



GASUM GROUP Q1 INTERIM REPORT

January 1
to March 31, 2017

CLEANLY WITH NATURAL ENERGY GASES

USE



TRANSMISSION AND DISTRIBUTION



PRODUCTION, SOURCING AND SALES



GASUM CONTINUED PURPOSEFUL STRATEGY IMPLEMENTATION AND THE DEVELOPMENT OF THE NORDIC GAS ECOSYSTEM

KEY FIGURES AND EVENTS FOR JANUARY 1 TO MARCH 31, 2017

- Revenue €316.4 million (Q1 2016: €296.9 million)
- Operating profit €55.8 million (€47.2 million)
- Sales of Natural Gas business 8.0 TWh (8.9 TWh)
- Sales of Biogas business 156 GWh (82 GWh), up 90% on the corresponding period a year earlier
- Sales of LNG business 1.6 TWh (1.5 TWh)
- The Biogas business was strengthened with the acquisition of Swedish Biogas International



GASUM CEO JOHANNA LAMMINEN COMMENTS ON THE FIRST QUARTER:

Gasum continued purposeful strategy implementation and the development of the Nordic gas ecosystem during the first quarter of the year.

In our Biogas business, we closed the acquisition of Swedish Biogas International in Sweden. This reinforces our strategic objective of expanding the gas market in the Nordic countries.

In the Natural Gas business we completed the sale of the heat business and local distribution network. Exiting the heat business and local distribution network gas sales will clarify Gasum's position in the gas market after the coming Natural Gas Market Act reform.

In the LNG business we entered into new liquefied natural gas (LNG) supply agreements with industrial customers in the Nordic countries, and the AS Tallink Grupp's new fast ferry Megastar was bunkered for the first time from our Pori terminal. The ferry started operating on the Helsinki-Tallinn route in January.

FOR FURTHER INFORMATION

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GASUM IN BRIEF

The energy company Gasum is a Nordic 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 local biogas, developing the Nordic gas ecosystem and ensuring the price competitiveness of gas. Gasum imports natural gas to Finland, upgrades biogas, 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 the Nordic countries. 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. The Gasum Group has more than 400 employees in Finland, Norway and Sweden. The Gasum Group's revenue totaled €843 million in 2016.

'Cleanly with natural energy gases' – gasum.com

OPERATING ENVIRONMENT

The position of natural gas in the European energy market improved considerably in 2016. According to Eurogas statistics published this year, natural gas consumption in the EU-28 increased by 7% compared with 2015. Gas was used increasingly to replace coal in electricity production, which contributed towards the achievement of a 4.5% reduction in the EU's power generation sector carbon dioxide emissions in 2016. In Finland, the situation has remained different from the European trend in the first months of 2017, with coal still ahead of natural gas in the dispatch order. The discontinuation of the use of coal in Finland outlined in the National Energy and Climate Strategy published in late 2016 has, however, inspired Finnish debate about actions such as the role of taxation to change the current dispatch order to favor gas instead of coal.

Debate in the first months of 2017 has also covered the proposal included in the European Commission's winter package on the revised renewable energy Directive. The proposal is favorable to biogas, but the opportunities provided particularly by biogas and liquefied biogas (LBG) in transport use should be promoted more clearly.

Gas-fueled transport is undergoing strong growth around Europe. In Finland, major potential can be seen in the transport use of gas, and a variety of measures are being outlined to support growth in transport use. In February, a parliamentary working group on the future of Finland's transport network began its one-year term. The working group's task is to consider measures for responding to the emission reduction targets set for transport in the national climate policy.

The bill for Finland's new Natural Gas Market Act is currently undergoing a round of consultation and is expected to be passed at the beginning of 2018.

BUSINESS DEVELOPMENT IN Q1

The sales volumes of Gasum's Natural Gas business decreased year-on-year due to the mild temperatures seen in early 2017. In February, Gasum sold its Finnish heat business and local distribution network gas sales to Auris Kaasunjakelu Oy. The purpose of the transaction was to clarify Gasum's position in the changing gas market.

In the LNG business, LNG was supplied from the Pori LNG terminal to maritime transport and industry. The operations of the Pori terminal were affected in Q1 by a fire at the production plant of a major customer. The first deliveries of liquefied biogas (LBG) to industrial customers were also made by the LNG business. Progress is made according to plan in the construction of the Tornio LNG terminal, and the commissioning of the terminal will take place in spring 2018.

The production capacity of the Biogas business was doubled by the acquisition of Swedish Biogas International. Swedish Biogas International AB, including the companies owned by it, was acquired by Gasum Ltd in January. The newly acquired biogas plants improve Gasum's opportunities to offer biogas to industrial and transport customers in Sweden. Strong progress was made in the development the biogas and natural gas filling station network, and Gasum announced the construction of new stations in Hämeenlinna, Jyväskylä and Vantaa, Finland.

REVENUE AND FINANCIAL DEVELOPMENT

The Gasum Group's revenue for Q1 totaled €316.4 million (Q1 2016: €296.9 million), up 6.6% on the corresponding period in 2016. The increase in revenue was affected largely by the rise in the sales price of natural gas compared with the previous period under review. The Skangas subgroup accounted for €54.9 million (€43.0 million) of the entire Group's revenue during the period under review.

The Group's operating profit was €55.8 million (€47.2 million). The increase in operating profit was due to the good performance of all business units as well as the business acquisitions made by the Biogas business unit. Consolidated depreciation during Q1 totaled €25.7 million (Q1 2016: €11.8 million). Depreciation during the period under review includes a one-off write-down of €12.0 million of a parallel pipeline section of the natural gas transmission network that will no longer be needed at current and forecast gas consumption volumes and will therefore be decommissioned gradually by the end of 2018.

BALANCE SHEET, FINANCING AND CASH FLOW

The Group's balance sheet total at March 31, 2017 came to €1,484.9 million (December 31, 2016: €1,461.5 million).

The Group's equity ratio was 39.7% (December 31, 2016: 40.8%). The Group's borrowings from financial institutions totaled €469.0 million (December 31, 2016: €497.3 million), of which €449.3 million were non-current borrowings and €19.8 million were current. Other non-current liabilities, reported at €119.6 million in the balance sheet, consisted mainly of financial lease liabilities and other items treated as liabilities in IFRS financial statements.

CAPITAL EXPENDITURE

The Gasum Group's capital expenditure on intangible and tangible assets in Q1 totaled €3.4 million (Q1 2016: €9.0 million), and most of this was to do with the construction of new filling stations, while business investments were made on the acquisition of the Swedish Biogas International Group.

QUALITY, THE ENVIRONMENT AND SAFETY AND SECURITY

There were no significant environmental non-compliances during the period under review. No accidents at work took place during the period under review, either. The number of safety observations and proposals made by personnel is increasing significantly. Business-specific reporting on health and safety matters was introduced by Gasum at the beginning of the year.

PERSONNEL

The number of Gasum Group employees increased during the period under review due to the acquisition of Swedish Biogas International. On March 31, 2017, the Gasum Group had a total of 406 employees (March 31, 2016: 348), of whom 75 worked for the Skangas subgroup. A total of 306 of the employees were based in Finland.

OWNERSHIP STRUCTURE AND SHARES

Gasum is fully (100%) owned by the State of Finland. The shares are held at 73.5% by the state-owned Gasonia Oy and 26.5% directly by the State of Finland.

CORPORATE GOVERNANCE

On March 23, 2017, the Annual General Meeting of Gasum Ltd re-elected the old members of the Board of Directors: Chairman Juha Rantanen and Board Members Charlotte Loid, Päivi Pesola, Timo Koponen and Jarmo Väisänen. In addition, two new members were elected: Elina Engman and Stein Dale.

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 fuel commodities 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 risk for the LNG business is the development of LNG sales in relation to sourcing-related capital expenditure.

Gasum has protected itself against energy commodity 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

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

Gasum's investments in the Nordic gas ecosystem together with the energy and climate policy targets adopted will enable the company's growth. The significance of gas as an industrial, marine and road transport fuel is increasing.

Gasum's revenue is anticipated to increase year-on-year in 2017 due to the business acquisitions made.

GASUM GROUP

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Consolidated statement of income

€ million

	Note	1.1.-31.3.2017	1.1.- 31.3.2016	1.1.-31.12.2016
Revenue		316.4	296.9	843.4
Other operating income		13.1	5.2	33.7
Materials and services		-227.4	-217.9	-612.1
Personnel expenses		-9.9	-7.7	-34.1
Depreciation and amortization	3	-25.7	-11.8	-51.1
Other operating expenses		-10.7	-17.5	-55.0
Operating profit		55.8	47.2	124.8
Finance items - net		-0.7	-3.5	1.6
Share of result from investments accounted for using the equity method		0.0	-0.3	-0.9
Profit before taxes		55.0	43.4	125.5
Taxes		-10.5	-9.9	-23.1
Profit for the period		44.5	33.5	102.4
Profit for the period attributable to:				
Owners of the parent		44.3	35.2	104.3
Non-controlling interest		0.2	-1.8	-1.9

Consolidated statement of comprehensive income

€ million

	Note	1.1.-31.3.2017	1.1.-31.3.2016	1.1.-31.12.2016
Profit for the period		44.5	33.5	102.4
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefits		0.0	0.0	-0.3
Items that may be reclassified subsequently to profit or loss				
Translation differences		-0.7	0.0	1.8
Total comprehensive income for the period		43.8	33.5	103.9
Total comprehensive income for the period attributable to:				
Owners of the parent		43.6	35.2	105.9
Non-controlling interest		0.2	-1.8	-1.9

Consolidated balance sheet

€ million

	Note	31.3.2017	31.3.2016	31.12.2016
ASSETS				
Non-current assets				
Intangible assets	3	221.3	228.0	221.4
Tangible assets	3	942.4	926.4	927.3
Equity-accounted investments		11.3	11.0	10.4
Available-for-sale investments		0.1	0.1	0.1
Derivative financial instruments	5	0.5	0.4	0.0
Deferred tax assets		0.0	10.3	2.0
Other non-current assets		4.5	6.6	6.1
Total non-current assets		1,180.1	1,182.8	1,167.3
Current assets				
Inventories		119.7	166.0	112.6
Derivative financial instruments	5	1.1	2.4	2.7
Trade and other receivables	4	136.7	114.5	155.6
Current tax assets		0.2	0.0	0.0
Cash and cash equivalents		47.2	14.6	23.4
Total current assets		304.8	297.4	294.2
Total assets		1,484.9	1,480.2	1,461.5

Consolidated balance sheet

€ million

	Note	31.3.2017	31.3.2016	31.12.2016
EQUITY AND LIABILITIES				
Share capital		178.3	178.3	178.3
Retained earnings		320.3	266.2	266.0
Profit (loss) for the period		44.3	35.2	104.3
Translation differences		1.2	0.0	1.8
Total equity attributable to owners of the parent		544.1	479.8	550.4
Non-controlling interest		45.6	45.6	45.4
Total equity		589.7	525.4	595.9
Liabilities				
Non-current liabilities				
Loans	6	449.3	285.3	448.7
Other non-current liabilities		119.6	337.2	116.0
Derivative financial instruments	5	3.9	3.7	4.3
Deferred tax liabilities		91.0	68.9	94.7
Provisions		9.4	5.4	9.4
Post-employment benefits		7.5	7.4	7.5
Total non-current liabilities		680.7	708.0	680.5
Current liabilities				
Loans	6	19.8	42.5	48.7
Derivative financial instruments	5	1.5	14.0	1.5
Trade and other current liabilities	7	178.4	181.4	120.7
Current tax liabilities		14.9	8.9	14.3
Total current liabilities		214.5	246.8	185.2
Total liabilities		895.2	954.8	865.6
Total equity and liabilities		1,484.9	1,480.2	1,461.5

Consolidated statement of changes in equity

€ million

	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	Retained earnings	Translation differences	Total		
Equity at January 1, 2017	178.3	370.3	1.8	550.4	45.4	595.9
Profit for the period		44.3		44.3	0.2	44.5
Other comprehensive income						
Translation differences			-0.7	-0.7		-0.7
Total comprehensive income for the period		44.3	-0.7	43.6	0.2	43.8
Profit distribution		-50.0		-50.0		-50.0
Equity at March 31, 2017	178.3	364.6	1.2	544.1	45.6	589.7

€ million

	Attributable to owners of the parent				Non-controlling interest	Total equity
	Share capital	Retained earnings	Translation differences	Total		
Equity at January 1, 2016	178.3	336.3	0.0	514.6	47.4	562.0
Profit for the period		35.2		35.2	-1.8	33.5
Other comprehensive income						
Total comprehensive income for the period		35.2		35.2	-1.8	33.5
Profit distribution		-70.0		-70.0		-70.0
Equity at March 31, 2016	178.3	301.5	0.0	479.8	45.6	525.4

Condensed consolidated statement of cash flows

€ million

	1.1.-31.3.2017	1.1.-31.3.2016	1.1.-31.12.2016
Cash flows from operating activities			
Profit before taxes	55.0	43.4	125.5
Adjustments			
Depreciation and amortization	25.7	11.8	51.1
Finance items - net	0.7	3.5	-1.6
Unrealized gains/losses from financial instruments	-0.7	0.4	-19.5
Other non-cash items	-7.1	8.2	5.1
Change in working capital	43.7	28.4	30.9
Cash inflow from operating activities before financial items and taxes	117.4	95.6	191.5
Cash flow from financial items and taxes	-15.0	-5.8	-14.7
Net cash flows from operating activities	102.4	89.9	176.7
Net cash flows from investing activities	2.3	-49.3	-136.1
Cash flows from financing activities			
Proceeds from borrowings	11.9	37.7	576.3
Repayments of borrowings	-92.5	-48.9	-527.8
Increase/decrease of other liabilities	-0.4	-1.9	-1.2
Dividends paid	0.0	-20.0	-70.0
Increase/decrease of non-current receivables	0.0	0.0	-1.7
Net cash flows from financing activities	-80.9	-33.1	-24.4
Net decrease (-)/increase (+) in cash and cash equivalents	23.8	7.4	16.2
Cash and cash equivalents at the beginning of the period (Dec 31)	23.4	7.2	7.2
Cash and cash equivalents at the end of the period	47.2	14.6	23.4

Notes to interim consolidated financial statement

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

	31.3.2017	31.3.2016	31.12.2016
Net book value at the beginning of the period	1,148.8	1,080.8	1,080.8
Depreciation and amortization	-25.7	-11.8	-51.1
Investments in intangible and tangible assets	3.4	9.3	36.9
Investment subvention received	-0.9	0.0	0.0
Business acquisitions	42.9	72.2	80.8
Business disposals	-1.5	0.0	0.0
Reclassifications	-0.4	3.9	1.4
Disposals (incl. accumulated depreciation)	-1.4	0.0	-5.2
Effect of movements in exchange rates	-1.4	0.0	5.2
Net book value at the end of the period	1,163.8	1,154.4	1,148.8

4. TRADE AND OTHER RECEIVABLES

€ million

	31.3.2017	31.3.2016	31.12.2016
Trade receivables	120.2	94.9	136.8
Accrued income	2.0	9.2	4.1
Other short-term receivables	13.5	10.3	14.6
Finance lease receivables	0.0	0.1	0.1
Receivables from associated companies	1.0	0.0	0.0
Total	136.7	114.5	155.6

5. DERIVATIVE FINANCIAL INSTRUMENTS

€ million

	31.3.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	0.5	2.1		2.5
Commodity derivatives	0.9	2.1	2.3	1.7
Currency derivatives	0.2	1.1	0.4	1.6
Total	1.5	5.3	2.7	5.7
Less non-current portion:				
Interest rate derivatives	0.5	2.1		2.3
Commodity derivatives		0.8		0.3
Currency derivatives		1.0	0.0	1.7
Non-current portion	0.5	3.9	0.0	4.3
Current portion	1.1	1.5	2.7	1.5

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

	31.3.2017	31.3.2016	31.12.2016
Non-current			
Loans from financial institutions	449.3	285.3	448.7
Total	449.3	285.3	448.7
Current			
Loans from financial institutions	19.8	10.5	19.7
Commercial papers	0.0	32.0	29.0
Total	19.8	42.5	48.7
Total loans	469.0	327.8	497.3

7. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

€ million

	31.3.2017	31.3.2016	31.12.2016
Trade payables	61.7	60.5	39.5
Other liabilities	86.5	88.6	34.7
Accrued expenses	29.0	19.7	23.3
Bank overdraft facility	0.0	11.2	21.8
Finance lease liabilities	1.3	1.4	1.4
Total	178.4	181.4	120.7

8. BUSINESS COMBINATIONS

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.

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. The transaction was closed in February. Exiting local distribution network gas sales clarified Gasum's position in the Finnish gas market, which will undergo changes following the coming reform of the Natural Gas Market Act.

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