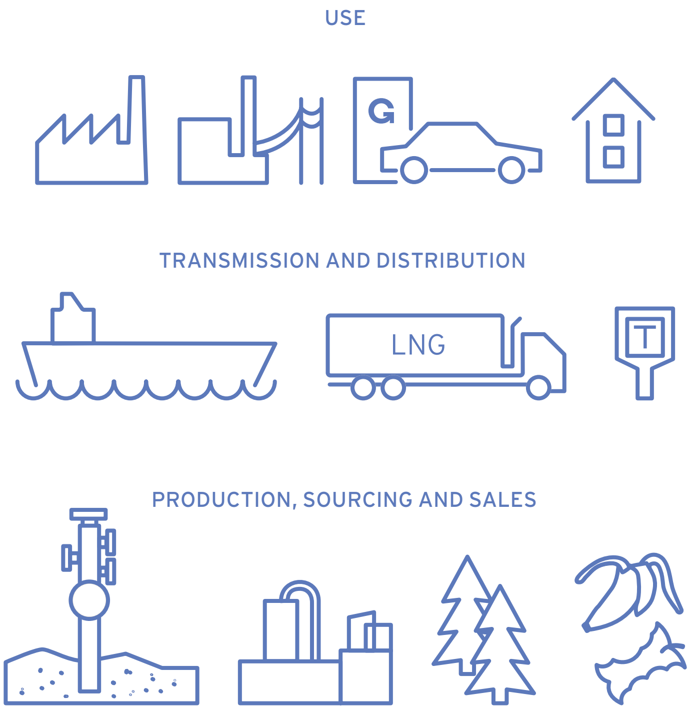
GASUM GROUP
Q3 INTERIM REPORT
JANUARY 1
TO SEPTEMBER 30, 2016

Cleanly with natural energy gases



Gasum

GASUM GROUP INTERIM REPORT FOR JANUARY 1 TO SEPTEMBER 30, 2016

GASUM GROUP INTERIM REPORT FOR JANUARY 1 TO SEPTEMBER 30, 2016

- Revenue €589 million (Q3 2015: €702 million)
- Operating profit €86 million (Q3 2015: €127 million)
- Natural gas business sales 17.0 TWh (19.6 TWh)
- LNG business sales 3.9 TWh (4.2 TWh)
- Biogas business sales 147 GWh (129 GWh)

GASUM CEO JOHANNA LAMMINEN COMMENTS ON THE THIRD QUARTER:

Gasum has taken strategic steps forward as planned during the period under review. Finland's first liquefied natural gas (LNG) terminal was opened in Pori and deliveries to customers began in September. The terminal enables LNG deliveries also to industrial, maritime and heavy-duty road transport customers outside the gas pipeline network and diversifies the Finnish energy market.

We also entered into partnership with Wärtsilä. Our Joint Co-operation Agreement aims to develop the utilization and distribution of natural energy gases in marine and land markets as well as to increase and ease the availability of natural energy gases for marine use as well as to develop the supply chain and infrastructure.

In the biogas business Gasum made an investment decision to double the capacity of the Oulu biogas plant. The expansion project is part of the company's strategic objective to achieve growth in the renewable biogas market.

GASUM IN BRIEF

The energy company Gasum is a Finnish gas sector (natural gas and biogas) expert that is building a bridge to a carbon-neutral society on land and at sea. Gasum contributes to the creation of a sustainable energy economy by increasing the supply of Finnish biogas, developing the Nordic gas ecosystem and ensuring the price competitiveness of gas. Gasum 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. Gasum is the leading supplier of biogas in Finland. Gasum processes waste and produces biogas at seven biogas plants located in Honkajoki, Huittinen, Kuopio, Oulu, Riihimäki, Turku and Vehmaa. It injects biogas into the gas network from Espoo, Kouvola, Lahti and Riihimäki. The Gasum subsidiary Skangas is a Nordic expert in liquefied natural gas (LNG) that will continue to strengthen the position and infrastructure of LNG and the utilization of new gas solutions more extensively in Finland, Sweden and Norway. Skangas has LNG production plants in Risavika, Norway, and Porvoo, Finland, and LNG terminals in Øra, Norway, Lysekil, Sweden, and Pori, Finland. The Gasum Group has around 300 employees in Finland, Norway and Sweden. The company's revenue in 2015 totaled €915 million.

Cleanly with natural energy gases – www.gasum.com

FOR FURTHER INFORMATION PLEASE CONTACT:
Johanna Lamminen
Chief Executive Officer, Gasum
Phone: +358 20 44 78 661
(Henna Walker,
Executive Assistant)
firstname.surname(a)gasum.fi

OPERATING ENVIRONMENT

The significance of natural gas in the global and European energy markets is increasing because – as a low carbon dioxide emissions source of energy – it helps curb climate change caused by the combustion of coal and oil products. Global demand for gas is on the increase particularly in land and maritime transport as well as industry.

Thanks to its flexibility, natural gas also acts as a stabilizer in the energy market during periods of imbalance between supply and demand, the occurrence of which is anticipated to increase especially due to increases in the production of wind and solar energy.

Demand for biogas produced from waste is increasing in the Nordic market where policy-makers and long-term targets are in favor of the circular economy and biogas production. Biogas demand is also boosted by the objectives set in Finland's National Energy and Climate Strategy to raise the share of renewable transport fuels to 40% by 2030. In this context Gasum is systematically building the circular economy ecosystem in the Nordic countries.

BUSINESS DEVELOPMENT IN Q3

During the period under review steps forward were taken in line with the Gasum strategy and the Nordic gas ecosystem was developed in Gasum's business operations as planned.

In the LNG business, Finland's first LNG import terminal was opened in Pori by the Gasum subsidiary Skangas Ltd on September 12, 2016. Deliveries of LNG to customers also began on the same day. The terminal enables LNG deliveries also to industrial, maritime and heavy-duty road transport customers outside the gas pipeline network and diversifies the Finnish energy market. The project's total investment exceeded €80 million. In 2014 energy support at €23 million was granted for the terminal project by the Finnish Ministry for Employment and the Economy. The terminal provides direct employment to 10 and significant indirect employment to around 50 persons. The terminal project has provided 320 full-time equivalents of employment. The LNG terminal strengthens the position of Skangas as a major player in the Nordic countries. Progress in the construction of the Tornio Manga LNG joint project is also being made as planned, and the terminal will be completed in Tornio in early 2018.

Strong growth continued in the biogas business during the period under review. Gasum made an investment decision to double the capacity of the Oulu biogas plant. The expansion project is part of the company's strategic objective to achieve growth in the renewable biogas market. In addition, Finland's first gas filling station intended specifically for heavy-duty vehicles was opened at Helsinki's Vuosaari Harbor. The next road fuel gas filling station serving heavy-duty transport is scheduled to open in October 2016 in Turku.

Gasum Technical Services was involved in the construction of new filling stations for LNG-fueled heavy-duty vehicles at Vuosaari Harbor and the Port of Turku and was in charge as planned for transmission network maintenance work during the period under review.

Covering all of Gasum's business functions, cooperation with Wärtsilä in the utilization and distribution of natural energy gases in the marine and land markets began on August 29, 2016. The purpose of the agreement between the companies is to develop the gas value chain in order to advance carbon neutrality. The cooperation is aimed to benefit customers by providing efficient and sustainable energy solutions and consists of several development areas within the value chain.

REVENUE AND FINANCIAL DEVELOPMENT

The Gasum Group's revenue for the first three quarters totaled €589 million, down 16% on the corresponding period in 2015 (Q3 2015: €702 million). The drop in revenue was affected by the decrease in the sales price of natural gas. The downward trend in natural gas volumes seen over the past few years has levelled off, and this year's natural gas consumption has been at the same level as last year. During the period under review, the Skangas subgroup accounted for €111 million or 19% of the Gasum Group's revenue (Q3 2015: €159 million).

Consolidated depreciations and amortization over the three first quarters amounted to €37 million (Q3 2015: €43 million). Operating profit was €86 million (Q3 2015: €127 million). Growth in the Group's operational results was due to the good performance and availability of all business units, natural gas, LNG and particularly the Risavika LNG production plant, as well as the new biogas acquisitions of the biogas business. The operating profit figure for Q3 of 2015 included the non-recurring gains on the sale of the local gas distribution network.

BALANCE SHEET, FINANCING AND CASH FLOW

The Group's balance sheet total at September 30, 2016 came to € 1,447 million (December 31, 2015: €1,426 million). Prior to the completion of the Risavika LNG production plant acquisition in April 2016, the plant was consolidated into the Gasum Group as a structured entity. Deconsolidation took place in conjunction with the closing of the acquisition, and the plant is consolidated as a subsidiary as from the date of acquisition. The acquisition of the Risavika LNG production plant and the deconsolidation of the previous structured entity did not have a significant impact on the Group's balance sheet.

The Group's equity ratio was 38.8% (December 31, 2015: 39.4%). The Group's borrowings from financial institutions and other non-current borrowings totaled €612 million (December 31, 2015: €653 million), of which €474 million were non-current borrowings from financial institutions and €37 million were current. Other non-current liabilities, reported at €102.0 million in the balance sheet, consisted mainly of financial lease liabilities (€46 million) and other items treated as liabilities in IFRS financial statements.

Interest paid by the Group to providers of finance totaled €5.0 million in the period under review (Q3 2015: €5.2 million). In addition to interest paid on loans, the largest items in the Group's net finance expenses of €2.6 million are payments relating to financial leases at €3 million and the non-recurring finance income at €12 million arising from the deconsolidation of the structured entity.

The Group's financial position is good. Gasum's financing was renewed during the first half of the year.

CAPITAL EXPENDITURE

The Gasum Group's capital expenditure on intangible and tangible assets in the first quarter totaled €41 million (Q3 2015: €26 million). Most of this was to do with the establishment of the new Pori LNG terminal, which was opened for commercial use in September. Other capital expenditure was made on the construction of new filling stations and the biogas upgrading facility in Riihimäki, Finland. A total of €9.7 million in investment support was received during the reporting period.

The most significant business investments were made in the Risavika LNG production plant in Norway and the acquisition of the Biotehdas and Biovakka companies in Finland.

THE ENVIRONMENT AND SAFETY

Three accidents at work took place in the Gasum Group during the period under review. Two of these resulted in absence from work. The development of the safety culture and related development measures are being monitored by Gasum's senior management.

In the Topinoja area of Turku, Finland, joint surveillance of odor emissions for a period of one year has been launched with local actors. At the Turku biogas plant a container leak was detected and corrective measures are underway. The expansion of the Riihimäki biogas plant's sustainability scheme is being considered by the Energy Agency. Gasum has also made preparations for joining the Energy Efficiency Agreement for the 2017–2025 period.

RESEARCH AND DEVELOPMENT PROJECTS

The implementation of Gasum's renewed strategy calls for strong R&D operations. R&D is being strengthened through closer cooperation between the research organization and business processes. During the period under review, Gasum's R&D also participated in final reporting on the Efficient Energy Use (EFEU), Carbon Capture and Storage (CCSP) and Sustainable Bioenergy Solutions for Tomorrow (BEST SHOK) programs.

PERSONNEL AND ORGANIZATION

On September 30, 2016 the Gasum Group had 380 employees (Q3 2015: 310), of whom 85 worked for the Skangas subgroup.

OWNERSHIP STRUCTURE AND SHARES

There were no changes among Gasum shareholders during the period under review. Gasum is owned by the State of Finland (100%). The shares are held at 73.5% by the state-owned Gasonia Oy and 26.5% directly by the State of Finland. According to Finnish Government's ownership steering policy published on May 12, 2016, the State must maintain a majority holding (at least 50.1%) in Gasum.

CORPORATE GOVERNANCE

A decision was made by the Gasum Annual General Meeting on February 26, 2016 to abolish the Supervisory Board of the company. The meeting also appointed a new Board of Directors to replace the previous internal Board.

Appointed as the Chairman of Gasum's new Board of Directors was Juha Rantanen, former Chairman of the Supervisory Board. The other members of the Board comprise Charlotte Loid, Vice President, Projects & Services, BA Generation, Vattenfall, Päivi Pesola, Senior Advisor, Heat, Electricity Sales and Solutions Division, Fortum Power & Heat Oy, Timo Koponen, Vice President, Flow & Gas, Wärtsilä Marine Solutions, and Jarmo Väisänen, Senior Financial Counsellor, Ownership Steering Department, Prime Minister's Office. The new Gasum Board of Directors began its term on March 1, 2016.

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, energy taxation, the functioning of the transmission system, safety and security, environmental impacts, and access to natural gas.

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.

Gasum is prepared for natural gas supply disruptions with reserve fuel arrangements.

SHORT-TERM OUTLOOK

At Gasum we will continue our work in line with our strategy to expand the Nordic gas ecosystem by selling competitive gas and developing a smart gas system that will create a bridge toward a low-carbon society. We will focus particularly on the use of LNG and biogas as industrial, maritime transport and heavy-duty vehicle fuels.

Natural gas business and LNG business sales volumes will remain close to the 2015 level. The revenue generated from the biogas business will increase considerably year-on-year due to the acquisitions carried out in 2016.

Consolidated statement of income

€ million

	Note	1.1.–30.9.2016	1.1.–30.9.2015	1.1.–31.12.2015
Revenue		**588.7**	**702.0**	**915.5**
Other operating income		**18.7**	112.8	113.9
Materials and services		**-416.5**	-584.0	-763.0
Personnel expenses		**-25.2**	-20.7	-27.8
Depreciations and amortization	3	**-37.0**	-42.5	-53.7
Other operating expenses		**-43.1**	-40.5	-58.4
Operating profit		**85.6**	**127.1**	**126.4**
Finance expenses -net		**2.6**	-13.4	-18.0
Share of profit/loss of equity-accounted investments		**-0.6**	-0.1	0.0
Profit before taxes		**87.6**	**113.6**	**108.4**
Taxes		**-20.5**	-9.2	-7.4
Profit for the period		**67.1**	**104.3**	**101.1**
Profit for the period attributable to:				
Owners of the parent		**69.5**	110.2	107.0
Non-controlling interests		**-2.4**	-5.9	-6.0

Consolidated statement of comprehensive income

€ million

	Note	1.1.–30.9.2016	1.1.–30.9.2015	1.1.–31.12.2015
Profit for the period		**67.1**	**104.3**	**101.1**
Other comprehensive income				
Items that will not be reclassified to profit or loss		**-**	-	0.6
Remeasurements of post-employment benefits		**-**	-	0.6
Items that may be reclassified subsequently to profit or loss		**2.5**	-	-
Translation differences		**2.5**	-	-
Total comprehensive income for the period		**69.7**	**104.3**	**101.7**
Total comprehensive income for the period attributable to:				
Owners of the parent		**72.0**	110.2	107.6
Non-controlling interests		**-2.4**	-5.9	-6.0

Consolidated statement of financial position

€ million

	Note	30.9.2016	30.9.2015	31.12.2015
ASSETS				
Non-current assets				
Intangible assets	3	**223.2**	213.0	212.0
Tangible assets	3	**946.2**	882.4	868.8
Equity-accounted investments		**10.9**	11.5	12.9
Available-for-sale investments		**0.1**	0.1	0.1
Derivative financial instruments	5	**0.4**	1.4	0.9
Deferred tax assets		**0.0**	17.5	8.8
Other non-current assets		**6.1**	6.6	6.5
Total non-current assets		**1,186.9**	**1,132.4**	**1,110.0**
Current assets				
Inventories		**166.5**	207.0	168.9
Derivative financial instruments	5	**2.1**	6.4	5.5
Trade and other receivables	4	**79.1**	88.4	133.9
Cash and cash equivalents		**11.9**	8.5	7.2
Total current assets		**259.6**	**310.4**	**315.5**
Total assets		**1,446.5**	**1,442.7**	**1,425.5**

Consolidated statement of financial position

€ million

	Note	30.9.2016	30.9.2015	31.12.2015
EQUITY AND LIABILITIES				
Share capital		**178.3**	178.3	178.3
Retained earnings		**266.3**	225.3	229.3
Profit for the period		**69.5**	110.2	107.0
Translation differences		**2.5**	-	-
Total equity attributable to owners of the parent		**516.6**	**513.4**	**514.6**
Non-controlling interest		**45.0**	**50.5**	**47.4**
Total equity		**561.6**	**563.9**	**562.0**
Liabilities				
Non-current liabilities				
Loans	6	**473.6**	281.9	287.9
Other non-current liabilities		**101.6**	324.1	324.2
Derivative financial instruments	5	**6.6**	6.5	6.6
Deferred tax liabilities		**90.1**	71.9	62.8
Provisions		**5.8**	3.2	4.2
Post-employment benefits		**7.4**	8.5	7.4
Total non-current liabilities		**685.0**	**696.2**	**693.0**
Current liabilities				
Loans	6	**36.7**	47.2	41.1
Derivative financial instruments	5	**5.6**	14.6	14.7
Trade and other payables	7	**157.6**	120.9	114.8
Current income tax liabilities		**0.0**	0.0	0.0
Total current liabilities		**199.9**	**182.7**	**170.6**
Total liabilities		**883.9**	**878.8**	**863.6**
Total equity and liabilities		**1,446.5**	**1,442.7**	**1,425.5**

Consolidated statement of changes in equity

€ million

	Attributable to owners of the parent					
	Share capital	Retained earnings	Translation differences	Total	Non-controlling interests	Total equity
Equity at January 1, 2016	178.3	336.3	-	514.6	47.4	562.0
Profit for the period		69.5		69.5	-2.4	67.1
Other comprehensive income						
Translation differences			2.5	2.5		2.5
Total comprehensive income for the period		**69.5**	**2.5**	**72.0**	**-2.4**	**69.7**
Profit distribution		-70.0		-70.0		-70.0
Total transactions with owners, recognized directly in equity		**-70.0**		**-70.0**		**-70.0**
Equity at September 30, 2016	**178.3**	**335.8**	**2.5**	**516.6**	**45.0**	**561.6**

€ million

	Attributable to owners of the parent					
	Share capital	Retained earnings	Translation differences	Total	Non-controlling interests	Total equity
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**
Other adjustments		-1.5		-1.5	0.8	-0.7
Equity at September 30, 2015	**178.3**	**335.1**	**-**	**513.4**	**50.5**	**563.9**

Consolidated statement of cash flows

€ million

	1.1.–30.9.2016	1.1.–30.9.2015	1.1.–31.12.2015
Cash flows from operating activities			
Profit before taxes	**87.6**	113.6	108.4
Adjustments			
Depreciation and amortization	**37.0**	42.3	53.7
Finance costs - net	**-2.6**	13.4	17.9
Unrealized foreign exchange gains/losses	**-10.0**	-5.2	-2.7
Other non-cash items	**12.6**	-104.2	-97.4
Change in working capital	**21.1**	-161.8	-147.0
Cash inflow from operating activities before financial items and taxes	**145.9**	**-101.8**	**-67.1**
Cash flow from financial items and taxes	**-16.5**	-8.1	-22.1
Net cash flows from operating activities	**129.4**	**-109.9**	**-89.2**
Net cash flows from investing activities	**-130.3**	**101.6**	**90.5**
Cash flows from financing activities			
Proceeds from borrowings	**540.0**	134.1	167.7
Repayments of borrowings	**-511.9**	-203.4	-240.6
Increase/decrease in other liabilities	**-0.9**	0.0	-7.9
Profit distribution	**-20.0**	0.0	0.0
Increase/decrease in non-current receivables	**-1.7**	3.7	4.4
Net cash flows from financing activities	**5.6**	**-65.6**	**-76.4**
Net decrease (-)/increase (+) in cash and cash equivalents	**4.7**	**-73.9**	**-75.2**
Cash and cash equivalents at the beginning of the period (Dec 31)	**7.2**	82.4	82.4
Cash and cash equivalents at the end of the period	**11.9**	8.5	7.2

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.

2. Treasury shares

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

3. Change in intangible and tangible assets

€ million

	30.9.2016	30.9.2015	31.12.2015
Net book value at the beginning of the period	1,080.8	1,152.3	1,152.3
Depreciation and amortization	-37.0	-42.5	-53.7
Investments in intangible and tangible assets	32.1	25.7	32.7
Business acquisitions	83.8	-	-
Business disposals	-	-39.8	-39.7
Reclassifications	3.9	-	-
Disposals (incl. accumulated depreciation)	-	-0.3	-10.7
Effect of movements in exchange rates	5.9	-	-
Net book value at the end of the period	**1,169.5**	**1,095.4**	**1,080.8**

4. Trade and other receivables

€ million

	30.9.2016	30.9.2015	31.12.2015
Trade receivables	60.9	68.0	84.6
Short-term accruals	6.6	3.6	38.0
Other short-term receivables	11.4	16.8	11.3
Finance lease receivables	0.1	0.1	0.1
Total	**79.1**	**88.4**	**133.9**

5. Financial instruments measured at fair value

€ million

	30.9.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives		5.2		2.3
Oil derivatives	1.5	4.9	6.4	18.9
Gas derivatives	0.4			
Currency derivatives	0.6	1.8		
Electricity derivatives		0.3		
Total	**2.5**	**12.2**	**6.4**	**21.2**
Less non-current portion:				
Interest rate derivatives		3.7		2.3
Oil derivatives	0.2	0.8	0.9	4.3
Gas derivatives	0.1			
Currency derivatives	0.2	1.8		
Electricity derivatives		0.3		
Non-current portion	**0.4**	**6.6**	**0.9**	**6.6**
Current portion	**2.1**	**5.6**	**5.5**	**14.7**

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 gas 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.

6. Loans

€ million

	30.9.2016	30.9.2015	31.12.2015
Non-current			
Loans from financial institutions	458.5	269.6	272.9
Subordinated loans	15.0	12.3	15.0
Total	**473.6**	**281.9**	**287.9**
Current			
Loans from financial institutions	9.7	4.2	8.1
Commercial papers	27.0	43.0	33.0
Total	**36.7**	**47.2**	**41.1**
Total liabilities from financial institutions	**510.3**	**329.1**	**329.0**

Other loans include a liability of €15.0 million to a non-controlling interest. The loan is a subordinated loan.

7. Trade payables and other current liabilities

€ million

	30.9.2016	30.9.2015	31.12.2015
Trade payables	42.5	73.0	62.1
Other liabilities	81.1	39.6	45.1
Accrued expenses	32.6	7.0	6.3
Finance lease liabilities – current portion	1.4	1.4	1.4
Total	**157.6**	**120.9**	**114.8**

8. Business combinations

In January 2016, Gasum Ltd signed a contract under which it purchased Biotehdas Oy and its production plants from Taalerintehdas Private Equity Funds Ltd. The transaction was closed on February 29, 2016. The income statements of the companies acquired have been consolidated into the Gasum Group as from the beginning of March 2016.

In addition, Gasum also completed another acquisition relating to the biogas business in Q1 of 2016. On February 1, 2016 Gasum Ltd signed a contract of sale with the owners of Biovakka Suomi Oy under which Gasum acquired Biovakka Suomi Oy and Biovakka Oy. The transaction was closed on March 31, 2016. The income statements of the companies acquired are consolidated into the Gasum Group as from the beginning of April 2016.

In conjunction with the Skangas acquisition where Gasum acquired the LNG distribution business from the Norwegian Lyse Group, a call option for the Risavika LNG production plant was also acquired. The transaction was closed on April 16, 2016, which is when Skangas AS acquired 100% of the shares of the production plant company. Following the transaction, the company was renamed Skangas LNG Production AS. The transaction required approval by Swedish and Norwegian competition authorities, which was granted in early April. The production plant had previously been consolidated into the Gasum Group as a structured entity, whereby the transaction now closed had no material impact on the Group's balance sheet.

GASUM GROUP
Miestentie 1, PO Box 21
FI-02151 Espoo, Finland
Phone: +358 20 44 71
www.gasum.com