worked in Sweden in the LNG and Biogas businesses and 56 in Norway in the LNG business. The remaining 317 employees were based in Finland. Gasum also employed more than 30 young talents in a range of different summer job duties.

Renewal is a key element of Gasum's strategy. The company invests in personnel competence development and published safety-related Gasum Academy online training modules in 2018. Gasum also focuses on employee wellbeing, good leadership and improved safety and security in cooperation with the personnel.

The company has three business units: Natural Gas, LNG and Biogas. The internal service function, Technical Services, provides maintenance services required by the other business functions and also by other actors in the gas sector.

GASUM GROUP ORGANIZATION:



OWNERSHIP STRUCTURE AND GOVERNANCE

Gasum is fully (100%) owned by the State of Finland. Of the shares, 73.5% are held by the state-owned Gasonia Oy and 26.5% directly by the State of Finland. There were no changes in shareholding during the period under review.

Gasum Ltd's Annual General Meeting was held in Helsinki on April 13, 2018. The AGM confirmed the number of members of Gasum's Board of Directors as being seven. Stein Dale, Elina Engman, Timo Koponen, Päivi Pesola, Juha Rantanen and Jarmo Väisänen were re-elected to the Board. Elisabet Salander Björklund was elected as a new member to the Board. Juha Rantanen was re-elected as the chairman of the Board of Directors. The Board's work is supported by the Audit Committee and the HR Committee.

RISKS AND RISK MANAGEMENT

Gasum's business operations are exposed to strategic, political, operational and market and financial risks.

Market risks

The main factors influencing Gasum's business performance are energy commodity prices globally and in the Nordic markets. Gasum hedges the open positions of energy products it sells according to its commodity risk policy using widely used instruments and also hedges are made to the foreign currency risks relating to the business transactions. The market price risks in sales of natural gas is mitigated with the back to back relation with the procurement. The pricing of liquefied natural gas (LNG) for end customers follows international gas quotes as well as the sourcing of LNG. In case of more structured sales agreements, the open position is hedged using the external derivative market.

Strategic and political risks

One of the elements of the Gasum strategy is expanding the Nordic gas market. Gasum aims to grow strongly in the coming years. Expanding the gas ecosystem involves investments in the gas infrastructure and partnerships in the Nordic countries.

Strategic risks relate to changes in the operating environment, technology, customers and markets and to competition for talent and competence. Strategic risks are managed as part of the Group's strategic planning framework in risk assessment and management according to Gasum's strategy annual clock.

The political risk relating to the various Gasum businesses mainly relates to changes in EU and national regulation and, in particular, taxation. Gasum prepares for these risks by monitoring and actively participating in debate taking place concerning its operating environment. In addition, Gasum seeks to comprehensively draw attention to its viewpoints at the various levels of decision-making as regards the impacts of proposed amendments to regulation or taxation on developments in the operating environment playing a key role for us.

Financial and regulatory risks

Financial risks can be divided into foreign currency and interest rate risks, credit risks, taxation and regulatory risks. Gasum uses standardized hedging instruments to protect against foreign currency as well as interest rate risks. In spring 2018, Gasum entered into an enhanced customer relationship with the Tax Office for Major Corporations, which supports the company's tax strategy and intent to be a responsible taxpayer. The company aims to participate continuously in the development of tax legislation and policies and to be involved in the development of a fair, clear and consistent tax system.

Operational risks

Due to the nature of Gasum's business, Gasum is exposed to operational risks. Gasum distributes gas through the pipeline network or by using containers. As the company's logistics operations take place both on land and at sea, this exposes the company to the operational risk of disruption to customers' energy supply. The company monitors its operations, production and logistics on a daily basis, ensuring compliancy with environmental permits. Employees work in the field, so health and safety at work is a top priority in mitigating operational risks. Gasum is prepared for disruptions in the supply of natural gas by having reserve fuel arrangements in place.

EVENTS AFTER THE REPORTING PERIOD

On January 17, Gasum Ltd signed an agreement under which it will sell the shares of its subsidiary Gasum Tekniikka Oy to the industrial maintenance specialist Viafin Service Oyj. The transaction is anticipated to be closed by mid-February. Gasum Tekniikka Oy will continue service provision to current and new customers.

Effective from January 2019, Gasum reformed its organization structure to better support its strategy implementation in the Nordic countries. The company's business units are Natural Gas and LNG, Portfolio Management and Trading, Biogas, and Traffic.

The Natural Gas and LNG business unit sells natural gas and liquefied natural gas (LNG) and produces LNG for industry, energy production and maritime transport. The business unit is headed by Vice President Kimmo Rahkamo (MSc (Eng.))

The Portfolio Management and Trading business unit is responsible for the company's natural gas, LNG, biogas, electricity and other commodity sourcing and for price and volume risk management relating to supply and sales agreements. The business unit also provides portfolio management and expert services. The business unit is headed by Senior Vice President Jouni Haikarainen (MSc (Eng.))

The Biogas business unit is responsible for promoting the circular economy, increasing biogas production capacity and selling recycled nutrients and biogas. For the time being the business unit reports to CEO Johanna Lamminen.

The Traffic business unit develops the filling station network and sells compressed and liquefied natural gas and biogas for road transport. The business unit is headed by Vice President Jukka Metsälä (MSc (Eng.))

FUTURE OUTLOOK

As a low-emission fuel, the role of gas will increase, particularly in maritime transport and heavy-duty road transport. Gas also offers industrial operators an excellent alternative in their efforts to achieve their emission targets.

Gasum's investments in the Nordic gas ecosystem facilitate growth. Gasum's new businesses (LNG and biogas) have already gained a good position in the market and will grow significantly in the future. The prolonged downward trend in natural gas volumes has been reversed and possible tax changes may have an impact on growth in gas demand within the area covered by the natural gas pipeline network, too. Capacity to operate more broadly in the energy market strengthens Gasum's position as an energy company of the future.

The total sales volumes of gas are anticipated to grow, which will also ensure the positive development of the company's revenue and profitability.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFITS

At December 31, 2018, the parent company had distributable funds of €369,134,999.74, which includes the profit for the period, €110,622,969.72. The Board of Directors proposes to the general meeting of shareholders that a dividend of €0.6208 per share, i.e. a total of €32,902,400.62, be paid for the period now ended and that the remainder be retained.

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

€ thousand

	Note	1.1.–31.12.2018	1.1.–31.12.2017
Revenue	2.1	**1,177,448**	**924,987**
Other operating income	2.2	12,931	23,348
Materials and services	2.3	-909,114	-678,530
Personnel expenses	2.4	-40,117	-38,452
Depreciations and amortization	2.5	-69,819	-68,059
Other operating expenses	2.6	-47,303	-48,985
Share of result from investments accounted for using the equity method		143	-139
Operating profit		**124,169**	**114,170**
Finance income		4,551	13,897
Finance expenses		-28,165	-28,183
Finance items - net	2.8	-23,614	-14,286
Profit before taxes		**100,554**	**99,884**
Current income tax expense (income)	2.9	-31,399	-32,110
Change in deferred taxes	2.9	14,094	13,426
Profit for the period		**83,250**	**81,199**
Profit for the period attributable to:			
Owners of the parent		87,605	86,199
Non-controlling interest		-4,355	-5,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand

	Note	1.1.–31.12.2018	1.1.–31.12.2017
Profit for the period		**83,250**	**81,199**
Other items in comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefits	3.11	385	-89
Taxes related to items that will not be reclassified		-77	18
Total		308	-71
Items that may be reclassified subsequently to profit or loss			
Translation differences		-1,042	-6,188
Cash flow hedges		-2,684	0
Taxes related to items that may be reclassified		537	0
Total		-3,189	-6,188
Total comprehensive income for the period		**80,369**	**74,940**
Total comprehensive income for the period attributable to:			
Owners of the parent		84,724	79,941
Non-controlling interest		-4,355	-5,000

CONSOLIDATED BALANCE SHEET

€ thousand

	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Intangible assets	3.1	226,271	216,790
Tangible assets	3.2	1,013,036	949,783
Equity-accounted investments	3.3	10,530	10,510
Other investments at fair value through the statement of income		56	50
Derivative financial instruments	4.3	1,123	1,502
Other non-current assets		307	411
Total non-current assets		**1,251,322**	**1,179,045**
Current assets			
Inventories	3.5	24,186	98,654
Derivative financial instruments	4.3	6,403	816
Trade and other receivables	3.4	223,152	139,878
Current tax assets		289	146
Assets held for sale	3.7	3,348	0
Cash and cash equivalents	3.8	17,850	2,662
Total current assets		**275,228**	**242,156**
Total assets		**1,526,550**	**1,421,201**

CONSOLIDATED BALANCE SHEET

€ thousand

	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Share capital	4.4	178,279	178,279
Paid-up unrestricted equity reserve		26,280	0
Fair value reserve		-2,147	0
Retained earnings		379,659	292,727
Profit (loss) for the period		87,605	86,199
Translation differences		-5,400	-4,358
Total equity attributable to owners of the parent		**664,275**	**552,848**
Non-controlling interest		206	38,023
Total equity		**664,481**	**590,871**
Liabilities			
Non-current liabilities			
Loans	4.5	415,111	409,641
Other non-current liabilities	4.6	143,493	127,208
Derivative financial instruments	4.3	5,487	5,382
Deferred tax liabilities	3.9	63,936	76,922
Provisions	3.10	10,049	9,959
Post-employment benefits	3.11	6,742	7,369
Total non-current liabilities		**644,817**	**636,482**
Current liabilities			
Loans		19,808	29,724
Derivative financial instruments	4.3	9,677	2,826
Trade and other current liabilities	3.6	175,514	143,854
Current income tax liabilities		12,253	17,444
Total current liabilities		**217,252**	**193,848**
Total liabilities		**862,069**	**830,330**
Total equity and liabilities		**1,526,550**	**1,421,201**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousand	Attributable to owners of the parent							
	Share capital	Paid-up unrestricted equity reserve	Fair value reserve	Retained earnings	Translation differences	Total	Non-controlling interest	Total equity
Equity at January 1, 2018	**178,279**	**0**	**0**	**378,927**	**-4,358**	**552,848**	**38,023**	**590,871**
Profit for the period				87,605		87,605	-4,355	83,250
Other comprehensive income								
Remeasurements of post-employment benefits				308		308		308
Translation differences					-1,042	-1,042		-1,042
Cash flow hedges			-2,147			-2,147		-2,147
Total comprehensive income for the period			**-2,147**	**87,913**	**-1,042**	**84,724**	**-4,355**	**80,369**
Transactions with the owners								
Profit distribution				-32,902		-32,902		-32,902
Other changes*		26,280		33,326		59,606	-33,462	26,143
Equity at December 31, 2018	**178,279**	**26,280**	**-2,147**	**467,263**	**-5,400**	**664,275**	**206**	**664,481**

*The change in the reserve for invested unrestricted equity is related to the transfer of the shares of Baltic Connector Oy from the State of Finland to the Gasum Group. Other changes between equity attributable to owners of the parent and non-controlling interest mainly consist of the increase in the shareholding in Skangas AS (renamed Gasum AS) to 100% from the previous 70% holding. The Group had already previously controlled the company. For further information, refer to 5.1 Business acquisitions and disposals.

€ thousand	Attributable to owners of the parent							
	Share capital	Paid-up unrestricted equity reserve	Fair value reserve	Retained earnings	Translation differences	Total	Non-controlling interest	Total equity
Equity at January 1, 2017	**178,279**	**0**	**0**	**370,327**	**1,829**	**550,435**	**45,443**	**595,879**
Profit for the period				86,199		86,199	-5,000	81,199
Other comprehensive income								
Remeasurement of post-employment benefits				-71		-71		-71
Translation differences					-6,188	-6,188		-6,188
Total comprehensive income for the period				**86,128**	**-6,188**	**79,941**	**-5,000**	**74,940**
Transactions with the owners								
Profit distribution				-50,000		-50,000		-50,000
Other changes*				-27,528		-27,528	-2,420	-29,948
Equity at December 31, 2017	**178,279**	**0**	**0**	**378,927**	**-4,358**	**552,848**	**38,023**	**590,871**

*Other changes between equity attributable to owners of the parent and non-controlling interest mainly consist of the increase in the shareholding in Gasum AS to 70% and the recognition of the call option relating to the remaining 30% of shares. The Group had already previously controlled the company. For further information, refer to 5.1 Business combinations and disposals.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand

	Note	1.1.–31.12.2018	1.1.–31.12.2017
Cash flows from operating activities			
Profit before taxes		100,554	99,884
Adjustments			
Depreciation and amortization	2.5	69,819	68,059
Finance items - net	2.8	23,614	14,286
Unrealized gains/losses from financial instruments		-2,378	3,895
Other non-cash items		2,087	-14,198
Change in working capital		33,979	46,015
Cash inflow from operating activities before financial items and taxes		227,675	217,941
Interest paid, leasing interest and other financial items		-17,113	-12,499
Received financial income		876	981
Income taxes paid		-36,788	-28,919
Cash flow from financial items and taxes		-53,026	-40,437
Net cash flows from operating activities		**174,649**	**177,504**
Cash flows from investing activities			
Investments in tangible assets		-46,090	-21,788
Investments in intangible assets		-1,898	-1,071
Investment grants received		20,605	11,718
Proceeds from sale of tangible assets		392	223
Business acquisitions and disposals net		-3,568	4,807
Increase/decrease of non-current receivables		0	130
Net cash flows from investing activities		**-30,559**	**-5,981**
Cash flows from financing activities			
Proceeds from non-current borrowings		0	1,945
Repayments of non-current borrowings*		-38,735	-124,070
Proceeds from current borrowings		0	21,327
Repayments of current borrowings		-53,158	-40,497
Increace/decrease of finance lease liabilities		-4,107	-991
Dividends paid		-32,902	-50,000
Net cash flows from financing activities		**-128,903**	**-192,286**
Net decrease/increase in cash and cash equivalents		**15,188**	**-20,763**
Cash and cash equivalents at the beginning of the period (Dec 31)		2,662	23,425
Cash and cash equivalents at the end of the period	3.8	17,850	2,662

*Includes the exercise of the 30.0% call option for Gasum AS (in the reference year 2017 the exercise of the 15.6% call option for Gasum AS).

Net debt reconciliation is presented under 4.1 Capital management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies for the consolidated financial statements

1.1. General information

Gasum Ltd is a Finnish limited liability company and the parent company of the Gasum Group ('Gasum', the 'Group' or the 'company', unless otherwise stated) domiciled in Espoo, Finland, and with its registered address in Revontulenpuisto 2 C, P.O.Box 21, FI-02151 Espoo, Finland.

The energy company Gasum is a Nordic gas sector and energy market expert. Together with its partners, Gasum is building a bridge towards a carbon-neutral society on land and at sea. Gasum imports natural gas to Finland and promotes the circular economy by processing waste and producing biogas and recycled nutrients in Finland and Sweden. The company offers energy for heat and power production, industry as well as road and maritime transport. Gasum is the leading supplier of biogas in the Nordic countries. The company has a gas filling station network that also serves heavy-duty vehicles. Gasum is also the leading liquefied natural gas (LNG) player in the Nordic market. The company continues to strengthen the position and infrastructure of LNG and supplies LNG to maritime transport, industry and heavy-duty vehicles in Finland, Sweden and Norway. Gasum also offers the most comprehensive expert services and solutions in the energy market.

Gasum Ltd is 100% owned by the State of Finland directly and through the state-owned Gasonia Oy. Copies of the consolidated financial statements are available at Gasum's head office in Revontulenpuisto 2 C, 02150 Espoo, Finland, and on the company website at www.gasum.com in Finnish and English. The consolidated financial statements of the Gasum Group are the highest level to which Gasum Ltd and its subsidiaries are consolidated.

The Board of Directors of Gasum Ltd approved these financial statements for issue at its meeting on March 8, 2019.

1.2. Basis of preparation

Gasum Ltd's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in compliance with the standards and interpretations applicable as at December 31, 2018. Accounting standards have not been applied in the consolidated financial statements before their effective date. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish accounting and corporate legislation supplementing the IFRS.

The consolidated financial statements have been prepared primarily under the historical cost convention unless otherwise indicated. Financial assets and liabilities recognized at fair value through profit or loss have been measured at fair value. The consolidated financial statements are presented in thousands of euros unless otherwise stated.

1.3. Consolidation principles

The consolidated financial statements are for the parent company and all of its subsidiaries. Subsidiaries are all such entities over which the parent company has direct or indirect control. Gasum controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. Any retained interest in any difference between the consideration and the acquired assets is goodwill. Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. The share of non-controlling interests within the equity of subsidiaries is presented separately from the equity attributable to the shareholders of the parent. The share attributable to non-controlling interests is determined at the date of acquisition as the proportionate share of the non-controlling interests in the net value of the assets acquired. Following the acquisition, the share of the non-controlling interests is the share determined in the acquisition plus the share of changes in equity attributable to those interests.

An associated company is an entity where the Group has a holding of 20–50% or over which it has significant influence. Joint venture is an arrangement where two or more parties have contractually agreed joint control of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associated companies and joint ventures have been consolidated using the equity method. Under the equity method, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture or associated company equals or exceeds its interest in the joint venture or associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the entity.

Unrealized gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

A company transferred to Gasum as an investment for no cash consideration has been consolidated into the Group. The entity in question consists of assets and liabilities which form a business function but which is not accounted for as an acquired business function. The company is consolidated into the Group using the predecessor value method in accordance with the IFRS, according to which balance sheet values at carrying values in accordance with IFRS are consolidated into the Group. Going forward, the company will apply the predecessor value to corresponding common control transactions.

FOREIGN CURRENCY ITEMS

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The determination of the functional currency requires some management judgement, but often the currency of the economic environment is clearly identifiable. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at reporting dates. Nonmonetary items are translated at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and translation of monetary items are recognized in the income statement. Foreign exchange gains and losses arising from transactions in the ordinary course of business are included in respective items above operating profit. Translation differences related to financial items are recognized in finance income and costs.

The income statements of foreign subsidiaries have been translated into euros at average exchange rates for the reporting period and their balance sheets at the exchange rate prevailing at the reporting date. The resulting translation difference as well as other translation differences arising from the translation of a subsidiary's equity are recognized in other comprehensive income. Translation differences are presented as a separate item under equity.

The Group also has companies operating in Norway and Sweden, with the euro determined as their functional currency.

1.4. New and revised standards

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2017, except for the following new standards, interpretations and amendments to existing standards that the Group has applied since January 1, 2018.

IFRS 15

IFRS 15 Revenue from Contracts with Customers. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, at the price to which the company expects to be entitled.

The Group has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018, resulting in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the new rules have been adopted retrospectively, with any impact from reclassification recognized as adjustment to opening retained earnings as at the date of initial recognition. The adoption of the standard has not, however, had a significant impact on Gasum's financial statements and there were no adjustments to opening retained earnings. The notes have been updated in accordance with the requirements of the new standard.

IFRS 9

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces IAS 39. The changes brought about by the standard cover issues including the establishment of three primary measurement categories for financial assets, measurement of investments in equity instruments, a new impairment model (expected credit losses), measurement of financial liabilities, and relaxation of hedge effectiveness requirements.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The standard contains new requirements concerning hedge accounting, which Gasum has taken into account in its notes after the adoption of hedge accounting.

Gasum has applied the standard from January 1, 2018, and the adoption resulted in changes to accounting policies and classification. The main effects resulting from the reclassification are presented in Note 4.3 Financial Instruments. The adoption of the standard did not result in adjustments to figures or retained earnings. The notes relating to financial instruments have been expanded to match the requirements of the new standard. The standard has been adopted retrospectively, but comparative information is not restated. Credit losses incurred from trade receivables have been immaterial, whereby no expected credit losses have been recognised for trade receivables.

Gasum adopted hedge accounting during the financial year. Hedge accounting is applied prospectively, which will reduce the performance volatility of derivatives included in hedge accounting in the future. As of yet, hedge accounting is only applied to a minor extent.

FORTHCOMING IFRS STANDARDS, INTERPRETATIONS AND AMENDMENTS

Several new standards, amendments and interpretations will only take effect later than in the reporting period which started on January 1, 2018, and have not been applied in the preparation of these financial statements. The following are expected to have effects on Gasum's financial statements.

IFRS 16 Leases. The standard applies to the classification of leases and will expand the requirements set for lessees as well as lessors regarding the classification of leases. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard is applied from January 1, 2019. The Group applies the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The transition will affect the balance sheet and the income statement, although the most important leases have already been classified as finance leases under IAS 17. Gasum has conducted an analysis of the impacts of the adoption of the standard, according to which the balance sheet total will increase by €55–60 million as a result of the adoption. The adoption of the standard will also affect the cash flow statement and items in the income statement. Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

IAS 19 Employee Benefits. The standard will be amended to clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendment may have minor impacts on the treatment of the Group's defined benefit pension plans.

IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation will specify and clarify the recognition and measurement of deferred and current tax assets and liabilities when there are uncertainties over tax treatments.

Other interpretations and amendments mandatory from January 1, 2018, did not have significant effects.

1.5. Critical accounting estimates and judgemental items

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates as well as management judgement in the process of applying the accounting policies when preparing financial statements. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most critical estimates and assumptions and judgemental items are discussed in more detail in the following.

PENSION BENEFITS

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The discount rate is one of the significant assumptions in determining the net cost (or net income) arising from pensions. Any changes in these assumptions will impact the carrying amount of pension obligations.

GOODWILL AND IMPAIRMENT TESTING

At December 31, 2018, Gasum had goodwill of €117.4 million (2017: €115.1 million) recorded on its balance sheet. Goodwill is tested annually or whenever there are indications of impairment. The assumptions used in impairment testing require the exercise of management judgement. The most significant discretionary assumptions are related to the terminal year growth rate and the discount rate used. Further information on the sensitivity of the recoverable amount to changes in assumptions is provided under Note 3.1 Intangible assets.

Significant assets in property, plant and equipment and in intangible assets with indefinite lives (including goodwill) are tested for impairment whenever there are indications of impairment and at least once a year. Tangible and intangible assets with finite useful lives are tested for impairment only when indications exist that their carrying value may be impaired.

The nature of the estimates depends on which business the tested assets belong to. The gas transmission business is regulated and supervised by national authorities, and the cash-flow forecasts include estimates of future developments in regulation. The most critical judgements regarding sales activities relate to future cash-flows and the discount rate.

TAXES

The Group companies are liable to income tax in Finland, Sweden and Norway. The utilization of tax losses calls for judgement on the part of management and impacts on the extent to which deferred income tax assets are recognized for these. The Group's balance sheet at December 31, 2018 includes a deferred income tax asset of €16.4 million recognized for adopted losses (2017: €9.1 million). Further information regarding taxes is presented under Note 2.9 Income tax expenses and Note 3.9 Deferred taxes.

The Group has a difference in interpretation at €6.8 million with the local authorities relating to an energy consumption tax of the LNG liquefaction plant located in Risavika, Norway. Further information is also provided in Note 3.4 Trade and other receivables. The management has exercised judgement when formulating its view that Statistics Norway's classification concerning those operators that, among other things, liquefy natural gas, would be more appropriate than the current classification designated for the company and applying to operators who, among other things, sell gas for transport. Consequently, according to the company's view, it should pay energy consumption taxes in accordance with a lower classification and therefore the taxes based on the higher classification levied for 2014–2018 have not been recognized as costs. The company's view is also supported by Norway's National Budget for 2019 according to which from January 1, 2019 tax will be collected in accordance with the lower classification from all actors that carry out natural gas liquefaction regardless of their statistical classification. Legal proceedings have been initiated concerning the difference in opinion. For more information, refer to 5.5 Legal proceedings and claims.

2 Notes to income statement

2.1. Revenue

Accounting policies

Revenue recognition

Sales revenue is recognized in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue from contracts with customers adjusted for discounts and indirect taxes is recognized as revenue. The company uses the five-step recognition model in accordance with the IFRS 15 standard when determining the recognition of sales revenue. Performance obligations are identified specifically for each contract and sales revenue is recognized when control of a good or service transfers to a customer. Accordingly, revenue is as a general rule recognized at the time of delivery in accordance with the terms and conditions of delivery. The recognition of the various performance obligations is described in greater detail below. Discounts are included in sales prices and any variable consideration is recognized in accordance with the time of recognition. In the context of gas sales, variable considerations are typically linked to various indices, whereby the variable consideration is determined on the basis of the indices applicable at any given time and is therefore known at the time of revenue recognition.

The company does not have any significant financing components or rights to return in its contracts with customers. The company does not have any non-standard payment terms.

Natural gas sales

Natural gas is transmitted via the transmission network and invoiced to customers monthly according to actual consumption. Revenue is recognized on the basis of quantities supplied as indicated by measuring equipment and the tariffs in effect at the time (Natural Gas Pricing System).

Sales revenue is recognized monthly on the basis actual invoiced unit quantities. Uncertainty relating to variable considerations is resolved each month when Gasum recognizes monthly revenue, for example, based on the price index and the volume or the quantity of services or units supplied.

Transmission sales

Gasum is the Finnish transmission network operator under the Natural Gas Market Act and obliged to maintain and develop the network. Transmission services mean the wholesale gas transmission services of Gasum Ltd, which fall under service provision. Revenue from transmission services is recognized to revenue on a volume basis over a specified period as the transmission services flow to the customers on a continuous basis. The transmission business is a regulated activity and its rate of return is based on the current replacement cost of the transmission network. The permitted rate of return is calculated annually by the Energy Authority. The company seeks to generate the permitted rate of return using tariffs based on forecasted transmission volumes. Deviations in the rate of return for a financial year result in the rate of return being above/below the permitted rate, which is balanced over the current or following four-year period by adjustments to pricing. The current regulatory period ends in 2019.

In accordance with the IFRS 15 standard, natural gas transmission is inseparable from natural gas sales even though these are identified performance obligations. Customers cannot obtain only one performance obligation without the other one, which is why these are treated in revenue recognition as one performance obligation.

Sales of liquefied natural gas (LNG)

Liquefied natural gas (LNG) is invoiced to customers according to deliveries and revenue is recognized on the basis of the time of delivery. The time of delivery varies customer-specifically according to the terms and conditions of their respective contracts. In addition to gas, LNG sales may also contain other performance obligations, including terminal and delivery services. Revenue from terminal services is recognized over time and revenue from delivery services once the service has been performed.

Gasum has control of the LNG until the time of delivery. LNG sales revenue is recognized when control is transferred to the customer. LNG sales agreement types include several fixed and variable considerations and pricing models. At the time of invoicing, however, pricing is fixed as any uncertainty relating to considerations is resolved every month on the basis of, for example, updated indices.

Sales revenue from contracts with a Take-or-Pay clause is not recognized before the customer exercises its remaining rights as regards any undelivered quantities. However, sales revenue is recognized when the likelihood of the customer exercising its remaining rights becomes very remote. If Gasum expects to be entitled to a penalty, the amount of expected penalty is recognized in proportion to the rights exercised by the customer.

Biogas sales

Biogas is transmitted via the transmission network and invoiced to customers monthly according to actual consumption. Revenue from biogas sales is recognized on the basis of quantities delivered as reported by the metering systems. The transaction price is fixed at the time of monthly invoicing, whereas variable considerations are determined on the basis of indices.

Waste processing

The price of the waste processing service includes variable considerations, such as the proportion of dry solids in waste, and annual incentives. At the time of monthly invoicing, however, the price is fixed. The effects of annual incentives on sales revenue are confirmed during the year. The effect of incentives is not projected in the recognition of sales revenue as the impacts are immaterial.

In the waste processing service, the customer at the same time receives and consumes the benefits of the service provided by Gasum. Revenue from the waste management service is recognized over a period of time and, because the timing difference is not significant, sales revenue is recognized at the time of receiving waste.

Energy market services

Energy market services cover electricity market portfolio management and brokering services, market analyses, balance services in the wholesale physical electricity market, control room services for electricity balance risk management, demand-side management services for electricity consumption optimization, energy market software solutions, Guarantees of Origin services for electricity, and expert services for emissions trading.

Customers can choose which of the above services they buy, whereby they are treated as separate performance obligations. Because Gasum has control of the performance obligations until their transfer, it acts as a principal in accordance with IFRS 15 and applies the no-netting principle to the revenue recognition of performance obligations.

Sales of technical services

Revenue from servicing and maintenance services is recognized to revenue once the service has been provided and when it is probable that economic benefits of the service will flow to Gasum.

Participation and connection fees

Gasum's customers pay participation and connection fees when connecting to the transmission network. Participation fees are recognized to revenue over the expected life of the customer contract based on Gasum's accumulated experience. Connection fees are recognized to revenue when there is reasonable certainty that the related economic benefits will flow to Gasum.

Trade receivables relating to sales revenue are presented in Note 3.4 Trade and other receivables. Contract liabilities are presented in Note 3.6 Trade and other current payables.

€ thousand

Revenue by business unit	2018	2017
Natural gas*	874,887	678,743
LNG	251,984	195,186
Biogas	48,697	47,937
Other	1,880	3,121
Total	**1,177,448**	**924,987**

*The excise duty of €66.8 million (2017: €59.5 million) included in the selling price of gas delivered for taxable use has been recognized in revenue. The revenue of the Natural Gas business unit also includes the revenue of the energy market services acquired during the financial year.

€ thousand

Revenue by region	2018	2017
Finland	926,226	724,620
Other countries	251,222	200,367
Total	**1,177,448**	**924,987**

2.2. Other operating income

Accounting policies

Insurance recovery

Insurance recovery is recognized when there is a reasonable assurance that the compensation will be received. Insurance recovery is recognized in the income statement under other operating income in the same reporting period as the corresponding costs incur.

Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to costs are recognized under other operating income in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the acquisition of property, plant and equipment are deducted from the cost of the asset and recognized in the income statement by deducting the depreciation for the respective asset. Investment subsidy (yet to be received) related to unfinished investments is recognized where there is a reasonable assurance that the subsidy will be received and corresponding costs have incurred. Subsidy is recognized as current or non-current receivables and as reduction of unfinished investments.

€ thousand

Other operating income	2018	2017
Rental income	323	359
Gains on sale of tangible assets	445	509
Gains from derivative financial instruments	4,861	2,726
Other income	7,302	19,754
Total	**12,931**	**23,348**

Other income includes production subsidies received by biogas plants and insurance recovery. Other income for the reference year includes gains on the sale of the local distribution network gas sales business.

2.3. Materials and services

€ thousand

Materials and services	2018	2017
Total materials and supplies*	894,764	663,219
External services	14,350	15,311
Total	**909,114**	**678,530**

*The excise duty included in the purchase price of gas delivered for taxable use, €68.9 million (2017: €61.0 million), has been recognized in purchases.

2.4. Personnel

€ thousand

Personnel expenses	2018	2017
Salaries and remunerations	32,224	30,657
Pension expenses - defined contrabution plans	4,552	4,405
Pension expenses - defined benefit plans	445	454
Statutory employer's contributions	2,896	2,935
Total	**40,117**	**38,452**

€ thousand

CEO's and Members of the Board of Directors' salaries and remunerations	2018	2017
CEO's	582	508
Members of the Board of Directors	220	196
Total	**802**	**704**

PERSONNEL ON AVERAGE

Personnel on average	2018	2017
White collar	331	277
Blue collar	115	118
Personnel on average	**446**	**395**

TOTAL PERSONNEL AT THE END OF PERIOD

Total personnel at the end of period	2018	2017
White collar	325	284
Blue collar	109	125
Total personnel at the end of period	**434**	**409**

2.5. Depreciations and amortization

Accounting policies

Depreciation and amortization

Items are depreciated straight-line over their estimated useful lives. Land and water areas are not depreciated.

The estimated useful lives are:

- Software 3–5 years
- Customer relationships 10–25 years
- Natural gas transmission network 40–65 years
- Terminal-related pipelines 25 years
- Terminal-related buildings and structures 40–52 years
- Terminal-related tanks 40 years
- Other buildings and structures 30-40 years
- Filling stations 15–25 years
- Production plant machinery and equipment 25 years
- Other machinery and equipment 3–25 years

€ thousand

Depreciation and amortization	2018	2017
Depreciation of buildings and structures	23,305	24,782
Depreciation of machinery and equipment	24,361	21,331
Depreciations of other tangible assets	3,388	1,969
Depreciation of tangible assets	51,053	48,083
Amortization of intangible assets	7,017	6,880
Impairment*	11,748	13,097
Total	**69,819**	**68,059**

*Impairment in the 2018 financial year consisted mainly of the write-off of the LNG liquefaction plant located in Porvoo, Finland.

2.6. Other operating expenses

€ thousand

Other operating expenses	2018	2017
Rents	5,854	6,179
Maintenance costs	6,549	6,247
External services	15,691	12,405
Loss from derivative financial instruments	2,947	8,672
Other	16,262	15,482
Total	**47,303**	**48,985**

The item 'Other' contains other normal operating expenses.

2.7. Audit fees

€ thousand

Audit fees	2018	2017
Statutory fees	264	288
Audit opinions	20	21
Tax services	104	97
Other services and fees	18	171
Total	**406**	**577**

2.8. Finance income and finance costs

€ thousand

Finance income	2018	2017
Foreign exchange gains	3,487	4,528
Realized and unrealized results from interest rate derivatives	210	965
Other finance income*	854	8,404
Total	**4,551**	**13,897**

*During the 2017 reporting period, Gasum acquired a further holding in the shares of Gasum AS, and the related cancellation of an option liability resulted in a gain of €7.4 million.

€ thousand

Finance costs	2018	2017
Interest expenses on finance loans	3,844	5,091
Foreign exchange losses	7,843	16,981
Finance lease interests	10,507	4,825
Realized and unrealized results from interest rate derivatives	3,004	109
Other finance costs	2,967	1,177
Total	**28,165**	**28,183**
Net finance income and costs	**-23,614**	**-14,286**

2.9. Income tax expenses

Accounting policies

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Temporary differences arise from issues including depreciation differences, provisions, defined benefit pension plans and confirmed losses.

€ thousand

Income tax expenses	2018	2017
Current tax	30,970	31,933
Taxes for previous periods	429	177
Change in deferred taxes	-14,094	-13,426
Total	**17,305**	**18,685**

Income taxes recognized in the consolidated income statements differ from the income taxes calculated using the Finnish corporation tax rate as follows:

€ thousand

Income tax expenses	2018	2017
Profit before income tax	100,554	99,884
Mathematical tax based on Finland's corporate tax rate	20,111	19,977
Effect of different tax rates applied to foreign subsidiaries	225	485
Tax exempt income	-21	-1,414
Non-deductible expenses	236	552
Recognition of previously unrecognized tax losses	-4,882	0
Unrecognised deferred tax receivables on losses	1,680	1,916
Taxes for previous periods	429	177
Effect of tax rate change (in Norway)	-1,038	-1,217
Permanent differences	-202	-226
Differences in tax rate due to functional currency	156	-1,806
Other items	609	242
Total	**17,305**	**18,685**
Effective tax rate	17.2%	18.7%

The Government of Norway has adopted a tax rate change from 23% to 22% for 2019. The deferred taxes on the balance sheet have been calculated in accordance with the new tax rate.

The impacts of other taxes relating to components of other comprehensive income are as follows:

€ thousand

The tax charge / credit relating to components of other comprehensive income is as follows:	2018 Before tax	2018 Tax charge (-) / credit	2018 After tax	2017 Before tax	2017 Tax charge (-) / credit	2017 After tax
Remeasurements of post-employment benefits	385	-77	308	-89	18	-71
Cash flow hedges	-2,684	537	-2,147	0	0	0
Other comprehensive income	**-2,299**	**460**	**-1,839**	**-89**	**18**	**-71**

3 Capital employed

3.1. Intangible assets

Accounting policies

Intangible assets

Intangible rights consist primarily of patents and licenses as well as value allocated to customer accounts from business combinations. Other long-term expenditures include compensatory allowances to landowners for the expropriation of long-term usufructs for the accommodation of natural gas pipelines as well as for other restrictions of land usage arising from natural gas pipelines.

Intangible assets are recognized at cost if the cost of the item can be measured reliably and it is likely that future economic benefits associated with the item will flow to the Group. Assets are amortized over their estimated useful lives. The assets' residual values, useful lives and amortization method are reviewed at a minimum at the end of each reporting period and adjusted, if appropriate, to reflect changes in the expected economic benefits. Compensatory allowances to landowners are accounted for as intangible assets with an indefinite useful life. They are not subject to amortization and are tested annually for impairment.

The estimated useful lives are:

- Software 3–5 years
- Customer relationships 10–25 years

Impairment

Intangible assets with finite useful lives are tested for impairment only when indications exist that their carrying value may be impaired. Recoverable amount is additionally assessed annually for the following asset classes regardless of whether indications of impairment exist: goodwill, intangible assets with indefinite useful lives, and intangible assets in progress. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. Impairment loss recognized for other assets is reversed in case there is a material change in the estimates used for assessing the recoverable amount.

RECONCILIATION OF INTANGIBLE ASSETS

€ thousand

2018	Goodwill	Intangible rights	Other long-term expenditure	Total
Cost at January 1	115,119	103,789	32,901	251,809
Additions	0	6	1,881	1,887
Disposals	0	-10	-1,669	-1,679
Businesses acquired	2,479	10,019	1,116	13,614
Reclassifications	0	51	1,511	1,562
Changes in exchange rates	-193	-90	0	-283
Cost at December 31	**117,405**	**113,765**	**35,740**	**266,910**
Accumulated amortization at January 1	0	16,148	18,871	35,019
Amortization	0	4,769	2,248	7,017
Amortization for the period	0	0	281	281
Disposals	0	-10	-1,669	-1,678
Reclassifications	0	30	-30	0
Accumulated amortization at December 31	**0**	**20,937**	**19,702**	**40,639**
Net book value at January 1, 2018	115,119	87,641	14,029	216,790
Net book value at December 31, 2018	117,405	92,828	16,038	226,271

€ thousand

2017	Goodwill	Intangible rights	Other long-term expenditure	Total
Cost at January 1	116,596	101,295	32,246	250,137
Additions	0	42	1,029	1,071
Disposals	0	-29	-590	-620
Businesses acquired	0	2,560	0	2,559
Businesses disposed	0	0	-203	-203
Reclassifications	0	0	420	420
Changes in exchange rates	-1,477	-78	0	-1,555
Cost at December 31	**115,119**	**103,789**	**32,901**	**251,809**
Accumulated amortization at January 1	0	11,589	17,125	28,714
Amortization	0	4,564	2,316	6,879
Disposals	0	-29	-539	-568
Reclassifications	0	31	-31	0
Change in exchange rates	0	-7	0	-7
Accumulated amortization at December 31	**0**	**16,148**	**18,871**	**35,019**
Net book value at January 1, 2017	116,596	89,706	15,121	221,423
Net book value at December 31, 2017	115,119	87,641	14,029	216,790

GOODWILL

Accounting policies

Goodwill

The acquisition method of accounting is used to account for business combinations. Goodwill is recognized at the excess of cost over the Group's share of the acquisition-date fair value of the net identifiable assets of the acquired subsidiary. Goodwill is measured at original cost less impairment. Goodwill is tested annually and whenever there are indications of impairment. Towards this end, goodwill is allocated to cash-generating units (CGU). Any negative goodwill is recognized immediately. Any impairment of goodwill recognized is not reversed.

ALLOCATION OF GOODWILL

Based on the management system at Gasum, the lowest level monitored by management is the business unit. In the Gasum Group, goodwill is allocated to cash generating units (CGU), which correspond to business units in the Gasum Group.

€ thousand

Goodwill	2018	2017
CGU: LNG business unit	114,926	115,119
CGU: Natural gas business unit	2,479	-
Total	**117,405**	**115,119**

In August 2018, Gasum acquired the shares of Gasum Consulting Oy, Gasum Portfolio Services Oy and Intstream Oy. These are part of the Energy Market Services business operating under the Natural Gas business unit in the Gasum organization. Figures for the acquired companies have been consolidated into the Gasum Group as of the beginning of September. The figures used in purchase price allocation are provisional, and the method of accounting and amount of goodwill may be specified further during the 12-month review period following the date of acquisition. The final goodwill related to the acquisition will be tested for the first time during the 2019 financial year.

RECONCILIATION OF GOODWILL

€ thousand

Reconciliation on Goodwill	At December 31, 2018	At December 31, 2017
Net book value at January 1	115,119	116,596
Additions	2,479	0
Translation differences	-193	-1,477
Net book value at December 31	**117,405**	**115,119**

IMPAIRMENT TESTING

Goodwill is subjected to impairment testing whenever there are indications of impairment and always at least once a year. If any such indications exist, the recoverable amount of the respective asset is assessed. An impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying value exceeds its recoverable amount. The useful life of the asset is reviewed in connection with recognition of impairment losses. Prior impairments of assets other than goodwill are reversed in case there has been a change in the estimates used for assessing the recoverable amount.

Recoverable amounts are based on management estimates of future cash flows at the cash generating unit (CGU) level and forecast cash flows prepared concerning them. In impairment testing, the recoverable amount is based on value-in-use calculations (expected future net cash flows derived from the asset or CGU in question discounted to net present value). The forecast period is five years and the terminal value has been determined on the basis of the final year. Cash flows beyond the forecast period are extrapolated using a long-term estimated growth rate of 2%, which is judged suitable to the Group's growing LNG business in the Nordic countries. The forecast business volumes are based on the current structure including investments that have already been started.

Future cash flows have been discounted by using Weighted Average Cost of Capital (WACC), a reflection of the market view of the time value of money and the risks associated with the sector. The pre-tax discount rate is applied. The parameters used to determine the discount rate (risk-free interest rate, risk factor, risk premium and capital structure) are based on observed factors of oil and gas businesses engaging in equivalent or rival business operations and on the market conditions prevailing at the end of 2018.

Any impairment is recognized as an expense in the income statement. Goodwill impairment losses are not reversed. There were no impairments of goodwill during the 2018 and 2017 reporting periods.

SENSITIVITY ANALYSES

Sensitivity analyses for key assumptions – discount rate, EBITDA development and residual value growth factor – were performed in connection with impairment testing. The key variables in the calculations are a change of two percentage points in the discount rate, poorer than estimated development of EBITDA, and decline of two percentage points in growth in the period beyond the forecast period. On the basis of the sensitivity analyses, the probability of impairment losses on goodwill is very low. Examined individually, foreseeable changes in no key variable would lead into a situation where the recoverable amount would be below the carrying value and result in the recognition of an impairment loss.

Discount rate used (pre-tax)	2018	2017
CGU: LNG business unit	7.01%	7.12%

3.2. Tangible assets

Accounting policies

Property, plant and equipment

Property, plant and equipment (PPE) items consist primarily of gas transmission and distribution networks as well as related installations and buildings, LNG distribution terminals and liquefaction plants, biogas production plants as well as other machinery and equipment. PPE items are recognized at historical cost less depreciation and impairment charges.

The cost includes expenditure that is directly attributable to the acquisition, construction and production of the item of PPE and capitalized borrowing costs arising from these. In addition, the cost includes any estimated costs arising from obligations to dismantle, remove and restore the items of PPE. The cost for self-constructed assets include material costs, directly attributable employee benefit costs and other directly attributed costs arising from development to completion for the intended use. In case an item of PPE consists of multiple assets with different useful lives, each asset is accounted and measured as separate item of PPE. Any replacement costs are capitalized and remaining value in the balance sheet at the date of replacement is derecognized.

Costs incurred subsequently to add to, replace part of or service an item of PPE are included in the item's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of servicing, i.e., repair and maintenance costs, are recognized in profit or loss as incurred. Grants received are recognized as reductions of the cost where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Items are depreciated straight-line over their estimated useful lives. Land and water areas are not depreciated. The estimated useful lives are:

- Natural gas transmission network 40–65 years*
- Terminal-related pipelines 25 years
- Terminal-related buildings and structures 40–52 years
- Terminal-related tanks 40 years
- Other buildings and structures 30-40 years
- Filling stations 15–25 years
- Production plant machinery and equipment 25 years
- Other machinery and equipment 3–25 years

(*) Not applicable to cushion gas accounted for as an item of PPE which is depreciated only when the expected residual value is lower than the acquisition cost or carrying value at reporting date. Cushion gas means the smallest volume of gas required for flawless gas transmission delivery.

The assets' residual values, useful lives and amortization method are reviewed at a minimum at the end of each reporting period and adjusted, if appropriate, to reflect changes in the expected economic benefits. Recognition of depreciations is commenced when the asset is ready for its intended use.

Impairment

Tangible assets with finite useful lives are tested for impairment only when indications exist that their carrying value may be impaired. Recoverable amount is additionally assessed annually for the following asset classes regardless of whether indications of impairment exist: tangible assets with indefinite useful lives, and intangible assets in progress. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. Impairment loss recognized for other assets is reversed in case there is a material change in the estimates used for assessing the recoverable amount.

RECONCILIATION OF TANGIBLE ASSETS

€ thousand

2018	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at January 1	5,285	950,709	440,251	42,444	20,356	1,459,046
Additions*	233	1,201	70,625	942	43,796	116,797
Disposals	-79	-7,805	-11,104	-513	-1,105	-20,606
Businesses acquired	0	0	0	0	19,454	19,454
Reclassifications	0	16,820	-6,729	1,871	-13,525	-1,562
Adjustments	-1,561	-1,787	0	0	-949	-4,297
Changes in exchange rates	-41	-1,083	-2,317	-77	-10	-3,528
Cost at December 31	**3,837**	**958,055**	**490,726**	**44,667**	**68,019**	**1,565,304**
Accumulated depreciation at January 1	0	360,053	135,322	6,577	7,311	509,263
Depreciation	0	23,305	24,361	3,388	0	51,054
Impairment	0	6,768	4,510	0	189	11,467
Disposals	0	-7,699	-11,016	-513	0	-19,228
Reclassifications	0	-163	163	0	0	0
Changes in exchange rates		-84	-166	-38	0	-288
Accumulated depreciation at December 31	**0**	**382,180**	**153,174**	**9,414**	**7,500**	**552,268**
Net book value at January 1, 2018	5,285	590,656	304,929	35,868	13,045	949,783
Net book value at December 31, 2018	3,837	575,875	337,552	35,254	60,519	1,013,036

*The largest individual addition to PPE is Coral EnergICE, a vessel leased under a finance lease. The cash flow effect of the arrangement is presented in the cash flow statement under Interest paid, lease interest rates and other financial items and under Increase/Decrease in finance lease liabilities.

€ thousand

2017	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Cost at January 1	5,808	992,796	359,641	41,499	33,133	1,432,878
Additions	34	6,124	43,756	582	6,493	56,989
Disposals	-1,552	-53,474	-5,164	-87	0	-60,277
Businesses acquired	1,014	6,163	39,745	0	145	47,067
Businesses disposed	0	-2,698	1,431	0	0	-1,268
Reclassifications	0	8,987	9,898	1,033	-19,391	527
Changes in exchange rates	-19	-7,188	-9,055	-582	-25	-16,869
Cost at December 31	**5,285**	**950,709**	**440,251**	**42,444**	**20,356**	**1,459,046**
Accumulated depreciation at January 1	0	376,229	117,334	4,660	7,311	505,534
Depreciation	0	24,782	21,331	1,970	0	48,082
Impairment	0	13,097	0	0	0	13,097
Disposals	0	-54,550	-2,687	-52	0	-57,290
Reclassifications	0	575	-575	0	0	0
Changes in exchange rates	0	-80	-81	0	0	-161
Accumulated depreciation at December 31	**0**	**360,053**	**135,322**	**6,577**	**7,311**	**509,263**
Net book value at January 1, 2017	5,808	616,567	242,307	36,839	25,822	927,343
Net book value at December 31, 2017	5,285	590,656	304,929	35,868	13,045	949,783

Accounting policies

Leasing contracts in which the Group is lessee

Leases of property, plant and equipment (PPE) in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The PPE acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. Each lease payment is allocated between the liability and finance cost to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Variable leases are recognized as expenses during the periods they are incurred. Leasing liabilities for financial leases are included in non-current or current interest-bearing liabilities on the basis of their maturity terms.

The Group's LNG transport carriers are classified as finance leases when the term of the lease covers the majority of the vessel's useful life. Carriers classified as finance leases are typically leased for a period of 20–25 years. Leases where a substantial portion of the risks and rewards of ownership is retained by the lessor are accounted for as operating leases and charged to profit or loss on a straight-line basis over the period of the lease.

Machinery and equipment include the following amounts where the Group is a lessee under a finance lease:

€ thousand	2018	2017
Cost of capitalized finance lease at December 31	150,698	83,394
Accumulated depreciation and impairment at December 31	19,709	13,351
Net book value at December 31	**130,989**	**70,043**

The Group's finance leases consist of carriers and trailers used for LNG transportation and of office machinery and equipment. The lease period is 20–25 years for the carrier vessels, 8 years for the trailers and 3–5 years for the office equipment.

3.3. Share of investments consolidated using the equity method

Accounting policies

Joint ventures and associated companies

Associated companies and joint ventures have been consolidated using the equity method. Under the equity method, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture or associated company equals or exceeds its interest in the joint venture or associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the entity.

Joint ventures and associated companies 31.12.2018	Country of corporation	% of ownership interest	Measurement method	
Manga LNG Oy	Finland	25.0	Equity method	Joint venture
Hirthals LNG A/S	Denmark	50.0	Equity method	Joint venture
Green LNG A/S	Denmark	33.3	Equity method	Associated company
Vadsbo Biogas AB	Sweden	50.0	Equity method	Joint venture

€ thousand

Interests in joint ventures	2018	2017
Net book value at January 1	10,510	10,398
Share of the period's profit	143	-139
Increases	0	972
Decreases	-136	-721
Change in exchange rates	14	0
Net book value at December 31	**10,530**	**10,510**

SUMMARIZED FINANCIAL INFORMATION FOR JOINT VENTURES

€ thousand	Non-current		Current		Revenue	Profit/Loss	Ownership interest
Summarized financial information for joint ventures	Assets	Liabilities	Assets	Liabilities			
2018							
Manga LNG Oy*	87,953	72,700	27,460	13,645	17,163	172	25%
Hirtshals LNG A/S	2,279	0	66	4	0	132	50%
Green LNG A/S**	-	-	-	-	-	-	33%
Vadsbo Biogas AB	3,164	1,703	1,047	802	1,182	2	50%
Total	**93,396**	**74,403**	**28,573**	**14,451**	**18,345**	**306**	

*Manga LNG Ltd forms a Group together with its subsidiary. The figures presented are Group figures.

**As of the date of the consolidated financial statements of Gasum Ltd at December 31, 2018, the financial information of GreenLNG A/S was not yet available. This had no material effect on the consolidated financial statements of Gasum Ltd at December 31, 2018.

€ thousand	Non-current		Current		Revenue	Profit/Loss	Ownership interest
Summarized financial information for joint ventures	Assets	Liabilities	Assets	Liabilities			
2017							
Manga LNG Oy	28,761	2,269	4,805	1,432	912	100	25%
Hirtshals LNG A/S	2,410	0	21	5	0	-153	50%
Green LNG A/S*	-	-	-	-	-	-	33%
Vadsbo Biogas AB	3,607	2,310	545	673	1,258	3	50%
Total	**34,778**	**4,579**	**5,371**	**2,110**	**2,170**	**-50**	

*As of the date of the consolidated financial statements of Gasum Ltd at December 31, 2017, the financial information of GreenLNG A/S was not yet available. This had no material effect on the consolidated financial statements of Gasum Ltd at December 31, 2017.

3.4. Trade and other receivables

Accounting policies

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized at invoiced amounts and impairment is recognized if there is objective evidence that an impairment loss has incurred.

The fair values of trade and other receivables equal their carrying amount. The maximum exposure to credit risk is the carrying value of each receivable. Credit losses incurred from trade receivables have been immaterial, whereby no expected credit losses have been recognised for trade receivables.

€ thousand

Trade and other receivables	2018	2017
Trade receivables	173,784	126,827
Accrued income	7,214	4,143
Recieved investment subsidies	30,748	0
Other receivables	11,406	8,908
Total	**223,152**	**139,878**

Other receivables include a receivable of €6.8 million relating to energy consumption tax paid in Norway. Gasum LNG Production AS pays energy consumption tax in Norway on the basis of a classification relating to the company's activities. The company's industrial classification is determined by Statistics Norway, and the amount of tax is determined by the tax administration on the basis of this classification. The classification of the production plant has been changed retroactively since 2014, also resulting in an increase in the tax determined for the production plant.

The matter is still under consideration, and the company is of the view that the new classification is not appropriate and results in the payment of taxes that are too high in its reference group. Therefore a receivable based on the tax difference between the reclassification and the classification that in the company's view is the correct one has been recognized in the financial statements. Further information is also provided in 1.5 Critical accounting estimates and judgemental items.

The ageing analysis of trade receivables after impairment as follows:

€ thousand

Ageing analysis of trade receivables after impairment	2018	2017
Not due	159,562	123,672
Overdue by		
Less than 3 months	14,178	3,094
Over 3 months	44	60
Total	**173,784**	**126,827**

3.5. Inventories

Accounting policies

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is determined using the first-in first-out (FIFO) method and comprises all costs incurred in bringing the inventories to their present location and condition.

€ thousand

Inventories	2018	2017
Product inventories	18,997	21,339
Other inventories	1,580	6,803
Prepayments (Take-or-pay)	3,610	70,513
Total	**24,186**	**98,654**

Gasum has concluded a long-term gas supply contract under which, in addition to the contracted volumes of natural gas supply, the minimum annual volume of natural gas supplied is agreed. In case Gasum does not use the minimum annual volume of gas, Gasum will pay a prepayment for the difference, which gives Gasum the right to receive the unused amount of the agreed annual supply volume in later years. Reported under inventories are prepayments of €3.6 million (€70.5 million) as required under the contract.

3.6. Trade and other current payables

€ thousand

Current liabilities	2018	2017
Accounts payable	69,598	60,602
Contract liabilities	5,022	0
Participation fee revenue recognition liability	1,151	1,131
Other liabilities	50,460	40,428
Accruals and deferred income	44,856	16,116
Bank overdraft facility	0	23,161
Finance lease liabilities – current portion	4,427	2,415
Total	**175,514**	**143,854**

Other liabilities consist mainly of a value-added tax liability (€41.0 million). Accruals and deferred income include investment subsidy received in advance relating to the Biogas business unit's investing activities in Sweden. Contract liabilities include advance payments relating to transfers of goods taking place in the future.

The revenue recognition liability for participation fees is related to fees that customers pay when connecting to the network and which are recognized over the average life of the customer contract. The non-current portion of the revenue recognition liability is presented in Note 4.6 Other non-current liabilities.

3.7. Assets held for sale

Accounting policies

Assets held for sale

The Group has classified assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. There are no liabilities related to the assets classified as held for sale.

€ thousand

Assets held for sale	2018	2017
Assets held for sale	3,348	0
Total	**3,348**	**0**

During the 2018 financial year, the company closed down the LNG liquefaction plant located in Porvoo, Finland. A write-off of €11.1 million was recognized for the plant and in that context the remaining assets relating to the plant and land area were classified as held for sale.

There were no assets held for sale on the balance sheet at year-end 2017.

3.8. Cash and cash equivalents

Accounting policies

Cash and cash equivalents

The Group's cash and cash equivalents includes cash on hand and in bank accounts. Bank overdraft limits used are presented under other current payables on the balance sheet.

€ thousand

Cash and cash equivalents	2018	2017
Cash and cash equivalents	17,850	2,662
Total	**17,850**	**2,662**

3.9. Deferred taxes

Accounting policies

Deferred tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are not, however, recognized if they arise from the initial recognition of goodwill or undistributed earnings of subsidiaries where the difference will not materialize in the foreseeable future.

The most significant temporary differences in the Group arise from the depreciation of property, plant and equipment, from the fair valuation of derivative financial instruments, from defined benefit pension plans and from unused tax losses.

Deferred taxes are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. A deferred income tax asset is not recognized if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. The Group assesses the recognition criteria of deferred income tax assets respectively at the end of each reporting period.

Deferred income tax assets and liabilities are offset in the Group if and only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax asset and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to set off deferred income tax assets and liabilities or realize the tax receivable and pay the tax liability simultaneously on such future period during which a significant amount of deferred income tax liabilities are expected to be paid or a significant amount of deferred income tax assets are expected to be deducted.

€ thousand

Deferred income tax	2018	2017
Deferred tax assets:		
Financial instruments	2,957	1,354
Pensions and employee benefits	1,348	1,474
Adopted losses	16,411	9,070
Provisions	1,507	1,444
Fixed assets	1,289	1,755
Finance lease	3,131	2,757
Other temporary differences	142	1,300
Total	**26,786**	**19,154**
At January 1	19,154	15,755
Recognized in income statement	8,811	3,525
Recognized in other comprehensive income	-1,174	18
Translation differences	-5	-144
Book value at December 31	**26,786**	**19,154**
Netted from deferred tax liability	26,786	19,154
Total, net	**0**	**0**
Deferred tax liabilities:		
Tangible assets	70,174	66,859
Intangible assets	19,295	28,675
Financial instruments	791	154
Other temporary differences	463	387
Total	**90,722**	**96,076**
At January 1	96,076	108,412
Business acquisitions	1,873	0
Recognized in income statement	-5,283	-9,900
Recognized in other comprehensive income	-1,633	0
Translation differences	-310	-2,435
Book value at December 31	**90,722**	**96,076**
Netted from deferred tax assets	26,786	19,154
Total, net	**63,936**	**76,922**
Deferred tax assets and liabilities, net	**-63,936**	**-76,922**

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

A large share of the Group's tax liabilities is related to fixed assets. There is a time difference between taxation and accounting in the depreciation of fixed assets, resulting in deferred tax liability.

At December 31, 2018, the Group had a total of €20 million of such temporary differences for which no deferred tax asset had been recognized. These temporary differences have an indefinite expiry period.

3.10. Provisions

Accounting policies

Provisions

Provisions for environmental restoration, asset retirement obligations, restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the obligation can be made. The amount of provision is the current value of those costs that the settlement of the obligation is expected to require.

€ thousand

Provisions	2018	2017
Provisions at beginning of period	**9,959**	**9,441**
Businesses acquired	0	582
Unwinding of discount	141	141
Translation differences	-51	-205
Provisions at end of period	**10,049**	**9,959**
Of which current provisions	0	0
Of which non-current provisions	10,049	9,959

The provisions are to do with contractual terminal and plant dismantling obligations.

3.11. Post-employment benefits

Accounting policies

Post-employment benefits

The Group operates various post-employment benefit schemes, including both defined benefit and defined contribution schemes. Pension arrangements are managed through external pension and life insurance companies.

Defined contribution schemes mean pension plans under which fixed contributions are paid to a separate pension insurance company and the Group does not have any legal or constructive obligations to make further contributions on later dates. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. Statutory pension costs are expensed in the year they are incurred. Pension schemes other than defined contribution plans are defined benefit plans.

Defined benefit plans typically define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in statement of income.

Finnish statutory earnings-related pension cover is arranged through a pension insurance company and accounted for as a defined contribution plan in the consolidated financial statements. The supplementary pension scheme provided by Gasum is accounted for as a defined benefit plan.

€ thousand

Post-employment benefits	2018	2017
Balance sheet obligations for:		
Post-employment benefits	6,742	7,369
Liability in the balance sheet	**6,742**	**7,369**

€ thousand

Income statement charge included in operating profit for*	2018	2017
Defined pension benefits	445	454
Total	**445**	**454**

*The income statement charge included within operating profit includes current service cost, net interest income and expense, past service costs and gains and losses on settlement and curtailment.

DEFINED BENEFIT PLANS

Gasum operates a supplementary pension scheme which is classified as a defined benefit pension plan and is arranged with Mandatum Life Insurance Company. In the arrangement the targeted level of pension benefit is set in percent terms whereby the benefit payable is not linked to the contribution payments Gasum makes into the scheme. The scheme was closed in 1994.

€ thousand

Defined benefit pension plans	2018	2017
Present value of funded obligations	25,368	26,271
Fair value of plan assets	-18,626	-18,902
Deficit of funded plans	6,742	7,369
Liability in the balance sheet	**6,742**	**7,369**

The movement in the defined benefit obligation over the year is as follows:

€ thousand	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
At January 1, 2018	**26,271**	**18,902**	**7,369**
Current service cost	339		339
Interest expense or income (-)	386	280	106
	26,996	19,182	7,814
Remeasurements:			
Gain (-)/loss from change in demographic assumptions			0
Gain (-)/loss from change in financial assumptions	-361		-361
Experience gains (-) /losses	-345		-345
Return on plan assets, excluding amounts included in interest expense or income		-321	321
Contributions:			
Employers		687	-687
Plan participants			0
Payments from plans:			
Benefit payments	-922	-922	0
At December 31, 2018	**25,368**	**18,626**	**6,742**

The discount rate used to calculate the situation at December 31, 2018, was 1.6%, while for the year before it had been 1.5%. The change of discount rate created a gain of €361,000 for the defined benefit pension liability.

€ thousand	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
At January 1, 2017	**26,458**	**18,972**	**7,486**
Current service cost	347		347
Interest expense or income (-)	388	281	107
	27,193	19,253	7,940
Remeasurements:			
Gain (-)/loss from change in demographic assumptions			0
Gain (-)/loss from change in financial assumptions	397		397
Experience gains (-) /losses	-238		-238
Return on plan assets, excluding amounts included in interest expense or income		70	-70
Contributions:			
Employers		660	-660
Plan participants			0
Payments from plans:			
Benefit payments	-1,081	-1,081	0
At December 31, 2017	**26,271**	**18,902**	**7,369**

The significant actuarial assumptions were as follows:	2018	2017
Discount rate	1.6%	1.5%
Inflation	1.7%	1.7%
Pension growth rate	2.0%	2.0%
Wage coefficient	2.9%	2.9%

Assumptions regarding future mortality are set based on actuarial advice in accordance with mortality models for the insured under the Employees Pensions Act (K2008) as well as experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at the age of 65. Life expectancy is defined as the life span prediction of a person of a particular age and its calculation is based on the Gompertz mortality model:

Life expectancy at age 65	Male	Female
Aged 45 at balance sheet date	22.0	27.0
Aged 65 at balance sheet date	21.4	25.4

The tables below present the sensitivity analyses concerning 0.5% changes in the key assumptions, the discount rate and the wage coefficient. The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

€ thousand	Financial period ending 31.12.2018				
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation	Current service cost	Net interest
Discount rate 1.60%	25,368	18,626	6,742	256	102
Discount rate + 0.50%	23,678	17,602	6,076	239	121
Discount rate - 0.50%	27,256	19,758	7,498	276	79
Impact in percentage terms					
Discount rate 1.60%	0.0%	0.0%	0.0%	0.0%	0.0%
Discount rate + 0.50%	-6.7%	-5.5%	-9.9%	-6.8%	17.7%
Discount rate - 0.50%	7.4%	6.1%	11.2%	7.6%	-23.2%

€ thousand	Financial period ending 31.12.2018				
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation	Current service cost	Net interest
Salary growth rate 2.9%	25,368	18,626	6,742	256	102
Salary growth rate + 0.50%	25,562	18,626	6,936	263	106
Salary growth rate – 0.50%	25,179	18,626	6,552	250	100
Impact in percentage terms					
Salary growth rate 2.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Salary growth rate + 0.50%	0.8%	0.0%	2.9%	2.5%	3.0%
Salary growth rate – 0.50%	-0.7%	0.0%	-2.8%	-2.3%	-2.9%

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase the plan liabilities. If the bond yields used as bases for discount rates change, the Group may need to change the discount rates respectively. This will have an impact on the net defined benefit obligation as well as the amount of remeasurements recognized in other comprehensive income.

INFLATION RISK

Some of the Group's defined benefit obligations are linked to inflation, and higher inflation will lead to higher defined benefit obligations. If the development of employer productivity lags behind inflation, the acceleration of inflation may increase the deficit of defined benefit plans.

The expected maturity analysis of undiscounted pension benefits is as follows:

December 31, 2018	Less than a year	Between 1–5 years	Between 5–10 years	Over 10 years	Total
Pension benefits	1,031	4,821	5,487	19,208	30,547
Total	**1,031**	**4,821**	**5,487**	**19,208**	**30,547**

4 Capital structure

4.1. Capital management

The Group aims to support profitable growth with an efficient capital structure the management of which is based on assessments of the Group's material risks. Changes in capital structure result from investments in business operations and dividend payments to the owner.

The following table presents Gasum's net debt and gearing, which the company monitors as part of its capital management. The Group's gearing is restricted by a covenant of a borrowing facility (gearing ratio). In other respects, there is no specific target level determined for the Group's capital structure. Instead, the aim is to ensure a high credit rating and, consequently, capacity to support the business growth objectives and generate shareholder value.

€ thousand

Capital management	2018	2017
Interest-bearing liabilities	580,565	588,534
Cash and cash equivalents	-17,850	-2,662
Net debt	**562,715**	**585,872**
Total equity	664,481	590,871
Total capital	1,227,196	1,176,744
Gearing ratio	**85%**	**99%**

€ thousand

Interest-bearing liabilities	2018	2017
Loans from financial institutions	434,919	439,365
Other interest bearing liabilities	0	43,558
Finance leasing debt	145,646	82,449
Bank overdraft facility	0	23,161
Interest-bearing liabilities	**580,565**	**588,534**

For the reference year, other non-current interest-bearing liabilities include a subordinated loan to a minority shareholder. In addition, the item includes a call option liability related to the acquisition of 30% of Gasum AS. The measurement principles for the call liability are described in 5.1 Business acquisitions and disposals.

NET DEBT RECONCILIATION

The below sets out an analysis of net debt and the movements in net debt for the current period.

€ thousand

Net debt	2018	2017
Cash and cash equivalents	-17,850	-2,662
Current interest-bearing liabilities	24,234	55,300
Non-current interest-bearing liabilities	556,331	533,234
Net debt	**562,715**	**585,872**

€ thousand	Other assets	Liabilities from financing activities				
	Cash and cash equivalents	Finance leases due within one year	Finance leases due after one year	Borrowings due within one year	Borrowings due after one year	Total
Net debt as at 31 December 2016	**-23,425**	**1,359**	**45,598**	**70,480**	**514,671**	**608,683**
Cash flows	20,763	1,056	-2,047	-19,171	-122,125	-121,523
Acquisitions			36,483	1,374	35,875	73,732
Foreign exchange adjustments				202	977	1,179
Other non-cash movements*					23,801	23,801
Net debt as at 31 December 2017	**-2,662**	**2,415**	**80,034**	**52,885**	**453,200**	**585,872**
Cash flows	-15,188	2,012	-6,119	-53,158	-38,735	-111,189
Acquisitions			67,304		25,000	92,304
Foreign exchange adjustments				-88	-681	-769
Other non-cash movements*				20,168	-23,673	-3,504
Net debt as at 31 December 2018	**-17,850**	**4,427**	**141,219**	**19,808**	**415,111**	**562,715**

* Mainly includes transfers between non-current and current borrowings in 2018. For the reference year, a change in debt arising from the recognition of the call option for shares in a subsidiary is presented under other movements.

4.2. Finance risk management

The purpose of the Gasum Group Commodity and Treasury Policy is to identify and analyze the Group's risks and establish the appropriate risk level and controls. Risk controls are employed to monitor risks and supervise that the limits set by the risk management policy are not crossed. The risk management policy is regularly assessed to ensure it responds to any changes in market conditions or Group functions.

The Group and its operations are exposed to operational as well as financial risks. Operational risks relating to Gasum's business include risks relating to the market price development of oil and gas products. In addition, business functions acquired involve risks relating to their business development. Financial risks include interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. The Group's risk management is carried out by the Group's financial unit together with business planning and business units.

COMMODITY DERIVATIVES AND RISKS

Commodity derivatives are used to hedge the Group's outstanding commodity position relating to sales activities as well as price risk relating to electricity sourcing. The nominal values of the outstanding commodity derivatives totaled €90.7 million at the year-end (2017: €9.9 million). The fair values of commodity derivatives are based on quotes at the reporting date.

The Group's commodity risks are managed with a commodity risk management policy that sets the limits for commodity risks. The policy steers towards closing outstanding sell and buy positions. Outstanding positions might arise from imbalance in sales and procurement volumes, price index or grounds for pricing.

As a general rule, the pricing of the Group's gas supply contracts reflects developments in the international market prices of gas. In the Natural Gas unit, the supply price of gas is linked to indices based on energy and cost development. In the 2018 reporting period, the indices applied to natural gas sales prices were the same as those applied to gas procurement, whereby there was no outstanding commodity risk.

In the LNG business, the sourcing of gas is mainly linked to gas indices, with the same index linkages mostly also used in the sales agreements of the LNG business. The Group has hedged the risk arising from purchase and sales contract structuring with commodity derivatives. When selling LNG under fixed-price supply agreements, Gasum hedges outstanding price positions with community derivatives. If there are risk components in a purchase or sales contract other than commodity market risk components, hedging is not applied to them.

The gas businesses consume significant amounts of electricity in their processes, resulting in price risk when there are changes in the price of electricity. Electricity hedging has therefore taken place in the Group with derivatives.

The Group has applied hedge accounting to commodity derivatives since the period under review, primarily to hedge against the commodity risk arising from purchase and sales agreements of the LNG business. Ineffectiveness is not expected to arise because the instruments match the purchase and sales agreements both in terms of their market risk component as well as their maturities. The nominal value of commodity derivatives included in hedge accounting was €80.2 million at the date of the financial statements (2017: €0.0 million). The nominal value of commodity derivatives not included in hedge accounting was €10.5 million at the date of the financial statements (2017: €9.9 million).

SENSITIVITY ANALYSES FOR COMMODITY RISK

Sensitivity analyses for significant commodity risks are presented in the following table. In the calculation of commodity price risk, the position includes outstanding derivatives with external counterparties. The impact in euros of the increase or decrease in the price of each commodity on the Group's income statement after tax is presented in the table below. The figures are based on the assumption that there has been a 10% increase/decrease in commodity price while all other variables have been held constant. The figures do not present the real impact on the Group's income statement because they do not include the mirror fair value change of the hedged item.

	31.12.2018	31.12.2017
Impact of 10 % increase in gas price on the profit for the period and hedge reserve	-0.7 mill.	0.1 mill.
Impact of 10 % decrease in gas price on the profit for the period and hedge reserve	0.7 mill.	-0.1 mill.

INTEREST RATE DERIVATIVES AND RISKS

Interest rate derivatives are used to hedge against the interest rate risk of the Group's borrowings based on variable interest rates. As at December 31, 2018, the nominal values of the outstanding interest rate derivatives were €408.7 million (2017: €668.4 million). Gains and losses on interest rate swaps are recognized in the consolidated income statement as financial items. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on market-priced yield curves. The Group's interest rate risk is managed with the Treasury Policy, which sets the minimum and maximum limits for interest rate hedges in proportion to loans.

The Group's business is capital intensive. The current long- and short-term portfolio consists of bank financing. All loans are euro-denominated. Primary methods employed to finance seasonal fluctuations in working capital are internal financing, working capital management, commercial papers and overdraft facilities.

Of the Group's debt to financial institutions, 100% is based on variable interest rates, resulting in interest price risk for the Group (2017: 98%). Gasum strives to reduce the fluctuation of interest expenses in the statement of income by using derivative financial instruments to hedge some of its interest payments within the limits set by the Treasury Policy. Interest rate caps and floors and forward-start interest rate swaps have been used as hedging instruments for the variable interest rates paid by the Group on borrowings. This may result in differences between borrowings and derivative nominal values. The Group did not apply hedge accounting to interest rate derivatives in 2018. Strategies for interest-rate risk management are continuously developed in order to find an optimal ratio between risks and hedging expenses. The funding has been raised for the parent entity as well as subsidiaries.

At December 31, 2018, Gasum's interest-bearing liabilities totaled €580.6 million (2017: €588.5 million). Interest-bearing liabilities include borrowings from financial institutions and finance lease liabilities.

The average duration of Gasum's debt portfolio at the end of 2018 was 1.7 years (2017: 2.2 years).

The interest rate risk of the Group's borrowings based on variable interest rates is as follows:

€ thousand

31.12.2018	Loans from financial institutions	Floating rate debt	Fixed rate debt	Derivative contract
Nominal value	434,919	434,919	0	408,717

€ thousand

31.12.2017	Loans from financial institutions	Floating rate debt	Fixed rate debt	Derivative contract
Nominal value	439,365	429,365	10,000	668,417

SENSITIVITY ANALYSES FOR INTEREST RATE RISK

Interest rate sensitivity is analyzed by presuming an increase of one percentage point in market rates and examining its impact on Group performance. The impact on performance arises from the interest rate risk over the next 12 months on borrowings and from current changes in the fair value of interest rate derivatives. All borrowings and interest rate derivatives at period-end are included in the calculation. The impact of taxes is excluded from the sensitivity analysis.

Sensitivity to interest rate risk, €	31.12.2018	31.12.2017
Impact on profit/loss of increase of 1 percentage point in market interest rates	3.1 mill.	6.1 mill.
Of which the impact of interest expenses of borrowings	-4.2 mill.	-4.5 mill.
Of which changes in the market value of interest rate derivatives	7.3 mill.	10.6 mill.
Impact on profit/loss of decrease of 1 percentage point in market interest rates	-3.5 mill.	-7.0 mill.
Of which the impact of interest expenses of borrowings	4.2 mill.	4.5 mill.
Of which changes in the market value of interest rate derivatives	-7.7 mill.	-11.5 mill.

CURRENCY DERIVATIVES AND FOREIGN CURRENCY RISKS

Currency derivatives are used to hedge against foreign currency transaction risk arising at the Group's foreign subsidiaries. At December 31, 2018, the nominal values of the outstanding currency derivatives totaled €150.5 million (2017: €141.4 million). The fair value of currency derivatives is calculated on the basis of observable forward prices and volatilities of currencies.

The Group's foreign currency risk is managed with the Treasury Policy, which sets the minimum and maximum limits for hedging relationships. The Group's operating cash flows are primarily denominated in euro. In addition, in the Group's Norwegian and Swedish subsidiaries the functional currency of which is euro, expenses are incurred in local currencies that are not netted against corresponding currency-denominated revenues. These expenses expose the Group to foreign currency risk, which is hedged with currency derivatives. Gasum did not apply hedge accounting to currency derivatives in 2018, whereby changes in the market value of derivative financial instruments are recognized directly in the income statement.

The euro has been determined as the functional currency of some of the Group's subsidiaries operating outside the euro area. The euro-denominated transactions of these companies do not give rise to foreign currency risk for the Group. Subsidiaries for which a local currency (NOK, SEK) has been determined as the functional currency give rise to foreign currency risk if the currency of a transaction is other than the functional currency. Foreign currency risks of subsidiaries with a local currency as their functional currency are hedged in accordance with the Treasury Policy, taking the protective effect of the foreign currency-denominated cash flows of the business into account.

The Group's foreign currency risk is presented below by currency pair. Foreign currency risk includes financial assets and liabilities in the currency pair in question, cash, external and internal borrowings, and trade receivables and payables.

Currency risk against EUR, € thousand	NOK	SEK	GBP	USD	DKK	Total
31.12.2018	253,992	90,786	-231	-908	-159	343,480
31.12.2017	288,054	77,371	-309	-598	-193	364,326

SENSITIVITY ANALYSES FOR FOREIGN CURRENCY RISK

Sensitivity to foreign currency risk has been calculated using a 10% change in rate. The most significant foreign currency risks in Gasum's business and financing relate to NOK and SEK. The impact of taxes is excluded from the sensitivity analysis.

Sensitivity to currency risk, €	31.12.2018	31.12.2017
Appreciation of NOK by 10%	19.2 mill.	23.9 mill.
Depreciation of NOK by 10%	-15.7 mill.	-14.9 mill.
Appreciation of SEK by 10%	2.5 mill.	2.6 mill.
Depreciation of SEK by 10%	-2.0 mill.	-3.0 mill.

CREDIT RISK

The Gasum Group's credit risk management process and division of responsibilities are determined in the Gasum credit policy, according to which the examination and control of credit risks is centralized under the Group Risk Management unit. According to the credit policy, the credit rating of all new counterparties is checked prior to commencing business with them and monitored regularly. Credit loss risk has been analyzed in accordance with IFRS 9. Credit losses incurred from trade receivables have been immaterial, whereby no expected credit losses have been recognised for trade receivables.

As a rule, the Group's customers have a high credit rating. The Group sold the gas retail business in early 2017, which reduced the remaining retail customer credit risk considerably. With the number of gas-fueled vehicles increasing, the significance of credit risk related to transport customers increases, although in monetary terms the risk pertaining to individual customers is low. Gasum Ltd concludes derivative financial contracts for hedging purposes only with reliable counterparties. The lowest credit rating held by any current derivatives counterparty is A+.

LIQUIDITY RISK

Liquidity risk refers to the risk relating to the Group's ability to meet its monetary obligations. Liquidity risk management seeks to ensure access to financing and low financing costs.

The Group manages the liquidity risk by maintaining a sufficient liquidity reserve. At the date of the financial statements on December 31, 2018, the company had a sufficient liquidity reserve to cover its liquidity needs, with the committed overdraft limit remaining undrawn amounting to a total of €120 million (2017: €97 million).

The Group's borrowings from financial institutions are subject to a financial covenant, specifically the gearing ratio. The covenant is reviewed on a quarterly basis. No breaches of the Group's covenant occurred during the reporting period.

The following table presents the Group's non-derivative financial liabilities and derivative financial liabilities divided into relevant maturity groupings at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The maturity of derivative financial assets is also disclosed.

Maturity of non-derivative and derivative financial liabilities:

€ thousand

At December 31, 2018	Less than 1 year	1–2 years	2–5 years	More than 5 years	Total
Loans from financial institutions	19,808	204,936	178,188	31,987	434,919
Trade payables	69,598	0	0	0	69,598
Derivative financial instruments (no hedge accounting)	2,517	1,706	2,774	0	6,997
Derivative financial instruments (included in hedge accounting)	7,160	1,007	0	0	8,167
Finance lease liabilities	4,427	4,097	13,852	123,271	145,646
Interest payments	3,564	2,762	786	100	7,212
Total	**107,074**	**214,508**	**195,601**	**155,357**	**672,539**

€ thousand

At December 31, 2017	Less than 1 year	1–2 years	2–5 years	More than 5 years	Total
Loans from financial institutions	29,724	179,674	229,501	466	439,365
Other interest-bearing liabilities	0	0	0	43,558	43,558
Trade payables	60,602	0	0	0	60,602
Derivative financial instruments (no hedge accounting)	2,826	3,754	1,629	0	8,207
Finance lease liabilities	2,415	3,262	8,152	68,620	82,449
Used bank overdraft limits	23,161	0	0	0	23,161
Interest payments	4,359	3,663	3,195	0	11,216
Total	**123,087**	**190,353**	**242,477**	**112,644**	**668,560**

Maturity of derivative financial assets:

€ thousand

At December 31, 2018	Less than 1 year	1–2 years	2–5 years	More than 5 years	Total
Derivative financial instruments (no hedge accounting)	1,276	766	0	0	2,042
Derivative financial instruments (included in hedge accounting)	5,127	357	0	0	5,483
Total	**6,403**	**1,123**	**0**	**0**	**7,526**

€ thousand

At December 31, 2017	Less than 1 year	1–2 years	2–5 years	More than 5 years	Total
Derivative financial instruments (no hedge accounting)	816	1,502	0	0	2,318
Total	**816**	**1,502**	**0**	**0**	**2,318**

4.3. Financial instruments

The Gasum Group has adopted the new IFRS 9 Financial Instruments standard from January 1, 2018. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains new guidance concerning the classification, measurement and impairment of financial instruments. The standard also contains new provisions concerning general hedge accounting. The Group has updated the classification of financial assets and liabilities, illustrated in the following table with figures for the 2017 reference year. The new classification did not affect the values. Notes concerning financial assets and liabilities have been updated to correspond to the new standard. The comparative information has been drawn up in accordance with IAS 39 and has not been adjusted to comply with the requirements of IFRS 9. This does not, however, affect the figures.

The Group measures expected credit losses relating to financial assets on the basis of historical credit losses experienced, reflecting current and forward-looking information on circumstances. Credit losses incurred from trade receivables have been immaterial, whereby no expected credit losses have been recognised for trade receivables.

Reclassification of financial instruments on adoption of IFRS 9

€ thousand

	Classification IAS 39	Classification IFRS 9	Carrying amnount (31.12.2017) IAS 39	Carrying amnount (31.12.2017) IFRS 39
Financial assets				
Other investments at fair value through the statement of income	Available-for-sale investments	Fair value through the statement of income	50	50
Derivative financial instruments (no hedge accounting)	Assets at fair value through profit and loss	Fair value through the statement of income	2,318	2,318
Trade and other receivables	Loans and receivables	Amortized cost	139,878	139,878
Other non-current receivables	Loans and receivables	Amortized cost	411	411
Cash and cash equivalents	Loans and receivables	Amortized cost	2,662	2,662
Financial liabilities				
Loans	Liabilities at amortized cost	Amortized cost	439,365	439,365
Derivative financial instruments (no hedge accounting)	Liabilities at fair value through profit and loss	Fair value through the statement of income	8,207	8,207
Trade and other current payables	Liabilities at amortized cost	Amortized cost	141,439	141,439
Other non-current liabilities	Liabilities at amortized cost	Amortized cost	47,174	47,174

Accounting policies

Financial assets

The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit or loss (or through other comprehensive income) and financial assets measured at amortized cost. The classification is based on the business model employed for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading and investments that the Group has decided not to recognize through other comprehensive income. Financial assets are classified as current unless they mature in more than 12 months after the end of the reporting period.

In addition, derivative financial instruments to which hedge accounting is not applied are classified as financial assets at fair value through profit or loss. The fair value of derivatives is determined on the basis of published price quotations. As regards commodity and foreign currency derivatives, fair value gains and losses are presented under other operating expenses/income and, as regards interest rate derivatives, under financial items.

Financial assets at amortized cost

Gasum classifies its financial assets as at amortized cost if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets classified as at amortized cost include loans and other receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables are classified as current unless they mature in more than 12 months after the end of the reporting period, which is when they are classified as non-current.

Cash and cash equivalents includes cash on hand and in bank accounts. Overdraft facilities are included in other current liabilities presented under current liabilities.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses associated with trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on historical credit losses and reflect current and forward-looking information on circumstances.

Financial liabilities

The Group's financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial assets measured at amortized cost. Financial liabilities are classified as current unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period, which is when they are classified as non-current.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial instruments to which hedge accounting is not applied. Realized or unrealized gains and losses attributable to movements in the fair value of derivatives are recorded in the statement of profit or loss for the period during which they were acquired or incurred.

Financial liabilities at amortized cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method. Transaction costs are included in the original book value of financial liabilities.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into by the Group and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss from re-measurement at fair value depends on the designation of the derivative contract.

The Group uses derivatives to hedge against financial and business risks in accordance with the Commodity and Treasury Policy adopted by the Group. Unrealized fair value movements of derivatives are recorded through profit or loss (or through other comprehensive income) at the end date of each reporting period. Gasum has an ISDA or a corresponding agreement with each derivative counterparty under which derivative receivables or liabilities can be offset regardless of the counterparty.

Derivative financial instruments to which hedge accounting is not applied are classified as financial items at fair value through profit or loss and gains and losses from their fair value movements are, for commodity derivatives, recorded in other operating income or expenses and, for interest rate derivatives, in finance income or costs for the period during which they were acquired or incurred. Changes in the fair values of foreign currency derivatives taken to hedge exchange rate movements of items denominated in foreign currency are recognized in the income statement as other operating income/expenses and changes in the fair values of electricity forward contracts for future purchases of electricity are recognized in the income statement as purchases of materials. At the reporting date instruments with a positive fair value have been recognized in the balance sheet as assets and instruments with a negative fair value as liabilities. Items which mature in more than 12 months are recorded in non-current receivables and liabilities and those which mature earlier in current receivables and liabilities.

The Group may apply hedge accounting to risk components that qualify for hedge accounting as determined by IFRS 9. Such items include interest payable on borrowings, open foreign currency positions, commodity sourcing and structured sales agreements. Fair value hedge accounting is applied to derivatives hedging the Group's fixed-price sales agreements. The fair value of these sales agreements is recognized on the balance sheet as assets and changes in the corresponding assets as gains or losses in profit or loss. The fair value of derivatives hedging fixed-price sales agreements is presented on the balance sheet as liabilities or receivables and changes in value are recognized in profit or loss. Those derivative financial instruments to which cash flow hedge accounting is applied are recognized in the fair value reserve under other comprehensive income. Gains and losses from derivatives accumulated in equity are recognized in the income statement as income or expenditure for the financial year during which the hedged item is recorded in the income statement. When applying hedge accounting to a derivative, the Group documents, at inception of the hedge relationship, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy. This process connects hedging instruments to the related assets or liabilities, forecast transactions or binding contracts. The Group also documents is assessment of hedge effectiveness.

FINANCIAL INSTRUMENTS BY CATEGORIES

€ thousand

At December 31, 2018	Fair value through the statement of income	Fair value through other comprehensive income	Amortized cost	Total
Assets as per balance sheet:				
Other investments at fair value through the statement of income	56			56
Derivative financial instruments (no hedge accounting)	2,042			2,042
Derivative financial instruments (included in hedge accounting)	125	5,358		5,483
Trade and other receivables			192,404	192,404
Other non-current receivables			31,054	31,054
Cash and cash equivalents			17,850	17,850
Total	**2,223**	**5,358**	**241,309**	**248,890**

€ thousand

At December 31, 2018	Fair value through the statement of income	Fair value through other comprehensive income	Amortized cost	Total
Liabilities as per balance sheet:				
Loans			434,919	434,919
Derivative financial instruments (no hedge accounting)	6,997			6,997
Derivative financial instruments (included in hedge accounting)	125	8,042		8,167
Trade and other current payables			171,086	171,086
Other non-current liabilities			2,274	2,274
Total	**7,122**	**8,042**	**608,279**	**623,443**

€ thousand

At December 31, 2017	Fair value through the statement of income	Fair value through other comprehensive income	Amortized cost	Total
Assets as per balance sheet:				
Other investments at fair value through the statement of income	50			50
Derivative financial instruments (no hedge accounting)	2,318			2,318
Trade and other receivables			139,878	139,878
Other non-current receivables			411	411
Cash and cash equivalents			2,662	2,662
Total	**2,368**	**0**	**142,950**	**145,318**

€ thousand

At December 31, 2017	Fair value through the statement of income	Fair value through other comprehensive income	Amortized cost	Total
Liabilities as per balance sheet:				
Loans			439,365	439,365
Derivative financial instruments (no hedge accounting)	8,207			8,207
Trade and other current payables			118,277	118,277
Other non-current liabilities			47,174	47,174
Total	**8,207**	**0**	**604,816**	**613,023**

The table below presents commodity derivatives by type of contract. Commodity derivatives comprise oil, gas and electricity derivatives. Commodity derivatives included in hedge accounting at year-end 2018 hedge the purchase and sales agreements of the LNG business. In addition, the Group has a small amount of electricity derivatives used to hedge the company's electricity sourcing. The electricity derivatives are also included in hedge accounting, but their impact on the Group's figures is immaterial and they are not presented separately.

Commodity derivatives 31.12.2018	Volume 2019 MWh	Volume 2019 MT	Fair value Net, 1000 €	Volume 2020 MWh	Volume 2020 MT	Fair value Net, 1000 €
Sales agreements						
No hedge accounting	57,190	0	162	0	0	0
Under hedge accounting:						
Cash flow hedging	1,512,287	0	4,964	343,140	0	196
Total	**1,569,477**	**0**	**5,126**	**343,140**	**0**	**196**
Purchase agreements						
No hedge accounting	431,142	0	292	0	0	0
Under hedge accounting						
Cash flow hedging	323,850	42,000	-6,997	0	8,000	-846
Fair value hedging	109,835	0	-91	0	0	0
Total	**864,827**	**42,000**	**-6,797**	**0**	**8,000**	**-846**

FAIR VALUE ESTIMATION

Financial instruments valued at fair value are classified according to the valuation method. The hierarchy levels used have been determined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
c) Level 3: inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs)

€ thousand	At December 31, 2018		At December 31, 2017	
Derivative financial instruments	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives (hierarchy level 2)	11	3,030	704	2,275
Commodity derivatives (hierarchy level 2)	6,371	8,601	509	719
Currency derivatives (hierarchy level 2)	1,143	3,534	1,105	5,213
Total	**7,526**	**15,165**	**2,318**	**8,207**
Less non-current portion:				
Interest rate derivatives (hierarchy level 2)		2,833	640	2,268
Commodity derivatives (hierarchy level 2)	357	1,007		
Currency derivatives (hierarchy level 2)	766	1,647	862	3,114
Non-current portion	**1,123**	**5,488**	**1,502**	**5,382**
Current portion	**6,403**	**9,677**	**816**	**2,826**

In addition to derivative financial instruments, the Group has approximately €56,000 in investments recognized at fair value on the balance sheet which have been classified as falling under Level 3 in the hierarchy. These have not been analyzed further because the item is not material.

OFFSETTING OF DERIVATIVE FINANCIAL INSTRUMENTS

Gasum's derivative transactions involve a valid International Swap Dealers Association (ISDA) Master Agreement with the counterparty. The derivatives falling under the scope of an ISDA Master Agreement can be netted in conditional circumstances such as default or bankruptcy. The Group does not have any other offsetting agreements than those related to derivatives. The fair values of derivatives are reported gross on the balance sheet. The following table presents the recognized derivative financial instruments that are offset or subject to netting agreements but not offset. The column 'net amount' shows the impact on the Group's balance sheet if set-off rights were exercised.

€ thousand

Offsetting of derivative financial instruments At December 31, 2018	Gross amounts before offsetting	Gross amounts offset	Gross amounts of recognized financial instruments	Related financial instruments not set off in the balance sheet	Net amount
Financial assets					
Derivative financial instruments					
Interest rate derivatives	11	0	11	11	0
Commodity derivatives	6,371	0	6,371	2,719	3,652
Currency derivatives	1,143	0	1,143	1,143	0
Total	**7,526**	**0**	**7,526**	**3,874**	**3,652**
Financial liabilities					
Derivative financial instruments					
Interest rate derivatives	3,030	0	3,030	11	3,019
Commodity derivatives	8,601	0	8,601	2,719	5,882
Currency derivatives	3,534	0	3,534	1,143	2,390
Total	**15,165**	**0**	**15,165**	**3,874**	**11,291**

€ thousand

Offsetting of derivative financial instruments At December 31, 2017	Gross amounts before offsetting	Gross amounts offset	Gross amounts of recognized financial instruments	Related financial instruments not set off in the balance sheet	Net amount
Financial assets					
Derivative financial instruments					
Interest rate derivatives	704	0	704	360	344
Commodity derivatives	510	0	510	471	39
Currency derivatives	1,105	0	1,105	1,105	0
Total	**2,318**	**0**	**2,318**	**1,935**	**383**
Financial liabilities					
Derivative financial instruments					
Interest rate derivatives	2,275	0	2,275	360	1,915
Commodity derivatives	720	0	719	471	249
Currency derivatives	5,213	0	5,213	1,105	4,108
Total	**8,207**	**0**	**8,207**	**1,935**	**6,273**

4.4. Equity

Accounting policies

Equity
The Group classifies issued equity instruments on the basis of their nature into either equity or financial liabilities. An equity instrument is any contract which contains the right to the entity's assets after deducting all its liabilities. Transaction costs directly attributable to the issue or redemption of shares are shown in equity as a deduction from the proceeds. Dividend distribution proposed by the Board of Directors is not deducted from the distributable equity prior to the approval of the Company's general meeting of shareholders.

Share capital	Number of A shares	Number of K shares	Total number of shares	Share capital (€ thousand)
December 31, 2018	50,200,000	2,800,001	53,000,001	178,279
December 31, 2017	50,200,000	2,800,001	53,000,001	178,279

The company's share capital is divided into Series A and Series K shares. There are 50,200,000 Series A shares and 2,800,001 Series K shares. According to the Articles of Association, there are a minimum of 30,000,000 and a maximum of 120,000,000 Series A shares. In addition to Series A shares, there is a minimum of one Series K share.

A Series K share carries 10 votes and a Series A share 1 vote at general meetings of shareholders. A holder of a Series K share has the right to demand that the share be converted to a Series A share by notifying the company's Board of Directors thereof.

DIVIDENDS

Dividend distribution proposed by the Board of Directors is not deducted from the distributable equity prior to the approval of the company's general meeting of shareholders.

The dividend paid on the basis of the financial statements for the 2017 financial year was €0.6208 per share.

4.5. Loans

Accounting policies

Loans
The fair value of the current loans equals their carrying amount as the impact of discounting is not significant. The non-current loans are based on variable interest rates and recognized in the financial statements at fair value. Transaction costs have been added to the fair value of loans using the effective interest method.

€ thousand

Loans	2018	2017
Non-current:		
Loans from financial institutions	415,111	409,641
Total	**415,111**	**409,641**
Current:		
Loans from financial institutions	19,808	19,728
Commercial papers	0	9,995
Total	**19,808**	**29,724**
Total	**434,919**	**439,365**

All loans from financial institutions are euro-denominated bank loans that mature during 2020 and 2021.

4.6. Other non-current liabilities

€ thousand

Other non-current liabilities	2018	2017
Finance lease liabilities – non-current portion	141,219	80,034
Participation fee revenue recognition liability	2,274	3,616
Other liabilities*	0	43,558
Total	**143,493**	**127,208**

*Other liabilities for the reference year include a subordinated loan to a non-controlling interest.

The revenue recognition liability for participation fees is related to fees that customers pay when connecting to the network and which are recognized over the average life of the customer contract. The current portion of the revenue recognition liability for participation fees is presented in Note 3.6 *Trade and other current payables.*

Further information on the classification of finance lease liabilities is presented in Note 4.2 *Financial risk management*.

The gross minimum lease payments of finance lease liabilities mature as follows:

€ thousand

Minimum lease payments	2018	2017
No later than 1 year	11,868	2,378
Later than 1 year and no later than 5 years	47,787	12,861
Later than 5 years	192,478	137,454
Total	**252,133**	**152,693**

€ thousand

Net present value of minimum lease payments	2018	2017
No later than 1 year	11,381	2,415
Later than 1 year and no later than 5 years	39,953	8,949
Later than 5 years	102,885	69,799
Total net present value of minimum lease payments	154,219	81,163
Future finance costs	97,914	71,530
Total	**252,133**	**152,693**

5 Other notes

5.1. Business acquisitions and disposals

BUSINESS ACQUISITIONS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS IN 2018

In August, Gasum carried out an acquisition resulting in the entire shareholdings of Enegia Consulting Oy, Enegia Portfolio Services Oy and Intstream Oy being transferred to Gasum. Closed on August 31, 2018, the transaction supports Gasum's Nordic strategy by enabling service expansion in the energy wholesale market. Following the acquisition, Enegia Consulting Oy was renamed Gasum Consulting Oy and Enegia Portfolio Services Oy was renamed Gasum Portfolio Services Oy.

Figures for the acquired companies have been consolidated into the Gasum Group as of the beginning of September. The figures used in purchase price allocation are provisional, and the method of accounting may be specified further during the 12-month review period following the date of acquisition. On the basis of purchase price allocation, fair value allocations have been carried out on intellectual property rights amortized in accordance with the average life of customer contracts over an average of 10–15 years. Acquisition-related costs totaled €0.5 million. The impact of acquisitions carried out in 2018 on the Group's revenue was €32.6 million.

The accounting policies for acquisitions are presented in 1.3 *Consolidation principles*.

On October 10, 2018, Gasum exercised a call option for the shares of Skangas AS (renamed Gasum AS), raising its shareholding in Gasum AS to 100%. This acquisition of a non-controlling interest's 30% share was recognized within equity and presented as financing cash flows in the cash flow statement. A liability for the call option had been recognized under the Group's other non-current liabilities. The exercise price of the option was €25.1 million and the revaluation of the recognized liability resulted in an expense impact of €1.2 million on the consolidated balance sheet. Control of the company had already been held before the exercise of the call option, whereby the acquisition is not treated as a business acquisition.

At the end of 2018, Baltic Connector Oy, which is building a gas interconnector between Finland and Estonia, was transferred from the State of Finland to the Gasum Group. Baltic Connector Oy was transferred to the Group as a private equity investment and is not treated as a business acquisition. This is an investment for no consideration of assets and liabilities which together constitute a business. The company is consolidated into the Group using the predecessor value method in accordance with the IFRS, according to which balance sheet values at carrying values in accordance with IFRS are consolidated into the Group.

BUSINESS ACQUISITIONS AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS IN 2017

In Q1 of 2017, the acquisition of Swedish Biogas International was completed by Gasum Ltd, which resulted in 100% of the shares of Swedish Biogas International AB and the companies owned by it being transferred to Gasum. The transaction was closed on January 2, 2017, making Gasum the biggest producer of biogas in the Nordic countries. After the transaction, Swedish Biogas International AB was renamed Gasum AB. In May 2017, Gasum AB increased its ownership in SBI Västerås AB from 51% to 80% and in December further to 98.7%. The increase in the holding in SBI Västerås AB did not have a material impact on the Group's figures. Acquisition-related costs totaled €1.1 million. The impact of acquisitions carried out in 2017 on the Group's revenue was €18.6 million.

On May 2, 2014, Gasum acquired a 51% majority of the Norwegian company Skangas AS (renamed Gasum AS) and its subsidiaries from the Lyse Group. As part of the arrangement, Gasum and the Lyse Group entered into an option arrangement which gives the Lyse Group a put option and Gasum a call option for 15.6% of the shares of Skangas AS. On June 22, 2017, Gasum exercised this call option. In addition to the call option exercised, Gasum acquired another 3.4% of the shares of Skangas AS, raising its ownership in Skangas AS by 19% to a total of 70%. The 15.6% stake had already been consolidated into the Gasum Group prior to the exercise of the option. A liability for the call option had been recognized under the Group's other non-current liabilities. The acquisition price of the entire 19.0% additional shareholding was €50.0, of which the exercise price of the option which had been recognized as a liability accounted for €44.0 million. The revaluation of the recognized option liability had a positive effect of €7.4 million on profit and loss on the consolidated balance sheet. Control of the company had already been held before the exercise of the call option, whereby the acquisition is not treated as a business acquisition.

DISPOSALS IN 2017

On February 7, 2017, a contract of sale was signed by Gasum Ltd under which it sold the heat business and local distribution network gas sales to Auris Kaasunjakelu Oy. Exiting local distribution network gas sales clarified Gasum's position in the Finnish gas market, which will undergo changes following the reform of the Natural Gas Market Act.

5.2. Guarantees and commitments

€ thousand

Guarantees given and contingent liabilities	2018	2017
Pledges	193	214
Contingent liabilities and other commitments	304,225	311,088
Total	**304,418**	**311,302**

Baltic Connector Oy has been consolidated into the Gasum Group. The company was transferred to the Group as a private equity investment from the State of Finland in December 2018. In addition to the commitments presented above, the Group has, through Baltic Connector Oy, commitments totaling around €600 million and related to the interconnector constructed between Finland and Estonia. The interconnector pipeline will be incorporated into the transmission network.

Gasum Ltd is responsible for the sourcing and sea carriage for liquefied natural gas (LNG) under the long-term supply agreement between the co-venturers of the Tornio LNG terminal of Manga LNG Ltd. Manga LNG Ltd is a joint venture of its co-venturers and responsible for gas sourcing and LNG terminal service provision for the co-venturers. Gasum LNG Oy holds 25% of Manga LNG Ltd and is responsible under its agreements for sourcing gas from Manga LNG Ltd and its ownership-based share of the investment costs, administrative and operational costs of Manga LNG Ltd and its subsidiary Manga Terminal Ltd as well as costs of terminal services provided by Manga Terminal Ltd.

RENTAL COMMITMENTS

The Group's rental arrangements comprise ordinary facility, land and equipment leases. Rental payments are determined on the basis of passage of time and do not include call options or index linkages with a material impact on amount of rent.

€ thousand

Rental commitments	2018	2017
Expiry no later than 1 year	4,116	4,492
Expiry later than 1 year and no later than 5 years	11,001	11,744
Later than 5 years	32,572	31,953
Total	**47,689**	**48,189**

5.3. Group companies

The following table presents the Group companies and the Group's associated companies and joint ventures at December 31, 2018.

Parent company	Country of incorporation
Gasum Ltd	Finland

Subsidiaries	Country of incorporation	Group´s ownership interest %	% of the voting rights
Gasum Consulting Oy	Finland	100	100
Gasum LNG Oy	Finland	100	100
Gasum Portfolio Services Oy	Finland	100	100
Gasum Tekniikka Oy	Finland	100	100
Intstream Oy	Finland	100	100
Kaasupörssi Oy	Finland	100	100
Oulun Biotehdas Oy	Finland	100	100
Riihimäen Biotehdas Oy	Finland	100	100
Suomen Kaasunsiirtopalvelut Oy	Finland	100	100
Baltic Connector Oy	Finland	100	100
Gasum AB	Sweden	100	100
Gasum Jordberga AB	Sweden	100	100
Gasum LNG AB	Sweden	100	100
Gasum Stigtomta AB	Sweden	71.3	71.3
Gasum Västerås AB	Sweden	98.7	98.7
Gasum AS	Norway	100	100
Gasum Holding AS	Norway	100	100
Gasum LNG Production AS	Norway	100	100
Gasum Traffic AS	Norway	100	100

Joint ventures and associated companies		Country of incorporation	Group´s ownership interest %	% of the voting rights
GreenLNG A/S	Associated company	Denmark	33.3	33.3
Hirtshals LNG A/S	Joint venture	Denmark	50.0	50.0
Manga LNG Oy	Joint venture	Finland	25.0	25.0
Vadsbo Biogas AB	Joint venture	Sweden	50.0	50.0

5.4. Transactions with related parties

Related parties of the Group are (a) Gasum Ltd's associated companies and joint ventures; (b) senior management of the company, including members and secretary of the Board of Directors of Gasum Ltd, the CEO and members of the Gasum Management Team and their close family members and the enterprises over which they or their close family members have control; and (c) the owner of Gasum Ltd.

Gasum Ltd is the parent company of the Gasum Group. Transactions between the Group and subsidiaries have been eliminated in consolidation and are not included in the amounts of this note. Transactions with other companies included in related parties are specified in the table below, excluding the owner of Gasum Ltd as Gasum is a government-related entity. Transactions with the related parties are carried out on market terms.

TRANSACTIONS WITH RELATED PARTIES

€ thousand

Transactions with related parties 2018	Sales of goods and services	Purchases of goods and services	Finance income and expenses	Receivables	Liabilities
Joint ventures	14,640	3,173	0	2,280	885
Total	**14,640**	**3,173**	**0**	**2,280**	**885**

€ thousand

Management's employee benefits	2018	2017
Salaries and other short-term employee benefits	2,722	2,795
Other long-term benefits	209	0
Termination benefits	251	143
Post-termination benefits	437	422
Total	**3,618**	**3,361**

5.5. Legal proceedings and claims

In July 2018, the company's Norwegian company Gasum LNG Production AS, which carries out LNG production plant activities, initiated legal proceedings at Stavanger District Court against the Norwegian Ministry of Trade, Industry and Fisheries concerning the statistical classification made by Norwegian authorities which has had a negative impact on the company's energy consumption taxation. In the legal proceedings, the company has made a claim for the refund of taxes paid, together with interest, in accordance with the higher classification in 2014–2018. Further information is also provided in Note 1.5 Critical accounting estimates and judgemental items. The oral hearing of the proceedings will be held in April 2019.

5.6. Events after reporting period

Oulun Biotehdas Oy merged with Gasum Ltd on January 1, 2019.

On January 17, Gasum Ltd signed an agreement under which it will sell the shares of its subsidiary Gasum Tekniikka Oy to the industrial maintenance specialist Viafin Service Oyj. The transaction is anticipated to be closed by the end of February.. Gasum Tekniikka Oy will continue service provision to current and new customers.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR

	Note	1.1.–31.12.2018	1.1.–31.12.2017
Revenue	1	**885,791,086.54**	**701,493,301.44**
Other operating income	2	7,221,716.64	17,937,504.81
Materials and services			
Raw materials and consumables			
Purchases during the financial year	3	-675,229,181.52	-508,406,420.63
Change in stocks	3	2,328,582.29	-1,809,780.14
External services		-4,317,053.21	-6,228,510.57
		-677,217,652.44	-516,444,711.34
Personnel expenses			
Salaries and remunerations	4	-13,931,473.64	-13,131,035.73
Employer's contributions			
Pension costs	4	-2,625,771.06	-2,682,529.02
Other employer's contributions	4	-633,031.58	-678,544.63
		-17,190,276.28	-16,492,109.38
Depreciation, amortization and impairment			
Depreciation according to plan	5	-22,467,487.72	-23,673,385.55
Impairment	5	-1,590,308.10	-13,097,031.37
		-24,057,795.82	-36,770,416.92
Other operating expenses	6	-55,663,320.89	-31,500,437.35
Operating profit		**118,883,757.75**	**118,223,131.26**
Finance income and costs			
Other interest and finance income			
From Group companies	8	8,339,072.10	7,352,954.42
From others	8	3,213,887.96	2,089,547.71
		11,552,960.06	9,442,502.13
Other interest and finance costs			
To others	8	-8,156,021.13	-8,701,294.49
		-8,156,021.13	-8,701,294.49
Finance income and costs total		3,396,938.93	741,207.64
Profit before appropriations and taxes		**122,280,696.68**	**118,964,338.90**
Appropriations			
Depreciation difference (increase -, decrease +)	9	20,020,011.52	33,957,458.31
Group contribution received	9	692,250.00	147,000.00
Group contribution given	9	-1,015,000.00	-1,460,000.00
		19,697,261.52	32,644,458.31
Income taxes	10	-31,354,988.48	-31,440,949.49
Profit/loss for the financial year		**110,622,969.72**	**120,167,847.72**

PARENT COMPANY BALANCE SHEET

EUR

	Note	31.12.2018	31.12.2017
Assets			
Non-current assets			
Intangible assets			
Intangible rights		5,379.89	74,348.01
Other long-term expenditure		9,269,314.77	9,067,313.85
	11	9,274,694.66	9,141,661.86
Property, plant and equipment			
Land and water areas		2,587,851.78	2,666,891.78
Buildings and structures		314,033,120.58	327,156,038.36
Machinery and equipment		31,692,398.52	33,276,543.34
Other tangible assets		6,147,778.32	5,556,578.76
Advances paid and construction in progress		31,671,264.00	8,021,736.05
	12	386,132,413.20	376,677,788.29
Investments			
Shares in Group companies		324,290,120.81	263,023,579.28
Receivables from Group companies		97,147,522.17	83,076,557.23
Other shares and holdings		49,853.40	49,853.40
	13	421,487,496.38	346,149,989.91
Total non-current assets		**816,894,604.24**	**731,969,440.06**
Current assets			
Inventories	14	11,596,717.06	75,064,340.59
Receivables			
Non-current receivables			
Other non-current receivables		207,921.48	373,102.77
	15	207,921.48	373,102.77
Current receivables			
Trade receivables		132,811,913.62	96,124,580.06
Current receivables from Group companies		90,028,466.09	57,782,236.71
Current receivables from associated companies		2,280,273.13	0.00
Other current receivables		0.00	356,705.62
Short-term accruals		3,514,834.48	2,584,382.54
	16	228,635,487.32	156,847,904.93
Cash and cash equivalents	17	8,219,403.85	11,130.13
Total current assets		**248,659,529.71**	**232,296,478.42**
Total assets		**1,065,554,133.95**	**964,265,918.48**

PARENT COMPANY BALANCE SHEET

EUR

	Note	31.12.2018	31.12.2017
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital		178,279,205.41	178,279,205.41
Other reserves		26,313,227.74	33,700.18
Retained earnings		232,198,802.28	144,933,355.18
Profit for the period		110,622,969.72	120,167,847.72
		342,821,772.00	265,101,202.90
Equity	18	**547,414,205.15**	**443,414,108.49**
Accumulated appropriations			
Accumulated depreciation difference	19	155,642,704.72	175,662,716.24
Liabilities			
Non-current liabilities			
Non-current loans from financial institutions		160,000,000.00	160,000,000.00
Other non-current loans		4,472,783.96	2,785,252.96
	20	164,472,783.96	162,785,252.96
Current liabilities			
Current loans from financial institutions		0.00	9,995,141.25
Trade payables		35,264,857.79	37,873,848.14
Liabilities to Group companies		95,534,167.84	54,140,510.95
Other liabilities		47,948,105.22	57,984,489.43
Accruals and deferred income		18,392,505.19	22,409,851.02
Other current liabilities to associated companies		884,804.08	0.00
	21	198,024,440.12	182,403,840.79
Total liabilities		**362,497,224.08**	**345,189,093.75**
Total shareholder's equity and liabilities		**1,065,554,133.95**	**964,265,918.48**

PARENT COMPANY CASH FLOW STATEMENT

EUR

	Note	1.1.–31.12.2018	1.1.–31.12.2017
Cash flows from operating activities			
Profit before appropriations and taxes		122,280,697	118,964,339
Adjustments:			
Depreciation and amortization according to plan	5	24,057,796	36,770,417
Other non-cash income and expenses	8	13,222,020	1,176,342
Finance income and costs	8	-3,396,939	-741,208
Other adjustments		1,846,346	-14,157,223
Net cash flow before change in working capital		158,009,919	142,012,667
Change in working capital			
Increase (-)/Decrease (+) in current non-interest-bearing receivables		-39,956,165	3,292,166
Increase (-)/Decrease (+) in inventories		64,412,624	29,171,424
Increase (-)/Decrease (+) in current non-interest-bearing liabilities		3,430,081	10,237,250
Cash flow from operating activities before financial items and taxes		185,896,459	184,713,508
Interest paid and other finance costs arising from operations		-3,048,421	-2,559,588
Interest received from operating activities		8,978,990	8,195,004
Direct taxes paid		-36,640,908	-28,658,000
Net cash flow from operating activities		**155,186,120**	**161,690,923**
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets		-32,392,121	-12,217,779
Proceeds from sale of tangible and intangible assets		334,056	-825,328
Business acquisitions and disposals		-35,516,540	-49,518,875
Loans given		-14,070,965	-34,072,096
Net cash flow from investing activities		**-81,645,570**	**-96,634,078**
Cash flows from financing activities			
Proceeds from current borrowings		5,077,382	43,112,869
Repayments of current borrowings		-33,156,585	-39,000,000
Repayments of non-current borrowings		-3,037,672	-20,043,895
Received/given Group contributions		-1,313,000	0
Dividends paid		-32,902,401	-50,000,201
Net cash flow from financing activities		**-65,332,276**	**-65,931,227**
Net decrease (-)/increase (+) in cash and cash equivalents		**8,208,274**	**-874,382**
Cash and cash equivalents at the beginning of the period		11,130	885,512
Cash and cash equivalents at the end of the period		8,219,404	11,130

ACCOUNTING POLICIES FOR PARENT COMPANY FINANCIAL STATEMENTS

The financial statements of Gasum Ltd have been prepared according to Finnish accounting law and principles. The financial statements have been prepared for the 12-month period from January 1 to December 31, 2018.

REVENUE RECOGNITION PRINCIPLE
The revenue of Gasum Ltd consists primarily of gas sales. Sales revenue is recognized upon delivery of gas. Service sales revenue is recognized upon performance of service.

RESEARCH AND DEVELOPMENT EXPENDITURE
Research and development expenditure is expensed in the year it is incurred.

PENSIONS
Gasum Ltd has obtained statutory pension cover from an external pension insurance company. Pension costs are expensed in the year they are incurred.

LEASING
Leasing costs are recognized under other operating expenses. The remaining leasing payments are stated in the notes under guarantees and commitments. The leasing contracts have been concluded under ordinary terms.

DERIVATIVES
The Gasum Board of Directors has adopted a Treasury Policy for the company. The aim of the Treasury Policy is to protect the revenue gas sales margin and reduce fluctuation in the company's results.

Unrealized losses arising from changes in the fair value of derivative contracts used for interest rate risk management are recognized immediately in the income statement, while in accordance with the precautionary principle any gains are recognized at maturity. The fair values of interest rate swaps are calculated by discounting the estimated future cash flows of the contracts with the market interest rate yield curves on the valuation date.

The company uses currency derivatives and commodity derivatives to hedge against transaction risk arising from the company's transactions as well as transaction risk arising from subsidiaries. Currency and commodity derivatives are measured at fair value at financial reporting date, taking interest rate factors into account for currency derivatives. Unrealized losses arising from changes in the fair value of derivatives are recognized immediately in the income statement, while any gains are recognized at maturity.

TAXES
Taxes comprise current income tax. Taxes for previous periods are included in income taxes in the income statement.

NON-CURRENT ASSETS AND DEPRECIATION AND AMORTIZATION
Intangible and tangible assets are stated on the balance sheet at cost less accumulated depreciation and amortization. Accumulated depreciation and amortization is recorded on a straight-line basis over the expected useful life of intangible and tangible assets.

The depreciation periods are as follows:
- Buildings and structures 15–65 years
- Machinery and equipment 3–15 years
- Other tangible assets 20–40 years
- Other long-term expenditure 5–10 years
- Intellectual property 3–5 years.
- No depreciation is made on land.

Shares in subsidiaries as well as other shares and similar rights of ownership under investments in non-current assets are measured at cost.

INVENTORIES
Inventories are stated on the balance sheet in accordance with first-in first-out (FIFO) method at the lower of cost and replacement cost/probable sales price.

FOREIGN CURRENCY ITEMS
Receivables and liabilities denominated in foreign currencies have been converted into the currency of Finland, the euro, at the exchange rate quoted at the reporting date.

NOTES TO THE PARENT COMPANY INCOME STATEMENT

1 Revenue

EUR

Revenue by region	2018	2017
Finland	879,911,320.70	700,725,301.44
Netherlands	570,299.07	768,000.00
Other	5,309,466.43	0.00
Total	**885,791,086.54**	**701,493,301.44**

2 Other operating income

EUR

Other operating income	2018	2017
Rental income	251,285.00	266,840.78
Rental income from Group companies	92,135.25	148,467.75
Proceeds from sales	811,545.96	13,556,950.89
Gains from derivatives	3,332,438.17	458,205.95
Other income	2,734,312.26	3,507,039.44
Total	**7,221,716.64**	**17,937,504.81**

3 Materials and services

EUR

Materials and services	2018	2017
Materials and supplies		
Purchases during the period	675,229,181.52	508,406,420.63
Change in stocks	-2,328,582.29	1,809,780.14
Total materials and supplies	672,900,599.23	510,216,200.77
External services	4,317,053.21	6,228,510.57
Total	**677,217,652.44**	**516,444,711.34**

The excise duty included in the purchase price of gas delivered for taxable use, €67.1 million (2017: €59.2 million), has been recorded in purchases.

4 Personnel expenses and number of personnel

EUR

Personnel expenses	2018	2017
Salaries and remunerations	13,931,473.64	13,131,035.73
Pension costs	2,625,771.06	2,682,529.02
Statutory employer contributions	633,031.58	678,544.63
Total	**17,190,276.28**	**16,492,109.38**

Personnel on average	2018	2017
White collar	148	141
Blue collar	8	7
Personnel on average	**156**	**148**

5 Depreciation and amortization

EUR

Depreciations, amortization and impairment	2018	2017
Amortization of intangible assets	68,968.12	104,800.04
Amortization of other long-term expenditure	2,820,882.96	2,749,294.90
Depreciation of buildings and structures	14,764,034.11	15,309,731.04
Depreciation of machinery and equipment	4,539,011.99	5,249,898.12
Depreciations of other tangible assets	274,590.54	259,661.45
Total depreciation and amortization	**22,467,487.72**	**23,673,385.55**
Impairment	1,590,308.10	13,097,031.37
Total	**24,057,795.82**	**36,770,416.92**

6 Other operating expenses

EUR

Other operating expenses	2018	2017
Rents	9,010,948.04	2,381,273.57
Maintenance costs	10,931,345.76	10,489,117.22
External services	10,860,053.62	7,143,420.03
Marketing costs	2,389,131.13	2,131,313.71
Realized losses on derivatives	3,765,867.32	2,611,009.12
Unrealized losses on derivatives	13,745,761.47	1,143,783.88
Other	4,960,213.55	5,600,519.82
Total	**55,663,320.89**	**31,500,437.35**

7 Audit fees

EUR

Audit fees	2018	2017
Statutory audit fees	85,017.60	79,900.00
Audit opinions	5,050.00	4,400.00
Tax services	38,925.50	37,500.09
Other services	88,774.63	198,375.41
Total	**217,767.73**	**320,175.50**

8 Finance income and costs

EUR

Finance income	2018	2017
Interest income on other non-current receivables	679,919.98	672,027.60
Other finance income, external	2,533,967.98	1,417,520.11
Other finance income, group	8,339,072.10	7,352,954.42
Total	**11,552,960.06**	**9,442,502.13**

EUR

Finance costs	2018	2017
Interest expenses on finance loans	1,136,874.35	1,272,261.08
Fair value losses on derivative financial instruments	1,170,832.20	-319,332.12
Other finance costs*	5,848,314.58	7,748,365.53
Total	**8,156,021.13**	**8,701,294.49**

*Other finance costs for the reference year include a merger loss of €4.3 million resulting from mergers of subsidiaries.

9 Appropriations

EUR

Appropriations	2018	2017
Depreciation difference (increase -, decrease +)	20,020,011.52	33,957,458.31
Group contribution received	692,250.00	147,000.00
Group contribution given	-1,015,000.00	-1,460,000.00
Total	**19,697,261.52**	**32,644,458.31**

10 Taxes

EUR

Taxes	2018	2017
Currrent tax	-30,930,950.27	-31,264,348.04
Taxes for previous periods	-424,038.21	-176,601.45
Total	**-31,354,988.48**	**-31,440,949.49**

NOTES TO PARENT COMPANY BALANCE SHEET

11 Intangible assets

EUR

2018	Intangible rights	Other long-term expenditure	Total
Cost at January 1	1,228,901.70	29,187,011.31	30,415,913.01
Additions	0.00	1,872,967.81	1,872,967.81
Disposals	0.00	-1,638,917.45	-1,638,917.45
Reclassifications	0.00	1,427,169.20	1,427,169.20
Cost at December 31	**1,228,901.70**	**30,848,230.87**	**32,077,132.57**
Accumulated amortization at January 1	1,154,553.69	20,119,697.46	21,274,251.15
Amortization	68,968.12	2,820,882.96	2,889,851.08
Amortization for the period	0.00	277,253.13	277,253.13
Accumulated amortization of disposals	0.00	-1,638,917.45	-1,638,917.45
Accumulated amortization at December 31	**1,223,521.81**	**21,578,916.10**	**22,802,437.91**
Net book value at January 1, 2018	74,348.01	9,067,313.85	9,141,661.86
Net book value at December 31, 2018	5,379.89	9,269,314.77	9,274,694.66

EUR

2017	Intangible rights	Other long-term expenditure	Total
Cost at January 1	1,228,901.70	28,875,615.53	30,104,517.23
Additions	0.00	447,266.85	447,266.85
Transferred through merger	0.00	279,758.36	279,758.36
Disposals	0.00	-590,343.49	-590,343.49
Businesses disposed	0.00	-203,346.90	-203,346.90
Reclassifications	0.00	378,060.96	378,060.96
Cost at December 31	**1,228,901.70**	**29,187,011.31**	**30,415,913.01**
Accumulated amortization at January 1	1,049,753.65	17,909,225.71	18,958,979.36
Amortization	104,800.04	2,749,294.90	2,854,094.94
Accumulated amortization of disposals	0.00	-576,207.85	-576,207.85
Transferred through merger	0.00	37,384.70	37,384.70
Accumulated amortization at December 31	**1,154,553.69**	**20,119,697.46**	**21,274,251.15**
Net book value at January 1, 2017	179,148.05	10,966,389.82	11,145,537.87
Net book value at December 31, 2017	74,348.01	9,067,313.85	9,141,661.86

12 Tangible assets

EUR

2018	Land and water	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost at January 1	2,666,891.78	624,732,930.02	131,974,947.56	9,345,895.08	8,021,736.05	776,742,400.49
Additions	0.00	2,693,758.36	3,133,348.24	865,790.10	28,946,060.34	35,638,957.04
Disposals	-79,040.00	-1,663,229.44	-1,341,947.68	0.00	-1,084,999.07	-4,169,216.19
Reclassifications	0.00	1,226,514.74	419,996.40	0.00	-3,073,680.34	-1,427,169.20
Received subsidies	0.00	-1,049,728.50	-515,612.80	0.00	0.00	-1,565,341.30
Adjustments	0.00	0.00	0.00	0.00	-948,941.56	-948,941.56
Cost at December 31	**2,587,851.78**	**625,940,245.18**	**133,670,731.72**	**10,211,685.18**	**31,860,175.42**	**804,270,689.28**
Accumulated depreciation at January 1	0.00	297,576,891.66	98,698,404.22	3,789,316.32	0.00	400,064,612.20
Depreciation	0.00	14,764,034.11	4,539,011.99	274,590.54	0.00	19,577,636.64
Impairment	0.00	1,124,143.55	0.00	0.00	188,911.42	1,313,054.77
Disposals	0.00	-1,557,944.72	-1,259,083.01	0.00	0.00	-2,817,027.73
Accumulated depreciations at December 31	**0.00**	**311,907,124.60**	**101,978,333.20**	**4,063,906.86**	**188,911.42**	**418,138,276.08**
Net book value at January 1, 2018	2,666,891.78	327,156,038.36	33,276,543.34	5,556,578.76	8,021,736.05	376,677,788.29
Net book value at December 31, 2018	2,587,851.78	314,033,120.58	31,692,398.52	6,147,778.32	31,671,264.00	386,132,413.60

EUR

2017	Land and water	Buildings	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost at January 1	4,149,080.71	665,971,520.14	117,699,241.65	9,032,607.26	10,995,454.50	807,847,904.26
Additions	15,397.50	3,075,858.76	1,365,101.85	311,254.08	6,207,230.05	10,974,842.24
Transferred through merger	54,397.00	6,923,708.05	14,114,948.03	78,626.03	165,546.43	21,337,225.54
Disposals	-1,551,983.43	-53,473,759.61	-4,705,009.23	-87,378.92	0.00	-59,818,131.19
Businesses disposed	0.00	-2,698,224.67	0.00	0.00	0.00	-2,698,224.67
Reclassifications	0.00	4,933,827.35	3,500,665.26	10,786.63	-8,550,235.10	-104,955.86
Cost at December 31	**2,666,891.78**	**624,732,930.02**	**131,974,947.56**	**9,345,895.08**	**8,817,995.88**	**777,538,660.32**
Accumulated depreciation at January 1	0.00	321,546,635.28	87,896,622.54	3,556,247.25	796,259.83	413,795,764.90
Depreciation	0.00	15,309,731.04	5,249,898.12	259,661.45	0.00	20,819,290.61
Impairments	0.00	13,097,031.37	0.00	0.00	0.00	13,097,031.37
Disposals	0.00	-55,044,188.93	-2,259,499.79	-52,366.87	0.00	-57,356,055.59
Adjustments	0.00	2,667,682.90	7,811,383.35	25,774.49	0.00	10,504,840.74
Accumulated depreciations at December 31	**0.00**	**297,576,891.66**	**98,698,404.22**	**3,789,316.32**	**796,259.83**	**400,860,872.03**
Net book value at January 1, 2017	4,149,080.71	344,424,884.86	29,802,619.11	5,476,360.01	10,199,194.67	394,052,139.36
Net book value at December 31, 2017	2,666,891.78	327,156,038.36	33,276,543.34	5,556,578.76	8,021,736.05	376,677,788.29

13 Investments

EUR

2018	Shares in subsidiaries	Other investments	Receivables from Group companies	Financial assests
Cost at January 1	263,023,579.28	49,853.40	83,076,557.23	346,149,989.91
Additions	65,516,541.53	0.00	14,070,964.94	79,587,506.47
Disposals	-4,250,000.00	0.00	0.00	-4,250,000.00
Net book value at December 31	**324,290,120.81**	**49,853.40**	**97,147,522.17**	**421,487,496.38**

EUR

2017	Shares in subsidiaries	Other investments	Receivables from Group companies	Financial assests
Cost at January 1	210,370,796.93	70,643.88	49,004,461.45	259,445,902.26
Additions	60,878,738.11	0.00	34,072,095.78	94,950,833.89
Merger	-8,225,955.76	0.00	0.00	-8,225,955.76
Disposals	0.00	-20,790.48	0.00	-20,790.48
Net book value at December 31	**263,023,579.28**	**49,853.40**	**83,076,557.23**	**346,149,989.91**

14 Inventories

EUR

Inventories	2018	2017
Product inventories	6,407,405.21	2,971,746.43
Other inventories	1,579,800.96	1,579,800.96
Prepayments	3,609,510.89	70,512,793.20
Total	**11,596,717.06**	**75,064,340.59**

A Take-or-Pay prepayment of €3.6 million (2017: €70.5 million) related to the long-term natural gas supply contract is included in inventories.

15 Non-current receivables

EUR

Non-current receivables	2018	2017
Other non-current receivables	207,921.48	373,102.77
Total	**207,921.48**	**373,102.77**

16 Current receivables

EUR

Current receivables, external	2018	2017
Trade receivables	132,811,913.62	96,124,580.06
Accrued income	3,514,834.48	2,584,382.54
Other receivables	0.00	356,705.62
Total	**136,326,748.10**	**99,065,668.22**

EUR

Accrued income	2018	2017
Investment subsidy receivable	2,842,928.20	1,253,794.00
Other accrued income	671,906.28	1,330,588.54
Total	**3,514,834.48**	**2,584,382.54**

EUR

Current receivables from group companies	2018	2017
Trade receivables	1,136,933.19	799,828.86
Accrued income	37,147.21	88,330.88
Group bank account receivables	85,552,524.20	56,513,376.97
Other receivables	3,301,861.49	380,700.00
Total	**90,028,466.09**	**57,782,236.71**

EUR

Current receivables from associated companies	2018	2017
Trade receivables	2,280,273.13	0.00
Total	**2,280,273.13**	**0.00**

17 Cash and cash equivalents

EUR

Cash and cash equivalents	2018	2017
Cash and cash equivalents	8,219,403.85	11,130.13
Total	**8,219,403.85**	**11,130.13**

18 Equity

EUR

Statement of changes in equity	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Equity at January 1	178,279,205.41	33,700.18	265,101,202.90	443,414,108.49
Profit distribution			-32,902,400.62	-32,902,400.62
Additions		26,279,527.56		26,279,527.56
Profit for the period			110,622,969.72	110,622,969.72
Net book value at December 31	**178,279,205.41**	**26,313,227.74**	**342,821,772.00**	**547,414,205.15**

EUR

Statement of distributable equity	2018	2017
Reserve for invested unrestricted equity	26,313,227.74	33,700.18
Retained earnings	232,198,802.28	144,933,355.18
Profit for the period	110,622,969.72	120,167,847.72
Total	**369,134,999.74**	**265,134,903.08**

19 Accumulated appropriations

EUR

Accumulated appropriations	2018	2017
Accumulated depreciation difference at January 1	175,662,716.24	209,032,132.01
Transferred through merger	0.00	588,042.54
Depreciation difference (increase -, decrease +)	-20,020,011.52	-33,957,458.31
Accumulated depreciation difference at December 31	**155,642,704.72**	**175,662,716.24**

20 Non-current liabilities

EUR

Non-current liabilities	2018	2017
Loans from financial institutions	160,000,000.00	160,000,000.00
Other non-current liabilities	4,472,783.96	2,785,252.96
Total	**164,472,783.96**	**162,785,252.96**

All financial loans expire in less than 5 years.

21 Current liabilities

EUR

Short-term loans from financial institutions	2018	2017
Commercial papers	0.00	9,995,141.25
Total	**0.00**	**9,995,141.25**

EUR

Current liabilities, external	2018	2017
Trade payables	35,264,857.79	37,873,848.14
Other liabilities*	47,948,105.22	57,984,489.43
Accruals and deferred income	18,392,505.19	22,409,851.02
Total	**101,605,468.20**	**118,268,188.59**

*Consist primarily of a value-added tax liability of €37.7 million and a financial instrument liability of €7.1 million.

EUR

Current liabilities, group	2018	2017
Trade payables	2,923,412.27	2,166,918.56
Accrued accounts payable	112,204.35	32,706.89
Other accrued liabilities	795,846.66	0.00
Other current liabilities	91,702,704.56	51,940,885.50
Total	**95,534,167.84**	**54,140,510.95**

EUR

Current liabilities to associated companies	2018	2017
Current liabilities to associated companies	884,804.08	0.00
Total	**884,804.08**	**0.00**

EUR

Accrued interest liabilities	2018	2017
Accrued interest liabilities	273,777.78	277,317.73
Accrued income tax liabilities	11,795,428.95	17,081,348.12
Salary-related items	4,393,109.18	1,609,373.95
Other accruals and deferred income	1,930,189.31	3,441,811.22
Total	**18,392,505.22**	**22,409,851.02**

22 Guarantees and commitments

EUR

Guarantees given and contingent liabilities	2018	2017
On own behalf:		
Commitments and other liabilities	1,961,117.00	3,237,195.00
Pledges	174,535.40	214,028.00
On behalf of Group subsidiaries:		
Commitments and other liabilities	300,145,908.57	303,455,614.00
Total	**302,281,560.97**	**306,906,837.00**

EUR

Operating lease commitments	2018	2017
No later than 1 year	709,131.11	737,972.48
Later than 1 year and no later than 5 years	495,325.49	683,922.96
Total	**1,204,456.60**	**1,421,895.44**

EUR

Renting lease commitments	2018	2017
No later than 1 year	531,349.62	1,162,627.00
Later than 1 year and no later than 5 years	1,485,988.61	2,048,659.00
Total	**2,017,338.23**	**3,211,286.00**

MEUR

Derivative financial instruments	2018	2017
Fair value of derivative financial instruments		
Currency derivatives	-1.7	-2.1
Commodity derivatives	0.2	0.0
Interest rate derivatives	-1.9	-1.6
Total fair value of derivative financial instruments	**-3.5**	**-3.7**
Nominal value of derivative financial instruments		
Currency derivatives	150.5	141.4
Commodity derivatives	176.8	11.6
Interest rate derivatives	195.0	285.0
Total nominal value of derivate financial instruments	**522.4**	**438.0**

UNBUNDLING OF NATURAL GAS OPERATIONS

Provisions concerning the unbundling of natural gas operations in accounting from any other operations are laid down in chapter 13 of the Finnish Natural Gas Market Act (587/2017). In addition, binding provisions on calculated unbundling are laid down in the Decree of the Ministry of Trade and Industry on the unbundling of natural gas operations (973/2000).

Gasum Ltd's network operations include the transmission network, gas transmission charges and energy taxes. Sales activities include the share of natural gas energy charges. Other activities include the company's LNG business, Biogas business and transport use of natural gas.

Under the Natural Gas Market Act, transactions and balance sheet items are recognized in the income statements and balance sheets of the business units in accordance with the matching principle. Furthermore under the Act, shared income and expenditure and balance sheet items must in conjunction with the unbundling be allocated mathematically to the various activities so that the matching principle is realized where possible. Income statement and balance sheet items which cannot be directly allocated to business units are allocated using a method based on the scope of business activities. Cash and cash equivalents are allocated between the business units on the basis of calculations based on ratios of profit for previous financial years.

On February 26, 2019, a decision which must be complied with regardless of any appeal was issued by the Energy Authority concerning Gasum Ltd's unbundled financial statements. Gasum therefore presents the unbundled financial statements for 2018 and for the reference year 2017 below treated in the manner required by the Energy Authority. Gasum will lodge an appeal against the decision as the decision and, consequently, some of the figures provided in this Note do not correspond to the company's view of the interpretation of the Natural Gas Market Act and provisions issued under the Act on unbundling. The appeal will not pertain to balance sheet items affecting the calculation of the company's reasonable rate of return in accordance with the regulation method.

Net investments of transmission activities in fixed assets were as follows in 2018:

EUR	
Intangible assets	679,413.47
Buildings and structures	153,070.59
Machinery and equipment	2,253,763.03
Total net investments	**3,086,247.09**

Return on equity for network operations:

	2018	2017
Return on equity	28%	23%

Gasum Ltd, transmission activities

EUR

Income statement	1.1.–31.12.2018	1.1.–31.12.2017
Revenue	**208,275,646.50**	**189,047,557.14**
Other operating income	687,043.81	1,146,559.49
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-70,437,280.85	-59,083,159.57
Change in stocks	2,897,857.70	-963,716.31
External services	-371,003.92	0.00
	-67,910,427.07	-60,046,875.88
Personnel expenses		
Salaries and remunerations	-4,678,492.72	-4,137,811.28
Employer's contributions	-1,150,554.60	-1,110,487.14
	-5,829,047.32	-5,248,298.42
Depreciation, amortization and impairment		
Depreciation according to plan	-18,331,129.00	-19,897,393.51
Impairment	-1,262,770.12	-13,097,031.37
	-19,593,899.12	-32,994,424.88
Other operating expenses	-14,894,549.64	-12,388,826.69
Operating profit	**100,734,767.16**	**79,515,690.76**
Finance income and costs		
Other interest and finance income		
Interest income	2,930,242.05	1,993,582.17
Other interest and finance costs		
Interest and finance costs	-2,888,009.90	-3,640,641.05
	42,232.15	-1,647,058.88
Profit before appropriations and taxes	**100,776,999.31**	**77,868,631.88**
Appropriations		
Depreciation difference (increase -, decrease +)	17,254,054.07	25,739,779.12
Group contribution given (-) or received (+)	0.00	-555,399.00
Income taxes	-23,859,091.48	-21,283,491.44
Profit/loss for the financial year	**94,171,961.90**	**81,769,520.56**

Gasum Ltd, transmission activities

EUR

Balance sheet	31.12.2018	31.12.2017
Assets		
Non-current assets		
Intangible assets		
Intangible rights	2,420.95	41,634.89
Other long-term expenditure	6,522,899.97	6,915,568.20
	6,525,320.92	6,957,203.09
Property, plant and equipment		
Property, plant and equipment in natural gas network	324,430,640.00	342,436,702.05
Advances paid and construction in progress	3,690,368.89	2,604,150.21
	328,121,008.89	345,040,852.26
Investments		
Shares in Group companies	26,702,500.00	84,093.96
	26,702,500.00	84,093.96
Total non-current assets	**361,348,829.81**	**352,082,149.31**
Current receivables		
Inventories	5,900,296.78	1,406,067.97
Receivables		
Non-current receivables		
Other non-current receivables	64,176.77	0.00
	64,176.77	0.00
Current receivables		
Calculative internal receivables	292,560,285.35	227,341,539.37
Trade receivables	30,794,522.95	25,929,067.43
Current receivables from Group companies	22,036.27	20,316,072.26
Current receivables from associated companies	6,559.60	0.00
Other current receivables	202,515.48	113,503.73
Short-term accruals	0.00	186,421.10
	323,585,919.65	273,886,603.89
Cash and cash equivalents	2,374,665.29	1,399.00
Total current assets	**331,925,058.49**	**275,294,070.86**
Total assets	**693,273,888.30**	**627,376,220.17**

Gasum Ltd, transmission activities

EUR

Balance sheet	31.12.2018	31.12.2017
Equity and liabilities		
Shareholder's equity		
Share capital	156,483,590.33	156,483,590.33
Paid-up unrestricted equity reserve	26,279,527.56	0.00
Retained earnings	67,084,480.53	18,217,360.59
Profit for the period	94,171,961.90	81,769,520.56
	187,535,969.99	99,986,881.15
Total equity	**344,019,560.32**	**256,470,471.48**
Accumulated appropriations		
Accumulated depreciation difference	159,392,066.45	171,814,460.91
Liabilities		
Non-current liabilities		
Non-current loans from financial institutions	160,000,000.00	160,000,000.00
	160,000,000.00	160,000,000.00
Current liabilities		
Trade payables	9,048,165.77	10,357,609.90
Liabilities to Group companies	548,658.31	931,191.97
Other liabilities	9,246,992.30	14,905,886.53
Accruals and deferred income	11,018,445.15	12,896,599.38
	29,862,261.53	39,091,287.78
Total liabilities	**189,862,261.53**	**199,091,287.78**
Total equity and liabilities	**693,273,888.30**	**627,376,220.17**

Gasum Ltd, sales activities

EUR

Income statement	1.1.–31.12.2018	1.1.–31.12.2017
Revenue	**632,639,834.98**	**488,611,258.84**
Other operating income	453,053.71	168,833.09
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-581,082,592.48	-440,342,842.30
	-581,082,592.48	-440,342,842.30
Personnel expenses		
Salaries and remunerations	-3,577,538.52	-3,789,398.71
Employer's contributions	-858,054.00	-1,025,637.11
	-4,435,592.52	-4,815,035.82
Depreciation, amortization and impairment		
Depreciation according to plan	-700,302.67	-743,916.06
Impairment	-83,175.94	0.00
	-783,478.61	-743,916.06
Other operating expenses	-6,873,452.42	-5,881,711.72
Operating profit	**39,917,772.66**	**36,996,586.03**
Finance income and costs		
Other interest and finance income		
From group companies	1,129,926.23	882,897.93
From others	217,302.45	276,490.80
	1,347,228.68	1,159,388.73
Other interest and finance costs	-804,709.37	-2,117,263.02
	542,519.31	-957,874.29
Profit before appropriations and taxes	**40,460,291.97**	**36,038,711.74**
Appropriations		
Depreciation difference (increase -, decrease +)	26,237.23	3,142,574.23
Group contribution given (-) or received (+)	0.00	-322,998.00
Income taxes	-8,114,926.83	-7,726,333.77
Profit/loss for the financial year	**32,371,602.37**	**31,131,954.20**

Gasum Ltd, sales activities

EUR

Balance sheet	31.12.2018	31.12.2017
Assets		
Non-current assets		
Intangible assets		
Intangible rights	1,721.56	17,843.52
Other long-term expenditure	1,441,229.04	1,074,386.01
	1,442,950.60	1,092,229.53
Property, plant and equipment		
Land and water areas	0.00	26,346.66
Buildings and structures	0.00	34,829.35
Machinery and equipment	86,485.38	76,549.32
Advances paid and construction in progress	0.00	530,640.19
	86,485.38	668,365.52
Investments		
Other shares and holdings	9,853.40	9,853.40
	9,853.40	9,853.40
Total non-current assets	**1,539,289.38**	**1,770,448.45**
Current assets		
Inventories	5,189,311.85	72,817,511.93
Receivables		
Non-current receivables		
Other non-current receivables	45,636.81	0.00
	45,636.81	0.00
Current receivables		
Calculative internal receivables	67,815,576.17	0.00
Trade receivables	99,700,042.67	66,987,007.09
Current receivables from Group companies	47,035.67	158,299.60
Other current receivables	213,976.48	104,158.04
Short-term accruals	0.00	228,684.62
	167,776,630.99	67,478,149.35
Cash and cash equivalents	2,546,996.68	3,134.83
Total current assets	**175,558,576.33**	**140,298,796.11**
Total assets	**177,097,865.71**	**142,069,244.56**

Gasum Ltd, sales activities

EUR

Balance sheet	31.12.2018	31.12.2017
Equity and liabilities		
Shareholder's equity		
Share capital	21,607,846.61	21,607,846.61
Retained earnings	71,952,855.94	40,820,901.74
Profit for the period	32,371,602.37	31,131,954.20
	104,324,458.31	71,952,855.94
Total equity	**125,932,304.92**	**93,560,702.55**
Accumulated appropriations		
Accumulated depreciation difference	86,526.00	78,315.71
Liabilities		
Current liabilities		
Calculative internal liabilities	0.00	27,587,977.01
Trade payables	18,580,637.41	782,326.08
Liabilities to Group companies	37,242.58	328,684.56
Other liabilities	27,518,301.88	12,867,743.69
Accruals and deferred income	4,942,852.92	6,863,494.96
	51,079,034.79	48,430,226.30
Total liabilities	**51,079,034.79**	**48,430,226.30**
Total equity and liabilities	**177,097,865.71**	**142,069,244.56**

Gasum Ltd, other activities

EUR

Income statement	1.1.–31.12.2018	1.1.–31.12.2017
Revenue	**44,875,605.06**	**23,834,485.50**
Other operating income	6,081,619.11	16,622,112.24
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-23,709,024.42	-8,978,305.34
Change in stocks	-569,559.18	-848,275.67
External services	-3,946,049.29	-6,228,412.15
	-28,224,632.89	-16,054,993.16
Personnel expenses		
Salaries and remunerations	-5,675,442.40	-5,203,825.75
Employer's contributions	-1,250,194.04	-1,224,949.38
	-6,925,636.44	-6,428,775.13
Depreciation, amortization and impairment		
Depreciation according to plan	-3,436,056.06	-3,032,076.00
Impairment	-244,362.05	0.00
	-3,680,418.11	-3,032,076.00
Other operating expenses	-33,895,318.81	-13,229,898.92
Operating profit	**-21,768,782.08**	**1,710,854.53**
Finance income and costs		
Other interest and finance income		
From group companies	4,646,196.30	4,951,902.76
From others	2,629,293.03	1,337,628.50
	7,275,489.33	6,289,531.26
Other interest and finance costs		
To others	-4,463,301.86	-2,943,390.42
	2,812,187.47	3,346,140.84
Profit before appropriations and taxes	**-18,956,594.61**	**5,056,995.37**
Appropriations		
Group contribution given (-) or received (+)	-322,750.00	-434,603.00
Depreciation difference (increase -, decrease +)	2,739,720.22	5,075,104.96
	2,416,970.22	4,640,501.96
Income tax	619,029.83	-2,431,124.37
Profit/loss for the financial year	**-15,920,594.56**	**7,266,372.96**

Gasum Ltd, other activities

EUR

Balance sheet	31.12.2018	31.12.2017
Assets		
Non-current assets		
Intangible assets		
Intangible rights	1,237.37	14,869.60
Other long-term expenditure	1,305,185.76	1,077,359.64
	1,306,423.14	1,092,229.24
Property, plant and equipment		
Land and water areas	355,610.12	381,956.79
Buildings and structures	15,098,022.11	13,826,966.62
Machinery and equipment	13,253,375.98	12,408,038.87
Other tangible assets	1,237,015.61	413,604.14
Advances paid and construction in progress	27,980,895.11	3,938,004.09
	57,924,918.93	30,968,570.51
Investments		
Shares in Group companies	297,587,620.81	262,939,485.32
Receivables from Group companies	97,147,522.17	83,076,557.23
Other shares and holdings	40,000.00	40,000.00
	394,775,142.98	346,056,042.55
Total non-current assets	**454,006,485.05**	**378,116,842.30**
Current assets		
Inventories	507,108.43	840,760.69
Receivables		
Non-current receivables		
Other non-current receivables	98,107.90	373,102.77
	98,107.90	373,102.77
Current receivables		
Trade receivables	2,317,348.00	3,208,505.54
Current receivables from Group companies	89,959,394.15	37,307,864.85
Current receivables from associated companies	2,273,713.53	0.00
Other current receivables	3,098,342.52	139,043.85
Short-term accruals	0.00	2,169,276.82
	97,648,798.20	42,824,691.06
Cash and cash equivalents	3,297,741.88	6,596.30
Total current assets	**101,551,756.41**	**44,045,150.82**
Total assets	**555,558,241.46**	**422,161,993.12**

Gasum Ltd, other activities

EUR

Balance sheet	31.12.2018	31.12.2017
Equity and liabilities		
Shareholder's equity		
Share capital	187,768.47	187,768.47
Paid-up unrestricted equity reserve	33,700.18	33,700.18
Retained earnings	93,161,466.51	85,895,093.55
Profit for the period	-15,920,594.56	7,266,372.96
	77,240,871.95	93,161,466.51
Total equity	**77,462,340.60**	**93,382,935.16**
Accumulated appropriations		
Accumulated depreciation difference	-3,835,887.73	3,769,939.62
Liabilities		
Non-current liabilities		
Derivative financial instruments	4,472,783.96	2,785,252.96
	4,472,783.96	2,785,252.96
Current liabilities		
Calculative internal liabilities	360,375,860.83	199,753,561.66
Trade payables	7,636,054.61	40,056,989.30
Liabilities to Group companies	89,296,534.09	52,880,634.42
Other liabilities	16,834,543.90	26,882,923.19
Other liabilities from associated companies	884,804.08	0.00
Accruals and deferred income	2,431,207.12	2,649,756.81
	477,459,004.63	322,223,865.38
Total liabilities	**481,931,788.59**	**325,009,118.34**
Total equity and liabilities	**555,558,241.46**	**422,161,993.12**

FORMULAS FOR KEY FINANCIAL INDICATORS

Equity ratio (%) = $100 \times \dfrac{\text{Total equity}}{\text{Balance sheet total – advances received}}$

Return on equity (%) = $100 \times \dfrac{\text{Profit for the period}}{\text{Total equity (average for the period)}}$

Return on investment (%) = $100 \times \dfrac{\text{Profit for the period + Finance costs}}{\text{Total equity + Interest-bearing debt (average for the period)}}$

Net interest-bearing debt = Interest-bearing debt - Cash and cash equivalents

Gearing ratio (%) = $100 \times \dfrac{\text{Interest-bearing debt - Cash and cash equivalents}}{\text{Total equity}}$

Net debt/EBITDA = $100 \times \dfrac{\text{Interest-bearing debt - Cash and cash equivalents}}{\text{EBITDA}}$

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFITS

At December 31, 2018, the parent company had distributable funds of €369,134,999.74, which includes the profit for the period, €110,622,969.72. The Board of Directors proposes to the general meeting of shareholders that a dividend of €0.6208 per share, i.e., a total of €32,902,400.62, be paid for the period now ended and that the remainder be retained.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Espoo March 8, 2019

Juha Rantanen
Chair of the Board of Directors

Stein Dale
Member of the Board of Directors

Elina Engman
Member of the Board of Directors

Timo Koponen
Member of the Board of Directors

Päivi Pesola
Member of the Board of Directors

Elisabet Salander Björklund
Member of the Board of Directors

Jarmo Väisänen
Member of the Board of Directors

Johanna Lamminen
Chief Executive Officer

AUDITOR'S NOTE

The auditor's report has been issued on this date.

Helsinki, March 15, 2019
PricewaterhouseCoopers Oy
Authorized Public Accountants

Pasi Karppinen
APA

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Gasum Oy

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

WHAT WE HAVE AUDITED

We have audited the financial statements of Gasum Oy (business identity code 0969819-3) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other opinions based on statutory law

Based on our audit, it is our responsibility to express an opinion on the matters required by the Finnish Natural Gas Market Act Chapter 13, Section 64. The Board of Directors and the Managing Director are responsible for that the unbundled income statements, balance sheets and notes comply with the Finnish Natural Gas Market Act and its' related rules and regulations.

In our opinion the unbundled income statements, balance sheets and notes are prepared in accordance with Finnish Natural Gas Market Act and with related rules and regulations.

Other Statements

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 15 March 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)

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