



GASUM GROUP
Q3 INTERIM REPORT
JANUARY 1
TO SEPTEMBER 30, 2015

Cleanly with natural energy gases

USE



TRANSMISSION AND DISTRIBUTION



PRODUCTION, SOURCING AND SALES



GASUM GROUP INTERIM REPORT FOR JANUARY 1 TO SEPTEMBER 30, 2015

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- Revenue for the period under review totaled €702 million (Q3 2014: €769 million).
- Natural gas sales totaled 19 TWh, down 8% on the corresponding period a year earlier.
- LNG deliveries totaled 282 thousand tonnes, up 49% year-on-year.
- Biogas sales amounted to 27 GWh, up 238% year-on-year.
- Gasum gave up the local network business during the period under review.
- Operating profit for the period was €127 million (Q3 2014: €29 million).



GASUM CEO JOHANNA LAMMINEN COMMENTS ON THE THIRD QUARTER OF THE YEAR:

“The implementation of our strategy has progressed in line with our targets. In the LNG business, progress in LNG terminal construction in Pori and Tornio, Finland, is being made on schedule, and the first LNG deliveries to customers from the Pori terminal will already take place in 2016.

We are also moving ahead at a great pace in our biogas business. Biogas has received a positive welcome in the market. We have entered into circular economy cooperation where biogas produced from biowaste collected from retail outlets is utilized as energy in the manufacturing of new Kesko own-brand Pirkka products, with our partners in this including Kesko grocery trade, Myllyn Paras and Wursti. We will continue to increase our biogas capacity and are constructing an upgraded biogas production facility in cooperation with Biotehdas at the Ekokem Circular Economy Village in Riihimäki, Finland. We will also continue the development of the biogas and natural gas filling station network.

On the basis of our studies, the Finngulf and Balticconnector projects are not commercially viable for our company and there is not sufficient demand for them in the Finnish market. The Finnish gas market and its future outlook have changed substantially since 2008 when plans for the projects were initiated. This is why we decided to give up the implementation of the Finngulf and Balticconnector projects.”

GASUM IN BRIEF

Gasum is a Finnish expert in natural energy gases (natural gas and biogas). It imports natural gas to Finland, upgrades biogas, and transmits and delivers these for a broad range of uses in energy production, industry, homes, and land and maritime transport. In 2014 a total of 29.3 TWh of natural gas was imported to Finland, corresponding to around 7% of Finland’s overall energy consumption. Gasum develops the Finnish and Nordic energy infrastructure by investing in the liquefied natural gas (LNG) business, biogas business and transport services. Gasum is the leading supplier of biogas in Finland. It injects biogas into the gas network from Espoo, Kouvola and Lahti. In the LNG business Gasum operates under the name of Skangas in all Nordic countries. Skangas will continue to strengthen the position and infrastructure of LNG and the utilization of new gas solutions more extensively in Finland, Sweden and Norway. The Gasum Group has more than 300 employees. The company’s revenue for 2014 totaled €1.1 billion.

Cleanly with natural energy gases - www.gasum.com

GASUM GROUP

Group Communications

FOR FURTHER INFORMATION PLEASE

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OPERATING ENVIRONMENT

The uncertainty of the energy market persisted in the third quarter of the year as well. Oil and electricity prices remained low, and the competitive setting of gas products in the Nordic countries did not improve despite the major price drop seen in the first half. The poor competitiveness of natural gas against other power station fuels kept the Finnish demand for natural gas at the level seen in 2014. The development of the market price of LNG relative to the price development of oil-based products delayed customers' final investment decisions. During the period under review, AGA also decided for the time being to give up the LNG import terminal project planned for Rauma, Finland.

The Finnish Government published the implementation plan for the key projects and reforms of the Government's strategic program in September. In this plan, the schedules, measures and financing of the key projects in particular are specified in greater detail. As regards gas products, the most important key projects are 'Towards carbon-free, clean and renewable energy cost-effectively' and 'Breakthrough of a circular economy, restoring waters to good condition', both of which fall under the key objective of 'Bioeconomy and clean solutions' and involve measures such as the preparation of the new energy and climate strategy into 2013 and speeding up of the introduction of new bioeconomy innovations. We believe that these projects will strengthen the role of natural gas as a bridge toward carbon-free energy production and the status of biogas in transport and industrial processes.

BUSINESS DEVELOPMENT IN Q3

Negotiations conducted since the beginning of 2014 between Gasum and Gazprom Export have not resulted in an agreement on the price of natural gas imported to Finland, whereby Gasum has taken the matter to an Arbitral Tribunal for settlement. The arbitration procedure is a procedure in accordance with the gas supply contract. Gasum aims to ensure that the price of natural gas is competitive in the Finnish market as agreed under the contract.

Gasum gave up the implementation of the Finngulf terminal and the Balticconnector offshore pipeline. On the basis of studies conducted, the projects are not commercially viable for Gasum and there is not sufficient demand for them in the Finnish market. The implementation of the projects would increase the overall costs charged to natural gas customers and further reduce the competitiveness of natural gas. Consequently, the implementation of the projects would also have a negative impact on the competitiveness of Finnish industry as well as municipal combined heat and power (CHP) production.

The construction of the Pori LNG terminal has progressed as planned, and the construction of the gas pipeline relating to the terminal began in late summer. New agreements were also concluded in the Pori region on the supply of LNG to the Harjavalta and Kaanaa Industrial Parks. We delivered 282 thousand tonnes of LNG to its customers during the period under review, an increase of almost 50% on the corresponding period last year.

The biogas business made a major breakthrough by entering into the first biogas circular economy agreements with Kesko and manufacturers of Kesko's own-brand Pirkka products. Under their agreements, Wursti Oy and Myllyn Paras Oy will use biogas produced from Kesko retail outlets'

food waste in the manufacture of Pirkka products. In the future biogas supply capacity will also increase thanks to the upgraded biogas production facility under construction at the Ekokem Circular Economy Village. Located in Riihimäki, Finland, the biogas facility is constructed by Biotehdas Oy, while the upgrading facility and network connection are constructed by Gasum. The sales of biogas during the first three quarters totaled 27 GWh – more than double the volume seen in the corresponding period a year earlier.

REVENUE AND FINANCIAL DEVELOPMENT

The Gasum Group's revenue for the first three quarters totaled €702 million, down 9% on the corresponding period in 2014 (Q3 2014: €769 million). The most significant factors contributing towards the decrease in revenue were the decreases in natural gas sales volume (8%) and natural gas price (25%) seen year-on-year. The Skangas subgroup accounted for €159 million of the entire Group's revenue during the period under review.

Depreciations and amortization in the first three quarters totaled €43 million (Q3 2014: €36 million). The Group's operating profit was €127 million (Q3 2014: €29 million). The figure was improved particularly by the non-recurring gains on the sale of the local distribution network. Gasum decided to end the Finngulf terminal project and Balticconnector offshore pipeline project, resulting in the write-off of these projects' capitalized costs.

BALANCE SHEET, FINANCING AND CASH FLOW

The Group's balance sheet total at September 30, 2015 came to €1,443 million (December 31, 2014: €1,621 million). One of the reasons for the change in the balance sheet total was the sale of the Gasum subsidiaries Gasum Paikallisjakelu Oy and Helsingin Kaupunkikaasu Oy.

The Group's equity ratio was 39.1% (December 31, 2014: 28.4%). The Group's borrowings totaled €329.1 million (December 31, 2014: €419.1 million), of which €281.9 million were non-current and €47.2 million were current. The current borrowings included €43.0 million of commercial papers (December 31, 2014: €100.0 million).

Other non-current liabilities, reported at €324.1 million in the balance sheet, consisted mainly of financial lease liabilities (€47.4 million) and other items treated as liabilities in IFRS financial statements (€271.5 million). Interest paid by the Group to providers of finance totaled around €5.2 million in the period under review. The largest items in the Group's net finance expenses of €13.4 million are payments relating to financial leases and the tolling fees of the liquefaction plant located in Stavanger, Norway, totaling €7.4 million.

The Group's financial position is good. The amount of undrawn credit facilities, including unused credit limits, totaled €100 million at September 30, 2015.

CAPITAL EXPENDITURE

The Gasum Group's investments in fixed assets in the first three quarters totaled €26 million (Q3 2014: €33 million). The most significant capital expenditure was to the LNG terminal under construction in Pori, Finland.

THE ENVIRONMENT AND SAFETY

Gasum has continued the systematic development of safety and environmental management. We are currently designing an energy management system according to ISO 50001, which is due for certification by the end of 2015. The system will help us systematically improve the energy efficiency of our operations, products and services and promote our responsibility in energy and environmental issues.

There were no significant environmental non-compliances during the period under review. In 2015 a total of six occupational accidents took place, with three of these resulting in one or more working days lost. The number of safety observations made has increased toward the end of the year, which can be regarded as a positive trend in our efforts to increase safety. In other respects the promotion of development measures has taken place as planned.

RESEARCH AND DEVELOPMENT PROJECTS

The focus of our research and development (R&D) has been on explorations of Gasum's opportunities as regards the transition to a carbon-neutral society by 2050. This has involved work including mapping out technology routes. Other R&D has focused on studies of biogas production opportunities and mapping out possible new technology pilots related to these.

CLEEN Ltd and Finnish Bioeconomy Cluster (FIBIC) Ltd merged into CLIC Innovation Ltd, and Gasum is involved in the formulation of the new company's research policy.

PERSONNEL AND ORGANIZATIONS

The Gasum Group's management model and organization were reformed as from September 1. The organizational changes took place to increase sales efficiency and improve customer orientation. Our new business units are Natural Gas, LNG, Biogas, and Technical Services.

At the end of the period the Group had 310 employees, of whom 265 were based in Finland. The Skangas subgroup had a staff of 52. The number of employees with a fixed-term contract was 27, and the contracts of around 40 summer employees ended during the period under review.

OWNERSHIP STRUCTURE AND SHARES

There were no changes among Gasum shareholders during the period under review. The company's shares are owned by the State of Finland (75%) and OAO Gazprom (25%).

CORPORATE GOVERNANCE

In conjunction with the organizational reform of September 1, 2015, Jouni Haikarainen was appointed as Senior Vice President, Natural Gas Business Unit, and began in his new role on October 1, 2015, and Lasse Aarnio was appointed as CFO as from November 1, 2015. Both are also members of the Group's Executive Management Group (EMG). The other EMG members are Jukka Metsälä, Vice President, Biogas Business Unit, Tor Morten Osmundsen, CEO, Skangas, and Vice President, LNG Business Unit. Jarko Alanko, Vice President, Technical Services, Jussi Teijonsalo, Vice President, Strategy, Sari Siitonen, Vice President, Sustainability and Innovations, Olga Väisänen, Vice President, Communications, Ari Suominen, Vice President, System Responsibility, and Kristiina Vuori, Vice President, Legal Affairs and Human Resources.

RISKS AND RISK MANAGEMENT

Gasum's most important business risks are to do with the energy market and developments in the prices and mutual competitiveness of fuels and electricity. In addition, there are risks relating to issues such as business regulation, the functioning of the transmission system, safety and security, environmental impacts, and access to natural gas. A further risk relating to the LNG business is the development of LNG sales in relation to investments having to do with logistics and sourcing.

Gasum has protected itself against fuel and particularly oil price fluctuation by developing its own sales pricing to reflect the pricing in its natural gas supply contract. The competitiveness of natural gas is impaired by changes in fuel taxation and energy subsidies. Changes in natural gas market regulation may result in negative impacts on the company's financial position or opportunities to achieve the objectives set for natural gas market development.

There have been no disruptions in natural gas supply. Gasum is prepared for natural gas supply disruptions with reserve fuel arrangements.

SHORT-TERM OUTLOOK

The sales volume of natural gas in Finland will remain slightly below the previous year's level in 2015. LNG business volumes will increase significantly in comparison with the year before in 2015. Biogas has received a very good welcome in the market, and its sales are anticipated to increase further in Q4.

At Gasum we will continue the work in line with our strategy to develop the Nordic gas ecosystem by providing our customers with intelligent and competitive gas solutions that will create a bridge toward a low-carbon society. Through our capital expenditures we will continue to enable the use of LNG and biogas as industrial and transport fuels.

Consolidated statement of income

€ million

	Note	1.1.–30.9.2015	1.1.–30.9.2014	1.1.–31.12.2014
Revenue		702.0	768.8	1,079.0
Other operating income		104.2	2.0	6.8
Materials and services		-594.6	-667.9	-972.7
Personnel expenses		-20.7	-17.0	-28.3
Depreciations, amortization and impairment	3	-42.5	-35.9	-48.7
Other operating expenses		-21.4	-21.5	-31.0
Operating profit		127.1	28.5	5.1
Finance expenses - net		-13.4	-12.3	-10.2
Share of profit/loss of investments accounted for using the equity method		-0.1	0.0	-0.2
Profit before income tax		113.6	16.2	-5.3
Taxes		-9.2	-5.4	0.5
Profit for the period		104.3	10.8	-4.8
Profit attributable to:				
Shareholders of the parent company		110.2	13.1	-1.6
Non-controlling interests		-5.9	-2.3	-3.2

Consolidated statement of comprehensive income

€ million

	Note	1.1.–30.9.2015	1.1.–30.9.2014	1.1.–31.12.2014
Profit for the period		104.3	10.8	-4.8
Other items in comprehensive income				
Items that will not be reclassified to profit or loss		0.0	0.0	-1.9
Remeasurements of post-employment benefits		0.0	0.0	-1.9
Items that may be subsequently reclassified to profit and loss		0.0	0.0	0.0
Total comprehensive income for the period		104.3	10.8	-6.7
Total comprehensive income for the period attributable to:				
Shareholders of the parent company		110.2	13.1	-3.5
Non-controlling interests		-5.9	-2.3	-3.2

Consolidated balance sheet

€ million

	Note	30.9.2015	30.9.2014	31.12.2014
ASSETS				
Non-current assets				
Intangible assets	3	213.0	209.7	218.9
Tangible assets	3	882.4	935.1	933.4
Available-for-sale investments	5	0.1	0.1	0.1
Investments accounted for using the equity method		11.5	3.1	6.2
Deferred tax assets		17.5	0.0	6.5
Derivative financial instruments	6	1.4	0.0	3.1
Other non-current assets		6.6	2.8	10.5
Total non-current assets		1,132.4	1,150.8	1,178.8
Current assets				
Inventories		207.0	97.3	206.3
Trade and other receivables	4	88.4	106.5	145.7
Available-for-sale investments		0.0	0.0	0.0
Derivative financial instruments	6	6.4	0.0	7.9
Current tax assets		0.0	3.9	0.0
Cash and cash equivalents	5	8.5	18.0	82.4
Total current assets		310.4	225.7	442.3
Total assets		1,442.7	1,376.5	1,621.1

Consolidated balance sheet

€ million

	Note	30.9.2015	30.9.2014	31.12.2014
EQUITY AND LIABILITIES				
Share capital		178.3	178.3	178.3
Retained earnings		225.3	221.9	228.0
Profit for the period		110.2	13.1	-1.6
Total equity attributable to owners of the parent		513.4	413.3	404.7
Non-controlling interest		50.5	56.3	55.6
Total equity		563.9	469.6	460.3
Liabilities				
Non-current liabilities				
Borrowings	7	281.9	260.0	304.7
Other non-current liabilities		324.1	333.1	322.7
Post-employment benefits		8.5	5.9	8.5
Deferred tax liabilities		71.9	65.9	63.0
Accruals	6	3.2	2.6	2.8
Derivative financial instruments		6.5	3.3	10.4
Total non-current liabilities		696.2	670.9	712.0
Current liabilities				
Borrowings	7	47.2	55.0	114.4
Trade and other payables	8	120.9	179.4	313.7
Derivative financial instruments	6	14.6	1.6	19.2
Current income tax liabilities		0.0	0.0	1.6
Total current liabilities		182.7	236.0	448.8
Total liabilities		878.8	906.9	1,160.8
Total equity and liabilities		1,442.7	1,376.5	1,621.1

Consolidated statement of changes in equity

€ million

	Attributable to owners of the parent			Non-controlling interests	Total equity
	Share capital	Retained earnings	Total		
Equity at January 1, 2015	178.3	226.4	404.7	55.6	460.3
Profit for the period		110.2	110.2	-5.9	104.3
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		110.2	110.2	-5.9	104.3
Total transactions with owners, recognized directly in equity		0.0	0.0	0.0	0.0
Other adjustments		-1.5	-1.5	0.5	-0.7
Equity at September 30, 2015	178.3	335.1	513.4	50.5	563.9

€ million

	Attributable to owners of the parent			Non-controlling interests	Total equity
	Share capital	Retained earnings	Total		
Equity at January 1, 2014	178.3	247.8	426.1		426.1
Profit for the period		-1.6	-1.6	-3.2	-4.8
Other comprehensive income					
Remeasurements of post-employment benefits		-1.9	-1.9		-1.9
Total comprehensive income for the period		-3.5	-3.5	-3.2	-6.7
Dividends paid		-17.9	-17.9		-17.9
Total transactions with owners, recognized directly in equity		-17.9	-17.9		-17.9
Changes due to business combinations				58.8	58.8
Equity at December 31, 2014	178.3	226.4	404.7	55.6	460.3

Condensed consolidated statement of cash flows

€ million

	1.1.-30.9.2015	1.1.-30.9.2014	1.1.-31.12.2014
Cash flows from operating activities			
Profit before income tax	113.6	16.2	-5.2
Adjustments			
Depreciation and amortization	42.3	35.9	48,7
Finance income and expenses	13.4	12.3	10,2
Unrealized gains or losses	-5.2	-1.0	13,8
Other adjustments	-104.2	-3.0	1,7
Change in working capital	-161.8	-15.7	-6.1
Cash inflow from operating activities before financial items and taxes	-101.8	44.7	63.1
Cash flow from financial items and taxes	-8.1	-9.3	-13.9
Net cash flows from operating activities	-109.9	35.4	49.2
Net cash flows from investing activities	101.6	-170.6	-191.1
Cash flows from financing activities			
Proceeds from non-current borrowings	134.1	360.0	522.3
Repayment of non-current borrowings	-203.4	-194.4	-277.7
Dividends paid	0.0	-17.9	-17.9
Increase/decrease of non-current assets	3.7	0.0	-7.8
Net cash flows from financing activities	-65.6	147.7	218.9
Net decrease (-)/increase (+) in cash and cash equivalents	-73.9	12.5	76.9
Cash and cash equivalents at the beginning of the period (Dec 31)	82.4	5.5	5.5
Cash and cash equivalents at the end of the period	8.5	18.0	82.4

Notes to interim consolidated financial statements

1. Accounting policies

This interim report has been prepared in accordance with the *IAS 34 Interim Financial Reporting* standard. The accounting policies and accounting methodology used for the Group's previous annual financial statements are applied to the interim financial statements included in the interim report. The information published in the interim report is unaudited.

The presentation of the financial statements has been altered in a manner whereby the gains or losses resulting from movement in the fair value of derivative financial instruments are now presented under materials and services instead of other operating expenses and income. The change has also been made in reference data in the interim report at September 30, 2015.

2. Treasury shares

The Group does not hold any treasury shares of the parent.

3. Change in intangible and tangible assets

€ million

	30.9.2015	30.9.2014	31.12.2014
Net book value at the beginning of the period	1,152.3	590.7	590.7
Depreciation and amortization	-42.5	-35.9	-48.7
Investments in intangible and tangible assets	25.7	34.1	51.5
Acquisition-related	0.0	575.8	564.2
Divestments	-39.8	0.0	-3.9
Reclassifications	0.0	-18.9	0.0
Disposals (incl. accumulated depreciation)	-0.3	-1.0	-1.5
Net book value at the end of the period	1,095.4	1,144.8	1,152.3

4. Trade and other receivables

€ million

	30.9.2015	30.9.2014	31.12.2014
Trade receivables	68.0	95.5	138.7
Short-term accruals	3.6	6.2	1.2
Other short-term receivables	16.8	4.6	5.7
Finance lease receivables	0.1	0.1	0.1
Total	88.4	106.5	145.7

5. Financial instruments

€ million

Financial instruments by category 30.9.2015	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale	Total
Assets as per balance sheet:				
Available-for-sale financial assets			0,1	0,1
Derivative financial instruments		7,8		7,8
Trade and other receivables	88,4			88,4
Other long term receivables	6,6			6,6
Cash and cash equivalents	8,5			8,5
Total	103,4	7,8	0,1	111,3

30.9.2015		Liabilities at fair value through profit and loss	Liabilities at amotrized cost	Total
Liabilities as per balance sheet:				
Borrowings			329,1	329,1
Finance lease liabilities			48,5	48,5
Derivative financial instruments		21,1		21,1
Trade and other payables excluding non-financial liabilities			405,1	405,1
Total		21,1	782,6	803,7

Financial instruments by category 31.12.2014	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale	Total
Assets as per balance sheet:				
Available-for-sale financial assets			0,1	0,1
Derivative financial instruments		11,0		11,0
Trade and other receivables	145,7			145,7
Other long term receivables	10,5			10,5
Cash and cash equivalents	82,4			82,4
Total	238,6	11,0	0,1	249,7

31.12.2014		Liabilities at fair value through profit and loss	Liabilities at amotrized cost	Total
Liabilities as per balance sheet:				
Borrowings			419,1	419,1
Finance lease liabilities			49,7	49,7
Derivative financial instruments		29,5		29,5
Trade and other payables			595,1	595,1
Total		29,5	1,063,9	1,093,4

6. Derivative financial instruments

€ million

	30.9.2015		31.12.2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap		2.2		3.3
Oil derivatives	7.8	18.8	11.0	26.2
Coal derivatives	0.0			
Total	7.8	21.1	11.0	29.5
Less non-current portion:				
Interest rate swap		2.2		3.2
Oil derivatives	1.4	4.3	3.1	7.1
Coal derivatives	0.0			
Non-current portion	1.4	6.5	3.1	10.3
Current portion	6.4	14.6	7.9	19.2

The fair values of commodity derivatives are based on quotes at the reporting date. The fair values of oil derivatives are calculated by using the quotes for fuel oil swap contracts of the OTC market. The fair values of coal derivatives are calculated by using publicly quoted market prices. The fair values of OTC commodity derivatives are calculated as the sum total of the derivative contracts' future cash flows.

7. Borrowings

€ million

	30.9.2015	30.9.2014	31.12.2014
Non-current			
Borrowings from financial institutions	269.6	260.0	304.7
Other loans	12.3	0	0
Total	281.9	260.0	304.7
Current			
Borrowings from financial institutions	4.2	10.0	14.4
Commercial papers	43.0	45.0	100.0
Total	47.2	55.0	114.4
Total liabilities from financial institutions	329.1	315.0	419.1

Other loans include a liability of €12.3 million to a non-controlling interest. The loan is a subordinated loan.

8. Trade payables and other current liabilities

€ million

	30.9.2015	30.9.2014	31.12.2014
Trade payables	73.0	78.4	229.2
Other liabilities	39.6	91.2	73.5
Accrued expenses	7.0	5.8	6.2
Finance lease liabilities - current portion	1.4	4.0	4.8
Total	120.9	179.4	313.7

9. Transactions with related parties

€ million

Transactions with related parties	Sales of goods and services	Purchases of goods and services	Receivables	Finance income and expenses	Liabilities
1.1.-30.9.2015					
Joint ventures	0.1				
Owners of Gasum		410.3			35.8
Total	0.1	410.3	0.0	0.0	35.8
1.1.-30.9.2014					
Joint ventures	0.0				
Owners of Gasum	46.0	583.5	1.9	0.0	52.6
Total	46.0	583.5	1.9	0.0	52.6
1.1.-31.12.2014					
Joint ventures	0.2				
Owners of Gasum	73.1	802.9			184.3
Total	73.3	802.9	0.0	0.0	184.3

10. Company divestments

In June 2015 Gasum Corporation sold its entire holding in its previously wholly owned subsidiaries Gasum Paikallisjakelu Oy and Helsingin Kaupunkikaasu Oy. The gains from the transaction are reported under other operating income.

The companies' local distribution network business took place under the Energy Services business of the Gasum Group. The disposal of the shares of the companies was not classified as discontinued operations.

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