caruna | We bring electricity to you.

Financial Statements and Operating and Financial Review

Caruna Group | 31 December 2023

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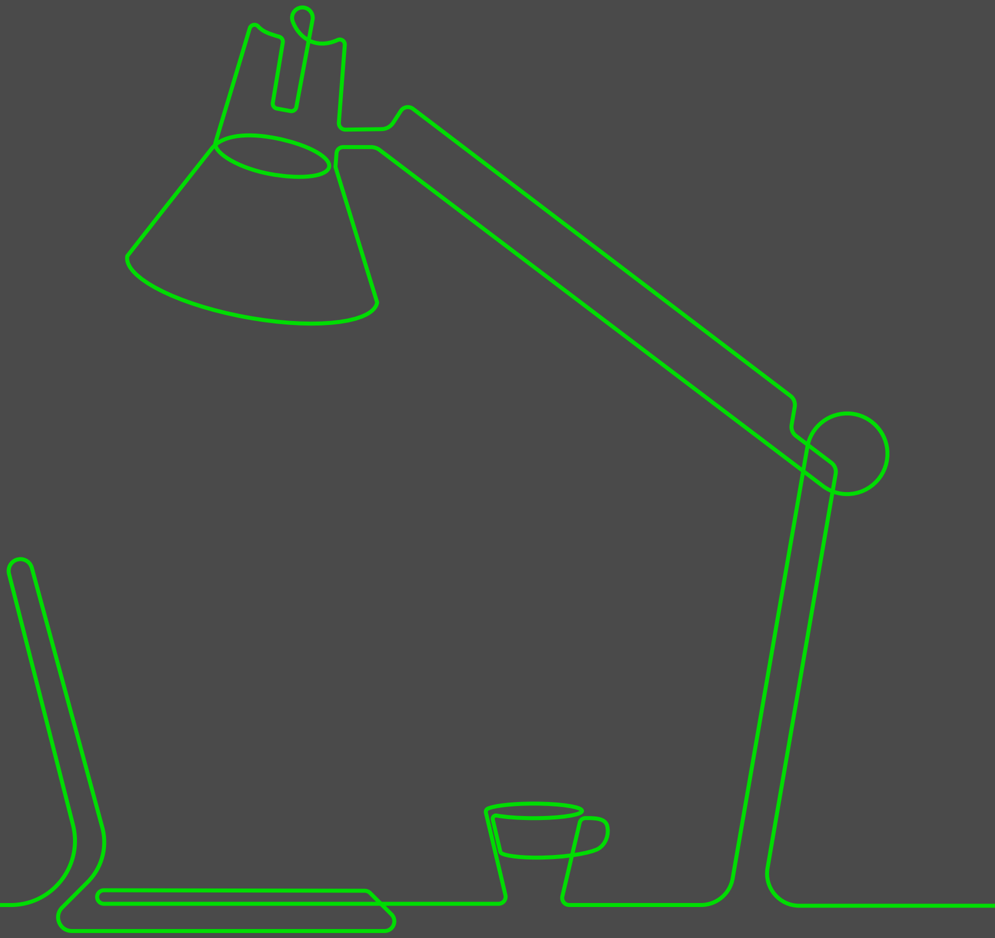
Operating and Financial Review



Operating and Financial Review for 2023 by Caruna Networks Oy's Board

Key events during the financial period

In Caruna's operating environment, costs continued to rise for network components, construction, and interest rates. The clean transition accelerated in Caruna's operating areas in 2023: the renewable energy production capacity increased to 1,793 (1,612) MW. At the end of the year, the number of small-scale solar power producers with solar power systems of less than one megawatt was approximately 28,000.

At the end of December 2023, Caruna had 737,000 (726,000) customers. A total of 1,700 (2,300) new connection contracts were signed from January to December, of which 21 were medium-voltage connections and two were high-voltage connections. Customer satisfaction improved substantially from the corresponding period in the previous year, as the cumulative NPS, which is a measure of customer satisfaction, stood at 35.0 (27.9) at the end of December.

From January to December, the total electricity supply volume on the distribution network decreased to 9.1 (9.5) TWh. Energy conservation measures during winter were one factor contributing to this decrease. The electricity supply volume on the high-voltage distribution network rose to 2.9 (2.6) TWh. The electrification of district heating in Espoo was one cause of this increase.

Caruna's average electricity distribution interruption time per customer was 89 (85) minutes in 2023. There were no storms at the beginning of the year, but storms towards the end of the year resulted in power cuts that increased the average electricity distribution interruption time at the end of the year. However, the reliability of supply rate for electricity distribution for the whole year remained good at 99.98 (99.98) per cent.

Some of the electricity network construction activities had to be postponed due to tighter costs and the regulation model published at the end of the year. Electricity network construction projects in the Naantali and Salo regions were started earlier and taken to completion.

Caruna announced price increases at the end of 2022, and the first part of Caruna Oy's price increase took effect on 1 January 2023. In June, the company announced that the second part of the price increase would take effect on 1 August 2023. The increase in prices including tax was 3.9 per cent on average in both January and August. Caruna Espoo Oy's prices, inclusive of taxes, rose by an average of 2.9 per cent on 1 January 2023. Caruna Espoo Oy did not implement the second component of the price increase.

In May, Caruna repaid a bond worth EUR 200 million. The repayment was financed by issuing a 10-year loan of EUR 250 million.

In June, Caruna's Regional Director Kalle Liuhala was appointed Head of Electrical Networks and member of Caruna's Management Team as of 1 August 2023.

In December, the Energy Authority published its final confirmation decision on the regulatory methods for electricity distribution for the period from 2024 to 2031. The new regulation model affects Caruna's investment plans by harming the viability of investments.

Caruna Net Oy (present Caruna Networks Oy, business-ID 3361062-2) has been registered in the Trade register on 26 April 2023.

On 7 June 2023, the boards of Caruna Networks Oy (2584904-3) and Caruna Net Oy (3361062-2) approved a plan to merge the companies through a sister company merger. The merger was approved by Caruna Net Oy at an extraordinary general meeting on 23 October 2023 and by Caruna Networks Oy at a board meeting on 25 October 2023. Caruna Networks Oy and Caruna Net Oy merged on 31 December 2023. In connection with the merger, Caruna Net Oy's name was changed to Caruna Networks Oy.

Caruna Net Oy did not operate in 2023 before the enforcement of the merger on 31 December 2023.

Caruna Net Oy became the new parent company of Caruna Group after the enforcement of the merger on 31 December 2023.

Financial development

Caruna Group's revenue in 2023 amounted to EUR 494.3 (484.6) million. The revenue increased by EUR 9.7 million year-on-year. Caruna's revenue consist of income from electricity distribution and connections.

Revenue from electricity distribution increased by EUR 17.2 (22.2) million compared to the comparison year. Electricity consumers in Finland began reducing their consumption in 2022, and the reductions continued into 2023, causing revenue to decrease by EUR 13.1 million. The past year was slightly colder than the comparison year, causing revenue to increase by EUR 3.0 million. The price increases raised Caruna's revenue by a total of EUR 29.6 million year-on-year. Revenue in the high-voltage electricity network decreased by EUR 2.6 million due to a reduction in pass-through billing.

Connection fee and other revenue decreased from 2022's record high by EUR 7.5 (2022: growth of 7.0) million to EUR 16.3 (23.8) million.

Cost of sales, consisting of grid service fees and grid losses, were EUR 79.3 (90.5) million. The challenging geopolitical situation raised electricity market prices in the preceding year, and prices remained high also this year. Grid losses were EUR 18.5 million higher this year than in the comparison year.

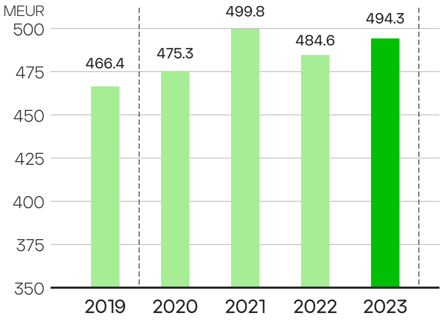
Grid service fees were EUR 29.6 million lower than in the comparison period. The decrease was thanks to a decision by Fingrid, the transmission system operator, to charge electricity distribution companies for grid service fees in only six months in 2023 (2022: 11 months).

Other operating expenses, including external services, employee benefit costs and other operating expenses, were EUR 81.1 (84.3) million. Efficiency and productivity enhancement measures reduced the expenses.

Depreciation, amortisation, and impairment charges amounted to EUR 125.8 (129.2) million. Consolidated operating profit amounted to EUR 212.5 (184.7) million. Net finance costs were EUR 128.1 (121.0) million. Profit for the period was EUR 58.7 (50.8) million.

The Group's cash flow remained good. Cash flow after investments was positive at EUR 62.4 (47.6) million.

Revenue



Graph 1: Revenue

Financial key figures (IFRS)

EUR million or as indicated	2023	2022	2021
Net sales	494.3	484.6	499.8
Operating profit	212.5	184.7	192.5
Operating profit (% of net sales)	43.0	38.1	38.5
Investments	126.6	133.6	140.1
Return on invested capital (%)	6.9	5.7	6.0

Caruna's tax footprint in 2023 totalled EUR 291.7 (302.9) million, consisting of the corporate taxes paid by the companies and the taxes and tax-like charges collected from Caruna's customers and employees and remitted to the state.

Business activities

Caruna brings electricity to 737,000 customers in South, Southwest and West Finland, Joensuu and Koillismaa, and Caruna's market share is approximately 20 per cent of Finland's electricity distribution. The Group includes two network companies: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas. The total length of Caruna's electricity network was approximately 89,000 kilometres at the end of the reporting period.

In Caruna's operating environment in 2023, costs continued to rise for network components, construction, and interest rates. Material costs in network construction increased by an average of approximately 12 per cent compared to the previous year. Due to the cost increase, planned network improvement projects had to be postponed. Cost rises affected Caruna's entire supply chain, such as contractors' costs.

In December, the Energy Authority published its final confirmation decision on the regulatory methods for electricity distribution for the period from 2024 to 2031. The authority made significant changes to the regulation model, including changes to the method for determining the value of network assets. The new regulation model negatively affects the profitability of investments. The company expects these changes to delay development projects required for a clean transition, security of supply and an electrifying society in Caruna's network areas.

The energy transition will increase electricity consumption in Finland. According to estimates, electricity consumption is expected to increase by over 50 per cent by 2040. Smart electricity networks and optimising customers' energy consumption will help balance electricity supply and demand, thus contributing to the demand-side response needed as renewable energy production increases.

The energy transition also marks a change in electricity production methods, one special feature being the electrification of district heating in cities. Higher demand for power was also seen in Espoo, where at the end of the year, 22 per cent more electricity was consumed than in the corresponding period of the previous year after correcting for temperatures. This increase was driven by the electrification of traffic and district heating. Peak demand is expected to rapidly double in Espoo before the end of the decade. The forecasts of power demand in the other municipalities in Caruna's distribution district also indicate significant rises. The increase in the power demand calls for investments because the current network capacity is not enough.

In 2023, approximately 4.91 (4.04) TWh of renewable electricity was produced in Caruna's network. At the end of the year, the renewable energy production capacity was 1,793 (1,612) MW. Small-scale renewable energy production capacity increased to 259 (177) MW, and the number of small-scale producers of solar power with solar power systems of less than one megawatt was around 28,000 at the end of the year.

In January, Caruna signed a contract with the Onninen logistics centre in Hyvinkää to provide a medium-voltage connection and a backup connection. The connection has a capacity of 7 MVA, and the backup connection has a capacity of 2 MVA. The connection will be completed in 2024.

In February, the Market Court decided to seek a preliminary ruling from the Court of Justice of the European Union (CJEU) concerning the authority's independence related to the Energy Authority's alterations to the methods midway through the regulatory period. The complaint concerned the supervising authority's changes to its regulatory methods midway through the regulatory period. A solution is expected by the end of 2024 at the earliest.

In April, Caruna signed a network service contract with the Tolpanvaara wind farm in Pudasjärvi to start electricity distribution and connect the wind farm to the electricity distribution network. The wind farm includes 13 separate power plants with a total output of 75.8 MVA.

In June, Caruna signed an 11 MW medium-voltage connection to Fortum's new Nuijala heating plant in Espoo. The plan is to extend the connection at a later stage and connect to the 110 kV network. The heating plant will help electrify district heating and reduce Espoo's carbon-dioxide emissions.

In June, Caruna signed an agreement with Hyvinkään Lämpövoima for a 20 MVA high-voltage connection to an electric boiler. Hyvinkään Lämpövoima Oy is electrifying its district heating production with a new electric boiler. Construction began on the connection at the end of the year.

In July, the first 2 MW solar power plants were commissioned in Kemiönsaari and Raasepori. Both solar power plants are connected to Caruna's 20 kV medium-voltage network.

In the autumn Caruna made connection contracts for the first battery-only connections, of which there were more than 15. The average battery size is 1 MW. The batteries are in various parts of Caruna's operating areas.

Caruna supplied the Finnish Transport Infrastructure Agency with power supply stations for rail traffic in Hanko and Raasepori, both of which were commissioned towards the end of the year. The capacity of both supply stations is 12.5 MVA. The connections enable the railway network to be electrified between Karjaa and Hanko.

In the autumn, Caruna launched a new pricing product for energy storage facilities in the medium-voltage network. The amount of energy storage is expected to increase significantly as the energy transition advances and the need for flexibility and regulation options increases. The new product meets customers' needs and ensures appropriate pricing.

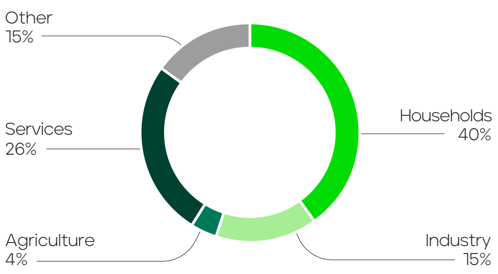
Caruna's customer satisfaction (NPS) improved significantly to 35.0 (27.9). Customer satisfaction is measured among private customers, companies, landowners, municipal customers and contractors.

Number of customers at the end of the financial period (thousands)

Company	2023	2022	2021
Caruna Oy	492	488	484
Caruna Espoo Oy	245	238	230
Total	**737**	**726**	**714**

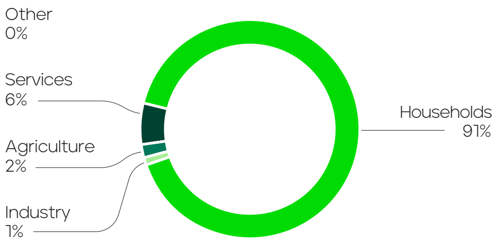
Households are the largest customer group, accounting for 91 per cent of all customers and 40 per cent of all the energy transferred. Industry and services account for seven per cent of customers and 41 per cent of the energy transferred.

Consumption by customer segment



Graph 2: Consumption by customer segment

Number of customers by segment



Graph 3: Number of customers by segment

Cost rises delayed the modernisation of the electricity network

Some of the electricity network construction activities had to be postponed due to tighter costs and the regulation model published at the end of the year.

Electricity network construction projects in the Naantali and Salo regions were started earlier and taken to completion. They involved modernising more than 400 kilometres of the electricity network. In addition, approximately 100 km of the electricity network was modernised in the built-up area of Ruka. The electricity network was modernised by building underground cabling and replacing poles in the overhead line network. More than 360 new park transformers were built in these areas.

In Loimaa, Caruna renovated 11 kilometres of 110-kilovolt high-voltage power lines by dismantling an old power line that had reached the end of its service life and building a new one in its place. This will improve the reliability of supply in the area.

The accelerating energy transition requires a modernisation of the electricity network to meet the needs of the transition, but also smarter ways to use the existing network.

At the beginning of the year, Caruna started a pilot project in Espoo's 110 kilovolt high-voltage distribution network to investigate whether it is possible to transmit more power in the existing network. Sensors were installed on the conductors of the overhead network, which transmit information about the condition of the conductor. The need for power is increasing as society becomes increasingly electrified and the transition to carbon-neutral solutions progress.

In June, Caruna announced the piloting of a new type of energy community in Joensuu. Two student houses will form a virtual energy community, where the energy produced by 80 solar panels in one house can be used in both buildings. The pilot will test whether the energy produced by the panels can be used in the other student house in the area. The pilot will continue until the end of 2025.

During the year, four occupational accidents leading to lost working time happened on Caruna's construction sites. The comparable 12-month cumulative contractor safety (LTIF) stood at 3.3 (4.1) at the end of the year.

Caruna Group's investments in 2023 totalled EUR 126.6 (133.6) million. It was necessary to postpone electricity network modernisation projects until the years ahead due to the rises in costs and challenges in component availability. As a result of the above, investments in 2023 were EUR 7 million lower than in the comparison year.

The share of investments in the high-voltage distribution network was 17.6 (13.7) per cent.

The reliability of supply rate remained excellent – Most storms occurred towards the end of the year

From January to December, the total electricity supply volume on the distribution network decreased to 9.1 (9.5) TWh. Energy conservation measures during winter were one factor contributing to this decrease. The electricity supply volume on the high-voltage distribution network rose to 2.9 (2.6) TWh. The electrification of district heating in Espoo was one cause of this increase.

The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). Caruna's average electricity distribution interruption time per customer was 89 (85) minutes in 2023. The reliability of supply rate was 99.98 (99.98) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 1.6 (1.7) events.

Most storms occurred towards the end of the year. The strong winds of Storms Sylvia and Pirjo, which occurred towards the end of the year, caused the most electricity distribution interruptions. Storm Sylvia caused nearly 24,000 customers to suffer electricity outages simultaneously in Western, Southwestern and Southern Finland. In October, Storm Pirjo caused up to 12,500 customers to suffer electricity outages at the same time in Southern and Southwestern Finland.

Research and development

No research and development expenditure was recorded in the financial period or the year before it. In 2021, research and development expenditure amounted to EUR 0.2 million.

Financing

Electricity distribution is a capital-intensive sector. The network improvement programme in accordance with the reliability-of-supply requirements to be completed by the end of 2036 and the ongoing energy transition have required continuous additional financing.

The purpose of Caruna's financing operations is to guarantee the Group's operations in the long term and ensure that the investments can be made as planned. To achieve this, the company arranges highly diversified funding from several capital markets.

In May, Caruna repaid a bond worth EUR 200 million. The repayment was financed by issuing a new 10-year loan of EUR 250 million.

In 2023, Caruna took out investment and working capital loans totalling EUR 340 million, of which EUR 315 million was repaid during the financial period. In addition, Caruna repaid a EUR 14.3 million loan from Nordic Investment Bank NIB. The aim of liquidity risk management is to safeguard the Group's finances under all circumstances. At the end of the financial period, the Group's external loans totalled EUR 2,658.6 (2,600.3) million.

On the balance sheet date of 31 December 2023, 95 per cent of Caruna's external loans had fixed interest rates when interest rate swaps are taken into consideration. The average interest rate on external loans at the end of the year was 2.5 per cent (2.1 per cent).

At the end of the year, Caruna had a fixed-interest shareholder loan amounting to EUR 774 million. The interest on the shareholder loan is paid biannually if the covenants of the other external loans are met.

The available committed loan limits on 31 December 2023 were an investment and working capital loan limit of EUR 210 (235) million, an overdraft facility of EUR 30 (30) million, and a liquidity loan limit of EUR 6.7 (6.7) million.

Net financing costs recognised on the income statement for the financial period totalled EUR 128.1 (121.0) million, and the interest liabilities recognised on the balance sheet were EUR 38.9 (36.2) million.

Caruna complied with the covenant terms of all its loan agreements.

Caruna's credit rating remained the same as the international credit rating agency Standard & Poor's (S&P) confirmed Caruna's credit rating as "BBB and a stable outlook" in February 2024.

Personnel

Caruna Group had 277 (259) employees at the end of the year, 72 (69) of whom were employed by the Group's parent company.

	2023	2022	2021
Number of employees, 31 Dec	277	259	308
Average number of employees during the year	275	283	317
Wages and salaries (EUR million)	20.9	22.4	22.2

Every employee spent an average of 8.0 (6.6) hours in training. Absences accounted for an average of 0.8 (1.8) per cent of working time.

The employee commitment index rose to 83 (78) per cent.

Risks and uncertainties

Risk management is a part of Caruna's internal control system, and Caruna regularly assesses the strategic, operational and financial risks facing the Group. Risk management strives to ensure that any risks affecting the Group's business operations are identified, managed and monitored. The Group has taken out appropriate insurance policies that provide comprehensive cover for its operations.

Strategic risks

Strategic risks include, among others, regulatory risk, that is, harmful and negative impacts on the regulatory environment, challenges in the operating environment, and the availability of financing and competent resources.

Operational risks

The most significant risks to operations are related to abnormal weather conditions, supplier risk and safety. For example, abnormal weather conditions may affect the reliability of the distribution network. The key means of preventing interruptions are to replace overhead lines with underground cables, manage forests near overhead lines, and develop remote network control. Information security threats increased in 2023. Caruna's activities have adjusted to this change in the operating environment. The operational risks are described in more detail in Caruna's annual report at caruna.fi.

Financial risks

The financial risks are presented in note 19 (management of financial risks) to the consolidated financial statements.

Memorandum of Incorporation

Caruna Net Oy (business code 3361062-2) has been established on 26 April 2023. According to the Memorandum of Incorporation Jyrki Tammivuori and Noora Neilimo-Kontio were chosen as members of the board, and Seija Virkajärvi as a deputy member of the board. Jyrki Tammivuori was appointed as the chairman of the board.

The audit firm Deloitte Oy was appointed as the auditor with Reeta Virolainen, Authorised Public Accountant, being the auditor with principal responsibility.

According to the Memorandum of Incorporation the company has two thousand five hundred (2500) shares, and the company was established without share capital.

Caruna Net Oy was registered in the Trade Register on 26 April 2024.

General Meeting

The extraordinary annual meeting of Caruna Net Oy was held on 23 October 2023. The meeting approved the merger with Caruna Networks Oy (business-ID 2584904-3) and chose the following members of the board conditionally: Matti Ruotsala (chairman of the board), James Adam, Marissa Dardi, Andrew Furze, Jouni Grönroos, Cornelia van Heijningen, Fredrik Lundeborg and Laura Tarkka. The chosen deputy members are: David Demes, Julia Giese and Filip Szopa. The board membership begins at the enforcement of the merger on 31 December 2023.

Governance

Board of Directors

The Board convened four times in 2023. On the balance sheet date of 31 December 2023 onwards, the Board was chaired by Matti Ruotsala and its members were James Adam, Marissa Dardi, Andrew Furze, Jouni Grönroos, Cornelia van Heijningen, Fredrik Lundeborg and Laura Tarkka. The deputy members were David Demes, Julia Giese and Filip Szopa. The board members Jyrki Tammivuori and Noora Neilimo-Kontio, and deputy member Seija Virkajärvi acted in the board from the incorporation of the company (26 April 2023) until to the enforcement of the merger (31 December 2023).

Committees of the Board of Directors

The committees under the Board of Directors of the merged Caruna Networks Oy have acted during 2023.

The committees under the Board are the Audit Committee, the Nomination and Remuneration Committee, and the Health, Safety and Environment Committee. The committees support the work of the Board by preparing and evaluations matters for decision making by the Board. Committee members and elected by the Board and the membership is tied to the membership of the Board. After the enforcement of the merger, the following members were elected by the Board of Caruna Networks Oy to the established committees.

Audit Committee: chair Jouni Grönroos, members James Adam, Cornelia van Heijningen and Fredrik Lundeborg.

Nomination and Remuneration Committee: chair Matti Ruotsala, members James Adam and Andrew Furze.

Health, Safety and Environment Committee: chair James Adam, members Marissa Dardi, Cornelia van Heijningen and Laura Tarkka.

The committees of Caruna Networks Oy (business-ID 3361062-2) have not convened in 2023.

Management Team

The company's Management Team consisted of CEO Jyrki Tammivuori, CFO and Deputy CEO Noora Neilimo-Kontio, Head of Electrical Network Kalle Liuhala (as of 1 August 2023) and Head of Customer Relations Kosti Rautiainen.

Auditing

At the Memorandum of Incorporation, the audit firm Deloitte Oy was appointed as the auditor. Reeta Virolainen, Authorised Public Accountant, has been the auditor with principal responsibility.

Statement on changes in shareholders' equity

The share capital of Caruna Networks Oy was increased with 2,500 euros to 2,500 euros at the enforcement of the merger on 31 December 2023.

On 31 December 2023 the share capital of Caruna Networks Oy is EUR 2,500, and the invested unrestricted equity fund contains EUR 2,487,654,715.01. The company has no subordinated loans as defined in the Limited Liability Companies Act. Caruna Networks Oy's profit for the financial period is zero since the company has not had any operations in 2023 before the merger on 31 December 2023.

Shares and ownership

Caruna Networks Oy has 2,500 shares, each carrying an equal right to a dividend and to the company's assets. Each share entitles its holder to one vote at a General Meeting.

Significant events after the financial year

Caruna has decided to seek a change to the regulatory methods that came into effect at the beginning of the year by filing a complaint with the Market Court against the Energy Authority. Caruna's subsidiaries Caruna Oy and Caruna Espoo Oy both submitted the complaint to the Market Court on January 26, 2024.

In February, Caruna announced that it is adjusting its operations due to the regulatory methods introduced by the Energy Authority at the beginning of the year. The regulatory methods reduce Caruna's ability to invest, and the company has initiated adjustment measures concerning previously planned investments. The adjustment need for the year 2024 is approximately 60 million euros.

Caruna's credit rating remained the same as the international credit rating agency Standard & Poor's (S&P) confirmed Caruna's credit rating as "BBB and a stable outlook" in February 2024.

Estimate of probable future developments

The Energy Authority's new regulation model for 2024–2031 will affect the planning and profitability of investments. Caruna will be forced to cut investment levels compared to previous years in order to strengthen its cash flow. The timing of the investments might be revalued. More detailed plans will be specified in 2024.

Caruna expects the development of the network and, consequently, the clean transition to slow in the company's network areas, as the investments necessary to increase the electricity network's capacity cannot be made. This will also lead to longer network connection times for customers' solar and wind power plants and charging infrastructure for electric cars compared to the previous year. The number of small-scale producers of solar power is expected to grow somewhat.

In addition, the company does not expect the amount of construction to increase yet. This will partly reduce the demand for new subscriptions at the beginning of the year.

The costs of raw materials, fuel and construction are expected to continue rising in 2024. In addition, financing costs will be higher than in the previous year because interest rates have risen from the times of zero interest and reached a new level, where they are likely to remain for a longer period of time.

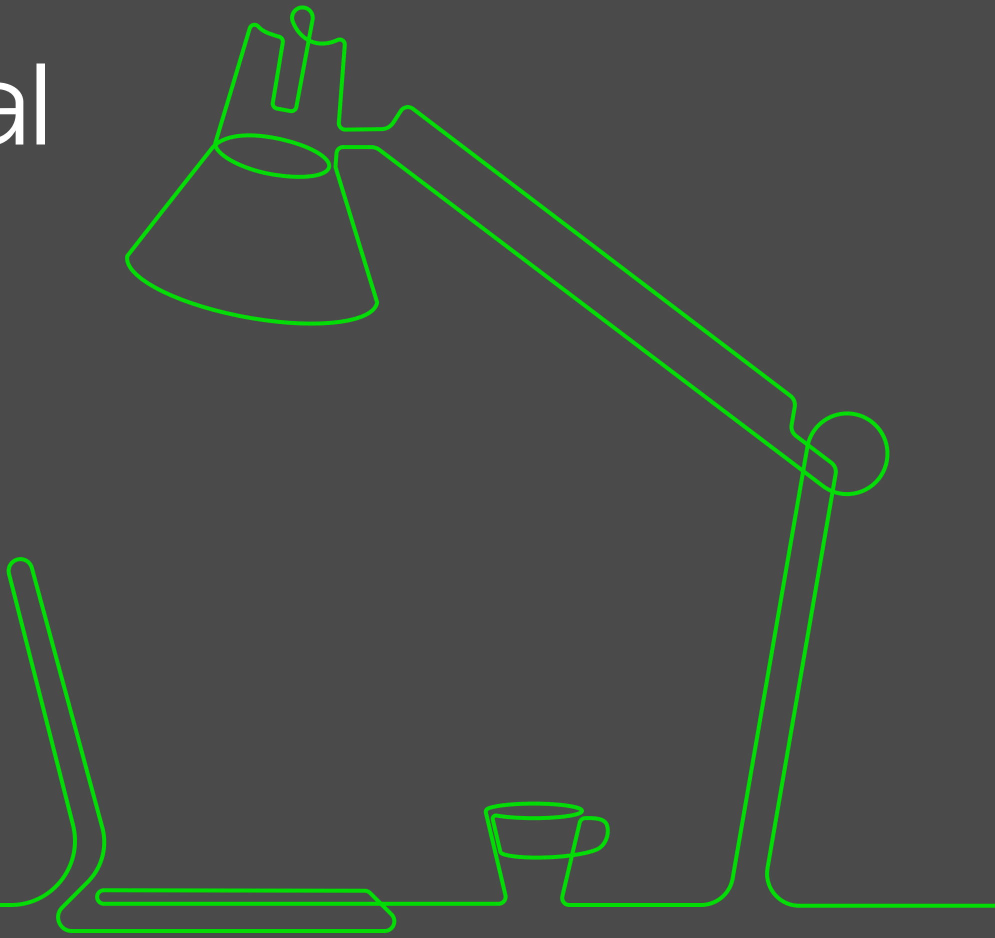
The market situation for contractors continues to be challenging, due to rising contractor costs for materials and labour. The increase in contractors' costs will have a negative impact on Caruna's network improvement projects, as the implementation of projects may be delayed and become significantly more expensive. In addition, the decrease in Caruna's investments will reduce the work done by contractors.

The company has a stable operational status and liquidity. In addition, Caruna has access to undrawn investment and working capital loans with a balanced maturity profile, which strengthens the financial position.

Board of Directors' proposal for distributable funds

Caruna Networks Oy's distributable funds total EUR 2,487,654,715.01. The company's profit for the financial period was EUR zero. The Board of Directors proposes to the Annual General Meeting that no distributable funds to be returned for 2023.

Consolidated financial statements (IFRS)



Consolidated statement of profit or loss (IFRS)

EUR 1,000	Notes	2023	2022
Revenue	4	**494,298**	**484,634**
Other operating income	5	4,342	4,027
Cost of sales	6	-79,256	-90,526
Employee benefits expense	7	-24,987	-26,675
Other operating expenses	8	-56,099	-57,575
Depreciation and amortisation	9	-125,797	-129,230
Total		**-286,139**	**-304,006**
Operating profit		**212,501**	**184,655**
Finance income	10	15,208	3,949
Finance costs	11	-143,308	-124,924
Net finance costs total		**-128,100**	**-120,975**
Profit before tax		**84,401**	**63,680**
Income tax expense	12	-25,723	-12,882
Profit for the year		**58,678**	**50,798**
Attributable to:			
Equity holders of the parent		58,678	50,798

Consolidated statement of profit and loss and other comprehensive income (IFRS)

EUR 1,000	Notes	2023	2022
Profit for the year		**58,678**	**50,798**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		-19,581	66,451
Income tax relating to these items	12	3,916	-13,290
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**-15,665**	**53,161**
Items that will no be reclassified to profit or loss in subsequent periods			
Remeasurement gain/loss on defined benefit plans	23	-54	126
Income tax relating to these items	12	11	-25
Net other comprehensive income/loss that will not be reclassified to profit or loss in subsequent periods		**-43**	**101**
Other comprehensive income for the period, net of tax		**-15,708**	**53,262**
Total comprehensive income for the period, net of tax		**42,970**	**104,060**
Attributable to:			
Equity holders of the parent		42,970	104,060

Consolidated statement of financial position (IFRS)

EUR 1,000	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Goodwill	13	62,468	62,468
Intangible assets	13	1,583,973	1,584,795
Property, plant and equipment	14	2,417,647	2,416,386
Other non-current assets	16, 17	491	396
Derivative financial instruments	17, 18	28,962	50,988
Deferred tax assets	12	735	741
Total non-current assets		**4,094,276**	**4,115,774**
Current assets			
Trade receivables	17, 18, 20	130,675	112,601
Other receivables	20	6,630	3,503
Cash and cash equivalents	18, 21	51,305	58,270
Total current assets		**188,610**	**174,374**
Total assets		**4,282,885**	**4,290,148**

EUR 1,000	Notes	31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
Equity			
Share capital		3	3
Invested unrestricted equity fund		171,204	171,204
Other equity funds		21,988	37,697
Retained earnings		-321,282	-249,961
Total equity		**-128,087**	**-41,057**
Non-current liabilities			
Interest-bearing loans and borrowings	17, 18	3,414,761	3,155,460
Deferred tax liabilities	12	538,165	527,886
Net employee defined benefit liabilities	23	396	420
Provisions	22	73	102
Other non-current liabilities	17, 18, 24	302,595	302,918
Total non-current liabilities		**4,255,990**	**3,986,786**
Current liabilities			
Interest-bearing loans and borrowings	17, 18	14,335	214,463
Trade payables	17, 18, 24	25,375	26,628
Other payables	24	62,595	56,280
Other current liabilities	24	52,677	47,048
Total current liabilities		**154,982**	**344,419**
Total liabilities		**4,410,972**	**4,331,205**
Total shareholders' equity and liabilities		**4,282,885**	**4,290,148**

Consolidated statement of changes in equity (IFRS)

	Attributable to the equity holders of the parent					
				Other equity components		
EUR 1,000	**Share capital (Note 26)**	**Invested unrestricted equity fund (Note 26)**	**Retained earnings**	**Cash flow hedge reserve**	**Other comprehensive income**	**Total**
As at 1 January 2023	**3**	**171,204**	**-249,960**	**37,761**	**-65**	**-41,057**
Profit for the year	-	-	58,678	-	-	58,678
Other comprehensive income	-	-	-	-15,665	-43	-15,708
Total comprehensive income	**-**	**-**	**58,678**	**-15,665**	**-43**	**42,970**
Dividends distributed	-	-	-130,000	-	-	-130,000
At 31 December 2023	**3**	**171,204**	**-321,282**	**22,096**	**-108**	**-128,087**

	Attributable to the equity holders of the parent					
				Other equity components		
EUR 1,000	**Share capital (Note 26)**	**Invested unrestricted equity fund (Note 26)**	**Retained earnings**	**Cash flow hedge reserve**	**Other comprehensive income**	**Total**
As at 1 January 2022	**3**	**171,204**	**-265,658**	**-15,400**	**-165**	**-110,017**
Profit for the year	-	-	50,798	-	-	50,798
Other comprehensive income	-	-	-	53,161	101	53,262
Total comprehensive income	**-**	**-**	**50,798**	**53,161**	**101**	**104,060**
Dividends distributed	-	-	-35,100	-	-	-35,100
At 31 December 2022	**3**	**171,204**	**-249,960**	**37,761**	**-65**	**-41,057**

Consolidated statement of cash flows (IFRS)

EUR 1,000	Notes	2023	2022
Profit before tax		**84,401**	**63,680**
Adjustments			
Finance costs - net		128,100	120,975
Depreciation and amortisation		125,797	129,230
Adjustments total		**253,897**	**250,205**
Operating profit before depreciation		**338,298**	**313,885**
Non-cash flow items		-255	-29
Interest paid		-140,673	-122,676
Interest received		13,491	2,449
Income taxes paid		-10,735	-3,576
Total		**-138,171**	**-123,832**
Funds from operations		**200,128**	**190,053**
Change in working capital			
Change in trade and other receivables		-19,595	15,999
Change in trade and other payables		3,294	-32,179
Change in connection fee payables		-323	-365
Total change in working capital		**-16,624**	**-16,545**
Net cash from operating activities		**183,504**	**173,508**

EUR 1,000	Notes	2023	2022
Purchase of property, plant and equipment		-121,798	-126,647
Proceeds from sale of property, plant and equipment		731	684
Net cash used in investing activities		**-121,068**	**-125,963**
Proceeds from borrowings		590,000	90,000
Repayment of borrowings		-529,286	-105,000
Repayment of leasing liabilities		-115	-3
Dividends paid to equity holders of the parent		-130,000	-35,100
Net cash used in financing activities		**-69,401**	**-50,103**
Net increase in cash and cash equivalents		-6,965	-2,558
Cash and cash equivalents at 1 January		58,270	60,828
Cash and cash equivalents at 31 December	17	**51,305**	**58,270**

Notes to the consolidated financial statements (IFRS)

1. Accounting policies applied to the consolidated financial statements

1.1 Corporate information

Caruna Networks Oy (Business-ID 2584904-3) is a Finnish limited liability company with its domicile in Espoo, Finland. The registered office is located at Upseerinkatu 2 in Espoo. The operations of Caruna Networks Oy (the Company or Caruna Networks) and its subsidiaries (collectively, the Caruna Group) comprise electricity distribution in Finland.

The former mother company of Caruna Group, Caruna Networks Oy (business-ID 2584904-3) was merged through a sister company merger into Caruna Net Oy (business-ID 3361062-2) on 31 December 2023. In connection with the merger, Caruna Net Oy was renamed to Caruna Networks Oy and the company became the new mother company of Caruna Group.

Caruna Networks Oy (business-ID 2584904-3) and Caruna Net Oy (business-ID 3361062-2) are both fully (100 per cent) owned by Suomi Power BV. Thus the transaction took place under common control.

Since the merger occurred between entities under common control, the merger is not subject to the IFRS 3 Business Combinations standard. IFRS standards do not include separate guidance regarding transactions under common control. Considering the actual nature of the transaction, management has not treated the merger as a business combination in the consolidated financial statements, but rather as a reorganisation, where the consolidated financial statements as of December 31, 2023, include figures according to the old group structure, including the comparison year.

Caruna Networks Oy (business-ID 3361062-2) is consolidated in Suomi Power Networks TopCo B.V. and its Dutch subsidiary Suomi Power BV owns 100% of the shares in Caruna Networks Oy. Suomi Power Networks TopCo B.V. has a registered office in Amsterdam, The Netherlands. The consolidated financial statements of Suomi Power Networks TopCo B.V. according to IFRS are available at Suomi Power Networks TopCo B.V. headquarters in Luna Arena, Herikerbergweg 112, 1101 CM Amsterdam, The Netherlands.

The shareholders of Caruna Networks Oy through Suomi Power Networks TopCo B.V. are international infrastructure investors KKR (40 per cent), Ontario Teachers' Pension Plan Board OTPP (40 per cent) and Swedish pension insurance company AMF (12,5 per cent) and Finish pension insurance company Elo (7,5 per cent).

The consolidated financial statements of the Caruna Group for the year ended 31 December 2023 were approved by the Board of Directors on 6 March 2024.

Information on the Caruna Group's structure is provided in Note 3.

1.2 Accounting policies

1.2.1 Basis of preparation

The consolidated financial statements of the Caruna Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, including International Accounting Standards (IAS) and Interpretations issued by the IFRS Interpretations Committee (IFRIC) or its predecessor Standing Interpretations Committee (SIC). Additional information to the financial statements also complies with Finnish accounting principles and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss or other comprehensive income (OCI).

The consolidated financial statements are presented in euros, which is the parent company's functional currency. All amounts are rounded to the nearest thousand (EUR 1,000), except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the period. The estimates are based on historical experience and various other assumptions that are believed to be reasonable, though actual results and timing could differ from the estimates. The areas involving more judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Chapter 1.3.

1.2.2 Basis of consolidation

The consolidated financial statements include the parent company, Caruna Networks Oy, and all companies controlled by Caruna Group. Control is achieved when Caruna Group:

- has power over the entity.
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- can use its power to affect its returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the Caruna Group reassesses whether it controls an entity or not.

When Caruna Group has less than a majority of the voting rights of an entity, it has power over the entity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the entity unilaterally. Caruna Group considers all relevant facts and circumstances in assessing whether its voting rights in an entity are sufficient to give it power, including:

- the size of Caruna Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by Caruna Group, other vote holders or other parties,
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that Caruna Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when Caruna Group obtains control over the subsidiary and ceases when Caruna Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated balance sheet or other comprehensive income from the date Caruna Group gains control until the date when Caruna Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Caruna Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of Caruna Group are eliminated in full on consolidation.

Transmission Finance Designated Activity Company ("DAC"), a limited liability company incorporated in Ireland, is a special purpose vehicle established for raising funds by the issuance of bonds and other debt instruments, as applicable, and to safeguard the collective interests of debtors. Caruna Group sees it has no power or control over the company and it is not consolidated to Caruna Group. More information is disclosed in Note 3.

1.2.3 New standards and interpretations

The consolidated financial statements of the Caruna Group have been prepared according to the same accounting principles as in 2022. The new IFRS 17 Insurance Contracts -standard effective of 1 January 2023 did not have impact on Caruna's consolidated financial statements. Other amendments and interpretations to IFRS standards or IFRIC interpretations effective from 1 January 2023 did not have an effect on the consolidated financial statements.

1.2.4 Summary of significant accounting policies

1.2.4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value of the assets given and liabilities incurred or assumed at the date of exchange and the amount of interest in the acquiree. For each business combination, the Caruna Group elects whether to measure the non-controlling interest, if any, in the acquiree at fair value or at the proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

At the acquisition date, the identifiable assets acquired, and liabilities assumed in a business combination are recognised and measured initially at their fair values, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of Caruna Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Caruna Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

1.2.4.2 Classification of current and non-current assets and liabilities

An asset or a liability is classified as current when it is expected to be realised in the normal operating cycle or within twelve months after the balance sheet date or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

All other assets and liabilities are classified as non-current assets and liabilities.

1.2.4.3 Research and development costs

Research and development costs are expensed as incurred and included in operating expenses in the statement of profit or loss.

1.2.4.4 Revenue recognition

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue over time/at a certain time

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Caruna Group and revenue can be readily measured, regardless of when the payment is being made. Revenue comprises the fair value consideration received or receivable at the time of delivery of products and/or upon fulfilment of services. Revenue is shown, net of rebates, discounts, value-added tax and selective taxes such as electricity tax. Revenue is recognised as follows:

Sale of distribution of electricity

Sale of distribution of electricity consists of distribution sales and connection fees.

Distribution of electricity and maintenance of networks are covered by distribution fees. These fees are based on the amount of electricity distributed (kWh). In addition, a monthly fee is charged. Distribution fees are recognised as income based on the delivery. The prices charged of customers for the sale of distribution of electricity are regulated. Any over or under income decided by the regulatory body is regarded as regulatory assets or liabilities that do not qualify for balance sheet recognition because no contract defining the regulatory aspect has been entered into with a specific customer and thus the receivable is contingent on future delivery. The over or under income is currently credited or charged over a regulation period of eight years to the customer using the electricity connection at that time. No retroactive credit or charge can be made.

Electricity tax is levied on electricity distributed to the customers. The tax is calculated based on electricity distributed to the customer. There are two tax classes for different groups of customers. Distribution sales in the Profit and Loss are shown net of electricity tax.

I. Distribution sales

Distribution of electricity and maintenance of networks are covered by distribution fees. Distribution fees are recognised as income at the time of delivery.

II. Connection fees

A customer pays a connection fee when connecting a property to the electricity distribution network for the first time. The connection fee is a one-time payment, and afterwards the connection is transferable to a third party whenever the owner of the property and the electricity connection changes. Connection fees are recognised as income at the time of delivery ie. when the connection agreement is signed; and the connection is built. The same connection can be shared by several users, for instance in a housing company.

Customers who signed a connection contract before August 2003 can have their connection fee refunded, and these refunds are recognised as liability in the balance sheet. In practice, connection contracts are rarely terminated; only when a property is demolished, abandoned, or otherwise made redundant.

Other Operating Income
Revenue from activities outside normal operations is reported in other operating income. This includes recurring items such as customer-based services including relocation fees, installation of new meters and connections and disconnections. Other income also includes rental income which are recognised under IFRS 16 Leases.

I. Relocation Fees
When a customer requests Caruna Group to move a piece of the electricity network from its current location to a new one, the customer pays a relocation fee to Caruna. Revenue is recognised when the new network has been installed and connection has been performed.

II. Rental income
Rental income is arising from operating leases covering leases of electricity pylons and leased properties. The lease income is recognised on a straight-line basis over the lease term.

III. Customer based services
Customer based services arise from other services initiated by the customers. Such customer-initiated services can be temporary connections on construction sites, metering, meter changes, disconnections, and re-connections. Revenue is recognised as other income in the Profit and Loss statement.

Interest income
Interest income from financial assets is recognised when it is probable that the economic benefits will flow to Caruna Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is included in finance income in the statement of profit or loss.

Dividends
Dividend income from investments is recognised when Caruna Group's right to receive the payment is established, which is generally when shareholders approve the dividend distribution.

1.2.4.5 Outage fees
Considerations paid to the customers due to interruption in the electricity distribution (outage fees) are recorded in the operating expenses.

1.2.4.6 Income Taxes

Current income tax
Current income tax payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Caruna Group's current tax asset or liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.2.4.7 Foreign currencies

Transactions in foreign currencies are initially recorded by Caruna Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. The gains or losses from translation are recorded in the profit or loss statement. Exchange rate gains and losses from operations are recorded to corresponding items above operating profit. The exchange rate gains and losses from loans are recorded in financing income and expenses unless the loans are under hedge accounting thus exchange rate gains or losses are recorded in comprehensive statement of profit and loss and in hedge reserve.

1.2.4.8 Property, plant and equipment

Property, plant and equipment comprise mainly electricity distribution networks, machinery, equipment and buildings.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of an item and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, Caruna Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Acquired assets on the acquisition of a new subsidiary or a business are stated at their fair values at the date of acquisition.

Such repairs and maintenance costs that maintain the asset's ability to produce future economic benefits, are recognised in the statement of profit or loss as incurred. The repair and maintenance costs that increase electricity network's ability to produce future economic benefits are recognised as asset according to differentiation principles of Energy Authority. (EMV differentiation principles 3.1.2. Repair investments of the electricity network)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Distribution network	15-40 years
Buildings and structures	20-40 years
Machinery and equipment	20-40 years
Other tangible assets	3-20 years

Land and lands rights are not depreciated since they have indefinite useful lives.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

1.2.4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use are capitalised as part of the cost of the respective asset, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs relating to the borrowing of funds.

1.2.4.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lifetime are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a retrospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Wayleave compensations

Wayleave compensations are one-time payments paid to the landowners on harm and damage caused by Caruna's electricity network and equipment. Caruna records the paid compensations to the intangible assets in the balance sheet. Wayleaves are amortised over a 35-year period.

Network licences

Network licences acquired through business combinations are recognised on the fair values at the date of business combination. Network licences have indefinite useful live and are not amortised.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at acquisition cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

A summary of the amortisation policies applied to Caruna Group's intangible assets is, as follows:

Computer software licenses	3-5 years
Other intangible assets	5-10 years
Wayleave compensation	35 years
Network licenses	indefinite
Goodwill	indefinite

1.2.4.11 Leases

According to the standard, lessees must recognise in the balance sheet a lease liability and a right-of-use asset reflecting the future lease payments for all leases, unless the lease term is short, or the underlying asset has a low value. The assets and liabilities are recognised based on the present value of future lease payments.

A right-of-use asset is written off either on the basis of economic life or lease period, depending on which of these is shorter. Right-of-use assets are included in asset impairment testing.

Interest expenses are recorded in the income statement as financing expenses using the effective interest method. In the cashflow the interest part is presented in operating cash flow as interests paid and the principal part of the lease expense in cash flow from financing activities as repayments of long-term liabilities. The lease agreements that are within the scope of the standard's exemption are recognised in the income statement as lease expenses.

Identified asset

The distribution network land lease and property leasehold agreements are directed at a real estate or plot of land in the contract. The contacts include a predetermined purpose, so the plot or real estate usage is identified. The agreements convey identified assets and Caruna receives the economic benefit and also directs the use of the real estate. Caruna records lease agreements in the balance sheet discounted according to IFRS 16, except for allowed exemptions.

Lease term

It is typical for Caruna's lease agreements that they have been in force for a long time, and that new lease agreements are rarely concluded any more. The majority of the lease agreements have been concluded until further notice. However, the Group also has a significant number of agreements that are fixed term and valid for an agreed period of time. The fixed term agreements may contain terms to the effect that the agreements will continue after the expiry of the fixed term for 2-5 years at a time unless the agreements are terminated no later than 12 months prior to the expiry of the fixed term.

Measurement and discount rate

Caruna books lease agreements in the balance sheet as right-of-use assets and as corresponding lease liabilities on the day when the underlying asset of the lease agreement becomes available to Caruna. A right-of-use asset is measured at the original value of the lease liability, deducted by any payments made prior to the commencement of the lease period.

Caruna's lease agreements do not have associated incentives or direct costs at the initial phase. Some of Caruna's lease agreements include restoration obligations regarding the annulment or removal of an asset, restoration of the location of an asset to its original state, or restoration of the underlying asset to the condition required in the terms of the lease agreement. However, Caruna considers that restoration costs, which mainly consist of restoring the leased land areas under pad mounted secondary substations to their original state, are not significant and they have therefore not been included in the calculation of the discounted lease liabilities. A right-of-use asset is written off either on the basis of economic life or lease period, depending on which of these is shorter. Right-of-use assets are included in asset impairment testing.

Recognition exemptions

Caruna applies the exemptions allowed in IFRS 16 regarding low-value underlying assets.

Caruna has classified as low-value assets land leases relating to the distribution network's pad mounted secondary substations, low-value real estate leases concerning the distribution network's real estate secondary substations as well as any land leases of high voltage distribution network where the value of the assets when new would be less than EUR 5,000. According to IFRS 16.5, lease payments of short-term leases can be recognised as expenses. However, Caruna does not apply this exemption, because the notice periods in the lease agreements mostly exceed 12 months. The lease agreements that are within the scope of the standard's exemption are not recorded in the balance sheet, but the lease expenses related to such lease agreements, as eg. antenna and mast agreements as well as warehouse lease agreements, are still recognised in the income statement as lease expenses.

Sale and leaseback agreements

The Group does not have sale and leaseback agreements, or subleasing arrangements.

Caruna as a lessor

Caruna leases real estate and poles owned by it to external parties. These leases are treated as operating leases under IFRS 16. Lease income is recognised in the income statement under other income.

1.2.4.12 Fair value measurement

The Group measures financial instruments, such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by Caruna Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Caruna Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Caruna Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.2.4.13 Financial assets and liabilities

Financial assets

Caruna classifies financial assets at initial recognition. Classification of financial assets is based on the business models specified by Caruna and on contractual cash flows of financial assets. Financial assets are classified as financial assets recognised at amortised cost, at fair value through the statement of profit or loss and as other financial assets recognised at fair value in other comprehensive income.

Financial assets measured at amortised cost

This class comprises trade receivables, other receivables and loan receivables. Trade receivables are entered in the balance sheet at nominal value. Trade receivables also include hour-based sales that have been delivered but not invoiced.

Caruna Group evaluates on each reporting day whether objective evidence exists about a financial asset or a group of financial assets having decreased in value.

The Group books the amount of expected credit losses from its trade receivables either for the 12-month-period or for the full lifetime of the instrument. The Group complies with the simplified approach and books expected credit losses over the full lifetime of receivables.

Financial assets at fair value through profit or loss

Derivative instruments held for trading purposes are classified as financial assets at fair value through profit or loss when they are not defined as effective hedging instruments in accordance with IFRS 9. Financial assets at fair value through profit or loss are measured in the balance sheet at fair value, and the net change of the fair value is presented in the statement of profit or loss as finance costs (negative net change of fair value) or finance income (positive net change of fair value). Section 1.2.4.14 describes the treatment of derivatives fulfilling the criteria of IFRS 9 and used for hedging calculations.

Financial assets at fair value through other comprehensive income

In Caruna Group, financial assets booked through other comprehensive income include interest and cross currency derivatives which fulfil the terms of hedge accounting in accordance with IFRS 9.

Derecognition

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual right to receive cash flows from the asset expires.

Financial liabilities

Caruna classifies financial liabilities as financial liabilities at amortised cost, financial liabilities recognised at fair value through the statement of profit or loss and as other financial liabilities recognised at fair value in other comprehensive income. Caruna does not reclassify financial liabilities. Caruna Group's financial liabilities comprise loans and other liabilities, accrued interest expenses, trade payables and derivative instruments.

Financial liabilities at amortised cost

Interest-bearing loans are the most significant financial liability recognised at amortised cost for Caruna Group. After the original recognition, interest-bearing liabilities are measured at amortised cost using the effective interest method. Profits and losses are recognised in the income statement when a financial liability is derecognised. Amortisation of effective interest is also recognised in the income statement. Further details about interest-bearing liabilities are presented in Note 17.

Amortised cost is calculated by considering any issuing profits or losses included in the effective interest rate of a liability, as well as any direct expenses relating to obtaining or issuing the debt. Amortisation calculated using the effective interest method is recorded in the finance costs in the profit and loss statement. Finance costs recognised at amortised cost also include accrued interest expenses, trade payables and connection fee payables.

A financial liability is derecognised when the liability relating to an agreement is annulled or cancelled, or when it becomes due for payment. When the contractual terms of an existing financial liability are materially amended or when a new loan arrangement is entered into with an existing creditor, the change is recognised in accounting as a derecognition of the original loan and recording of the new liability on the balance sheet. The difference between these balance sheet values is recognised in the income statement.

Financial liabilities recognised at fair value through profit or loss

In Caruna Group, financial liabilities booked through profit or loss include electricity and interest derivatives that do not fulfil the terms of hedge accounting. Realised and unrealised profits and losses caused by changes in the fair values of derivatives are recognised through profit and loss for the period in which they originate.

Financial liabilities booked at fair value through other comprehensive income

In Caruna Group, financial liabilities booked through other comprehensive income include interest and currency derivatives which fulfil the terms of hedge accounting in accordance with IFRS 9.

Derecognition

A financial liability is derecognised when the liability relating to an agreement is annulled or cancelled, or when it becomes due for payment. When the contractual terms of an existing financial liability are materially amended or when a new loan arrangement is entered into with an existing creditor, the change is recognised in accounting as a derecognition of the original loan and recording of the new liability on the balance sheet. The difference between these balance sheet values is recognised in the income statement.

Offsetting a financial asset and a financial liability

Caruna Group does not offset financial assets and financial liabilities.

1.2.4.14 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as currency swaps and interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to interest rate risk associated with a recognised liability.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance costs is recognised.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively.

When hedge accounting is discontinued, any cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item does no longer exist (i.e. the loan is repaid prematurely) any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment.

The Group uses interest rate and currency swaps as hedges of its exposure to interest rate and currency risks arising from debt carrying variable interest rate.

1.2.4.15 Impairment of non-financial assets

Caruna Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered.

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of 35-40 years in order to take into account the long-term capital expenditure plans which are driven by the security of supply requirements by the end of 2036, set by the Ministry of Economic Affairs and Employment.

Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, Caruna Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as of 31 December and when circumstances indicate that the carrying amount may be impaired as described earlier in Section 1.2.4.1.

Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets

Network licences included in other intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

1.2.4.16 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

1.2.4.17 Cash dividend to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the corporate laws in Finland, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

1.2.4.18 Provisions

General

Provisions are recognised when Caruna Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Caruna Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. Caruna Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Caruna Group.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.2.4.19 Pensions and other post-employment benefits

Caruna Group companies have pension schemes in accordance with the local conditions and practices in Finland. The schemes are generally funded through payments to insurance companies. The Group has both defined benefit and defined contribution plans.

All employees are eligible to statutory earnings-related pension under the TyEL (The employee's Pensions Act). The company has arranged its TyEL cover with Varma Pension Insurance Company. The TyEL plan, as arranged via a pension insurance company, is treated as an insured plan and as a defined contribution plan according to IAS 19. The employer pays annually premiums to the pension insurance company and after that the employer carries no risk for the benefits or the depreciation of the insurance premiums invested by the insurance company.

Caruna Group has arranged voluntary pension cover for a limited number of persons and all these plans are closed. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that Caruna Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

1.2.5 Impacts of climate change

Caruna has assessed the impacts of climate change on its operations for many years. Caruna's carbon footprint calculation covers all scopes 1–3. Caruna aims for carbon neutrality in scopes 1 and 2 by 2025.

Caruna uses a framework provided by the Task Force on Climate-related Financial Disclosures (TCFD) to evaluate the impacts of climate change on its operations. The assessment covers 'transition and physical risks' and their impact has been assessed in relation to Caruna's income statement, balance sheet and cash flow.

For more than a decade, Caruna's investment programme has been based on reliability of supply, i.e. adapting to the impacts of climate change. The underground cabling of the electricity network, the reinforcement of the overhead line network and the automation of the electricity network are key measures to improve the resilience of the electricity network.

Caruna's management believes that the energy transition to a low-carbon energy system is a business opportunity for Caruna. Caruna's mission is to help customers and society in the energy transition and thus in the mitigation of climate change.

Fossil energy sources are being replaced by renewable energy sources, which increases electricity consumption. The capacity and flexibility need of the electricity network are increasing, creating investment needs for Caruna. Increased investment costs are taken into account in the calculation of the reasonable return and further in Caruna's net sales. Other operating expenses will decrease as the weather resilience of the network has improved, reducing the impact of extreme weather events on Caruna's network. The need for investment will shift to transition risks and opportunities.

Caruna's impairment calculations are based on Caruna's long-term investment plans, including investments in electricity network capacity, weatherproofing and automation required by the energy transition.

Investments already made to mitigate and adapt to climate change, such as underground cabling and overhead line network improvements, are already included in Caruna's balance sheet. Caruna estimates that climate change will have no impact on the service life and impairment of Caruna's network assets.

Mitigating and adapting to climate change has required and continues to require investments. These investments help society to adapt to the impacts of climate change and transition to a carbon-neutral energy system. Caruna has prepared a Green Finance Framework to secure the financing of investments and improve the transparency of the positive climate effects of investments. A green bond has been issued in line with the green finance framework.

1.2.6 New and revised standards and interpretations not yet adopted

Caruna Group has not applied the following new and revised standards and interpretations that have been issued but are not yet effective:

IFRS 17 Insurance contracts is effective from 1 January 2023. This standard will not have an effect on Caruna Group consolidated financial statements.

Other interpretations and annual improvements

Improvements to the following standards, effective from 1 January 2024: IAS 1, IFRS 16 and IAS 21 and annual improvements. The changes are not expected to have a significant effect on the consolidated financial statements of Caruna Group.

Other IFRS standards or IFRIC interpretations that have been published but are not yet in force are not expected to have a significant effect on the consolidated financial statements.

1.3 Significant accounting judgements, estimates and assumptions

The preparation of Caruna Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities existing at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. The estimates are based on historical experience and various other assumptions that are believed to be reasonable. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management believes that the accounting policies below represent those matters requiring the exercise of judgment where a different opinion could result in the greatest changes to reported results.

1.3.1 Fair values of intangible assets and property, plant and equipment acquired in a business combination

In a business combination, the acquired intangible and tangible assets are measured at fair value and their remaining useful lives are determined. The determination of fair values is based on calculation models prepared by an external advisor and who also assists in determining their remaining useful lives. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable and accurately represent the value of the assets. However, different assumptions, assigned values and useful lives could have a significant impact on the reported amounts.

1.3.2 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. Budgets for the next five years are approved by the Board of Directors. These budgets and forecast calculations cover a period of approximately 35-40 years in order to consider the long-term capital expenditure plans which are driven by the security of supply requirements by the end of 2036, set by the Ministry of Economic Affairs and Employment. The Board of Directors approve the impairment calculations. The applied discount rate of 6.08 per cent has been derived directly from the regulatory pre-tax WACC.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 15.

1.3.3 Deferred taxes

Caruna Group has deferred tax assets and liabilities which are expected to be realised through the statement of profit or loss over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. Assumptions made include the expectation that future operating performance for Caruna Group entities will be consistent with historical levels of operating results, recoverability periods of tax losses carry-forwards will not change, and that existing tax laws and rates will remain unchanged into foreseeable future.

1.3.4 Basis of consolidation

Transmission Finance Designated Activity Company ("DAC"), a limited liability company incorporated in Ireland, is a special purpose vehicle established for raising funds by issuance of bonds and other debt instruments, as applicable, and to safeguard the collective interests of debtors. Caruna Group management sees it has no power or control over the company and it is not consolidated to Caruna Group.

2. Capital management

As the electricity distribution is very capital-intensive, Caruna must ensure it has adequate capital to meet its operative and investment requirements. Business planning includes assessing the adequacy of available capital in relation to the risks arising from business operations and the operating environment.

For the purpose of the Group's capital management, capital includes issued capital, invested distributable equity fund, all other equity reserves attributable to the equity holders of the parent and the shareholder loan.

The primary objective of the Group's capital management is to ensure efficient financing for operations and investments in the long run. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current or previous financial period. More information regarding covenants are presented in the note 17 Financial Assets and Liabilities.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. In order to maintain or change the capital structure Caruna can change the amount of the dividends paid to its shareholders or repay equity to its shareholders. It is possible for the companies to strengthen the equity when necessary. During the financial year, the former mother company Caruna Networks Oy distributed a dividend of EUR 130 (35) million to shareholder by decision of the September Extraordinary General Meeting.

There has been no changes to capital management objectives, instructions or processes during 2023 or the previous year.

Caruna's credit rating is BBB and a stable outlook. Caruna's strategy has been to keep the credit rating at the reached grade.

3. Group information

The parent company and subsidiaries of the Group

The consolidated financial statements of the Group include the following subsidiaries, in addition to the parent company Caruna Networks Oy:

Name	Principal activity	Country of incorporation and operation	% equity interest 2023
Caruna Oy	Electricity distribution	Finland	100
Caruna Espoo Oy	Electricity distribution	Finland	100

The ultimate parent of Caruna Group is Suomi Power Networks Topco BV, incorporated in the Netherlands.

The shareholders of Caruna Networks Oy through Suomi Power Networks TopCo B.V. are international infrastructure investors KKR (40 per cent), Ontario Teachers' Pension Plan Board (40 per cent) and Swedish pension insurance company AMF (12.5 per cent) and Finish pension insurance company Elo (7.5 per cent).

Transmission Finance Designated Activity Company

Non-consolidated structured company Transmission Finance Designated Activity Company ("DAC"), a limited liability company incorporated in Ireland, is a special purpose vehicle established for the purpose of raising funds by issuance of bonds and other debt instruments, as applicable, and to safeguard the collective interests of the debtors.

DAC shares are held on trust for charitable purposes by Maples Fiduciary Services Trustees Ireland Limited ("Maples"), an Irish limited liability company. Maples appoints the directors and is responsible for managing DAC. Maples and the directors and management members of DAC are independent from Caruna Group. Caruna Group has no legal, contract-based or other de facto rights to direct the operations of DAC that would result in Caruna Group exercising control over DAC. Therefore, DAC is not consolidated to Caruna Group.

Transactions between Caruna Group and DAC

In 2023, the interest expenses to DAC by Caruna Group amounted to EUR 51,160 (45,709) thousand.

EUR 1,000	31 December 2023	31 December 2022
IBLA-loans w/o loan arrangement fees	2,082,873	2,035,317
Accrued interest expenses	15,886	16,428
Total	**2,098,759**	**2,051,745**

The carrying amounts of loans from DAC are presented in long-term interest-bearing liabilities, the amounts maturing within the next twelve months in the short-term interest-bearing liabilities, while the accrued interest expenses are presented in the current liabilities in other payables.

For the corresponding debt instruments issued by DAC, Caruna Group has guaranteed the payment of principal and interest to DAC's bondholders in the event of DAC's default. At year-end, Caruna Group had no other material risk exposures related to DAC, and the amounts presented above represent its maximum risk exposure.

The interest rates of all loans are fixed and are determined by the fixed interest rates of the corresponding bonds issued by DAC, increased by margin of 0.0025 per cent. For further information on interest-bearing liabilities, see Note 17 Financial Assets and Liabilities.

Had Transmission Finance DAC (DAC) been consolidated into Caruna Group, the issuer of the loans would remain and the Group would have separate notes to several financial institutions instead of the one lender (DAC). If consolidated, the amount of the liabilities would be the same but the interest expenses would be lower at the amount of the loan margin (EUR 50 thousand/year).

4. Revenue

The Group is in the business of conducting local (distribution network) and regional (high voltage) distribution network operations, which consist of distribution sales and connection fees. Distribution sales and connection fees form a single performance obligation under IFRS 15 that is distribution of electricity and recognises revenue over time.

Geographical distribution
The Group operates only in the Finnish market and the whole net sales is collected from Finland.

Segment information
Caruna has not divided its operations to separate segments, since according to IFRS 8 the economic characteristics of the nature of products, services, production processes, class of customers, distribution of electricity, and the regulations of distribution of electricity are similar. Caruna's Management follows its operations as a whole.

The table below presents Caruna's net sales divided by distribution companies as well as by distribution network and high-voltage network. In addition, the net sales is separated between electricity distribution and connection fees.

2023

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Other and internal	Total
Electricity distribution				
Distribution network	370,213	80,186	-56	450,343
High-voltage network	24,288	3,345	-	27,632
Total	**394,501**	**83,531**	**-56**	**477,976**
Connection fees				
Distribution network	10,951	3702	-	14,653
High-voltage network	1,722	-	-	1,722
Total	**12,673**	**3,702**	**-**	**16,375**
Other revenue	**-2**	**-51**	**-**	**-53**
Total Revenue	**407,175**	**87,233**	**-56**	**494,298**

2022

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Other and internal	Total
Electricity distribution				
Distribution network	352,714	77,817	-56	430,475
High-voltage network	27,847	2,445	-	30,292
Total	**380,562**	**80,262**	**-56**	**460,767**
Connection fees				
Distribution network	12,109	5,467	-	17,575
High-voltage network	6,017	-	-	6,017
Total	**18,125**	**5,467**	**-**	**23,592**
Other revenue	**137**	**51**	**87**	**274**
Total Revenue	**398,824**	**85,779**	**31**	**484,634**

5. Other operating income

EUR 1,000	2023	2022
Customer based services and relocation of connections	2,248	2,034
Income from sale of demolished material	968	1,049
Rental Income	412	510
Proceeds from sale of property, plant and equipment	180	119
Other	535	315
Other operating income total	**4,342**	**4,027**

Revenue from activities outside normal operations is reported as other operating income. This includes recurring items such as relocation of connections, power cuts and re-connections, meterings and changing meters, and rental income as well as nonrecurring items such as proceeds from sale of property, plant and equipment.

Income from sale of demolished material consists of sales from dismantled electricity network material to recycling and further processing.

6. Cost of sales

EUR 1,000	2023	2022
Transmission service costs	28,067	57,719
Grid losses	51,189	32,807
Cost of sales total	**79,256**	**90,526**

Cost of sales include transmission services costs charged by the TSO Fingrid. The costs vary according to the distributed volumes. Fingrid has charged transmission service costs from Finnish distribution companies only for six months in 2023. During comparison year 2022 Fingrid charged transmission costs for 11 months.

Caruna covers grid losses by purchasing electricity from the markets. The challenging geopolitical situation raised electricity market prices during 2022. This resulted both in the year 2022 electricity prices as well as in the prices of physical power purchase agreements made in 2022 for the year 2023. However, the worst case scenarios for electricity shortage didn't realise in winter 2023 and this made electricity market prices to cheapen after the winter 2023. As a result, the grid losses increased by EUR xx million compared to year 2022. Caruna hedged its purchases of grid losses by entering into physical power purchase agreements.

7. Employee benefit expense

EUR 1,000	Note	2023	2022
Wages and salaries		20,929	22,414
Pension costs			
Defined contribution plans	23	3,325	3,357
Defined benefit plans	23	-78	73
Social security costs		811	831
Total employee benefit expense		**24,987**	**26,675**

The total wages and salaries paid by Caruna Group to its employees consist of salaries, fringe benefits and short-term incentives. The employee has the option to transfer the whole amount or half amount of the STI, however not more than 10 per cent of the yearly salary, to the Caruna Personnel Fund.

The Caruna Board of Directors approved the update to the Long-Term incentive program (LTI-program) from 2023 onwards. The earning periods of programs starting annually were extended to three years starting from the 2023-2025 program. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros, and the metrics set by the board for its achievement are determined for each three-year program period and are the same for all participants. After the three-year earning period, the earned performance bonus is paid out in three annual installments. Participants usually belong to three overlapping programs simultaneously, so the target level of earnings corresponds to the 2015-2022 programs. As a rule, the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by

Caruna due to other than personal grounds, the employee receives the accumulated amount of the incentive at the end of the employment. In 2023, EUR 488 (668) thousand were paid out from the LTI program. The LTI bonuses paid in 2023 were based on the rules of previous programs.

Information regarding employee benefits of the Caruna management is presented in the note 27 Related party transactions.

8. Other operating expenses

EUR 1,000	2023	2022
Repairs and maintenance	23,537	23,289
External services	22,457	23,536
Other	10,105	10,750
Total other operating expenses	**56,099**	**57,575**

Repairs and maintenance include electricity network maintenance costs, maintenance costs made during planned switch-offs, repair costs, cable route indicator costs as well as other costs related to operating and maintainting the electricity network.

External service fees include IT-service costs, costs related to automated meter reading services, customer service fees, billing fees, consulting fees and other service costs related to administrational services.

Other operating expenses include communication and IT-costs, communication and marketing costs, outage fees, authority fees, insurances fees and other administrative costs.

Auditor's fees

EUR 1,000	2023	2022
Audit fees	153	137
Other services	160	120
Total auditor's fees	**312**	**257**

Deloitte Oy was appointed as the auditor for the 2023 reporting period. Audit fees include fees for auditing the consolidated financial statements and for auditing the parent company and subsidiaries. Other services include other assignments performed by Deloitte Oy.

9. Depreciation and amortisation

EUR 1,000	2023	2022
Intangible rights	59	59
Way leaves	1,129	1,150
Other intangible assets	4,003	5,997
Buildings and constructions	1,811	1,668
Machinery and equipment	118,472	119,957
Right of use assets	323	399
Total depreciation and amortisation	**125,797**	**129,230**

10. Finance income

EUR 1,000	2023	2022
Interest income	530	134
Interest income from interest derivatives, through OCI	14,679	3,815
Total finance income	**15,209**	**2,172**

11. Finance costs

EUR 1,000	2023	2022
Interest expenses on Financial liabilities at amortised cost		
Shareholder loan	66,673	66,673
IBLA-loans (Senior-loan)	51,160	45,709
Investment loans	17,895	3,713
Capitalised borrowing costs	-792	-476
Other	166	250
Total	**135,102**	**115,869**
Interest expenses on interest rate derivatives, through OCI	4,500	5,706
Interest expenses on interest rate derivatives, not qualified as hedge	-	-198
Total interest expense	**139,602**	**121,377**
Arrangement and commitment fees relating to interest-bearing loans	723	745
Other financing expenses	2,984	2,802
Total finance costs	**143,309**	**124,924**

The amount of borrowing costs to be capitalised is the weighted avarage interest rate of all loans in Caruna. During 2023 the interest rate was 3.864 per cent.

12. Income tax

Income tax recognised in the statement of profit or loss

EUR 1,000	2023	2022
Current income tax:		
Current income tax on profits for the year	-11,511	-6,288
Deferred tax:		
Relating to origination and reversal of temporary differences	-14,212	-6,594
Total income tax expense recognised in the statement of profit or loss (tax expense -/tax income +)	**-25,723**	**-12,882**
Consolidated statement of comprehensive income		
Deferred tax related to items recognised in OCI during the year:		
Fair value remeasurement of hedging instruments entered into cash flow hedges	3,916	-13,290
Remeasurements of post employment benefit liabilities	11	-25
Income tax charged to other comprehensive income (tax expense -/tax income +)	**3,927**	**-13,315**

Reconciliation of tax expense and the accounting profit multiplied by Finland's domestic tax rate (20%) for:

EUR 1,000	2023	2022
Profit before tax	84,401	63,680
Tax calculated at nominal Finnish tax rate 20%	-16,880	-12,736
Non-deductible expenses	-8,843	-146
	-25,723	**-12,882**
Income tax expense reported in the statement of profit or loss	-25,723	-12,882

Deferred taxes

EUR 1,000	Balance sheet 1 Jan 2023	Recognised in P&L	Recognised in OCI	Balance sheet 31 Dec 2023
Deferred tax receivables				
Provisions	741	-6	-	735
Total deferred tax receivables	**741**	**-6**	**-**	**735**
Deferred tax liabilities				
Depreciation difference	112,751	20,029	-	132,780
Measurement of assets at fair value in acquisition	402,227	-5,987	-	396,240
Derivative financial instruments	12,908	163	-3,927	9,144
Total deferred tax liabilities	**527,886**	**14,205**	**-3,927**	**538,164**

EUR 1,000	Balance sheet 1 Jan 2022	Recognised in P&L	Recognised in OCI	Balance sheet 31 Dec 2022
Deferred tax receivables				
Provisions	11	730	-	741
Derivative financial instruments	3,850	-	-3,850	-
Total deferred tax receivables	**3,861**	**730**	**-3,850**	**741**
Deferred tax liabilities				
Depreciation difference	100,033	12,718	-	112,751
Measurement of assets at fair value in acquisition	408,248	-6,021	-	402,227
Derivative financial instruments	2,815	627	9,466	12,908
Total deferred tax liabilities	**511,096**	**7,324**	**9,466**	**527,886**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

13. Intangible assets and goodwill

EUR 1,000	Goodwill	Intangible rights	Network license	Wayleaves	Other intangible assets	Total
Acquisition cost 1 January 2023	62,468	4,460	1,529,212	37,834	47,512	1,681,486
Transfers between items	-	-	-	1,490	2,878	4,369
Disposals	-	-	-	-	-841	-841
Acquisition cost 31 December 2023	**62,468**	**4,460**	**1,529,212**	**39,324**	**49,549**	**1,685,013**
Accumulated amortisation 1 January 2023	-	4,177	-	9,192	20,855	34,223
Amortisation for the period	-	59	-	1,129	3,672	4,860
Write-downs	-	-	-	-	331	331
Amortisation charge on disposals and transfers between items	-	-	-	-	-841	-841
Accumulated depreciation 31 December 2023	**-**	**4,236**	**-**	**10,321**	**24,016**	**38,573**
Net book value						
At 31 December 2023	**62,468**	**224**	**1,529,212**	**29,003**	**25,533**	**1,646,441**
At 31 December 2022	62,468	284	1,529,212	28,642	26,658	1,647,263

EUR 1,000	Goodwill	Intangible rights	Network license	Wayleaves	Other intangible assets	Total
Acquisition cost 1 January 2022	62,468	4,460	1,529,212	36,323	41,250	1,673,712
Transfers between items	-	-	-	1,625	8,097	9,722
Disposals	-	-	-	-114	-1,835	-1,949
Acquisition cost 31 December 2022	**62,468**	**4,460**	**1,529,212**	**37,834**	**47,512**	**1,681,486**
Accumulated amortisation 1 January 2022	-	4,117	-	8,157	16,692	28,965
Amortisation for the period	-	59	-	1,085	4,724	5,869
Write-downs	-	-	-	65	1,273	1,338
Amortisation charge on disposals and transfers between items	-	-	-	-114	-1,835	-1,949
Accumulated amortisation 31 December 2022	**-**	**4,177**	**-**	**9,192**	**20,855**	**34,223**
Net book value						
At 31 December 2022	**62,468**	**284**	**1,529,212**	**28,642**	**26,658**	**1,647,263**
At 31 December 2021	62,468	343	1,529,212	28,166	24,558	1,644,747

The network licenses give permission to the company to distribute electricity on the network area for the time being. The network licenses have indefinite lifetime and they are not depreciated.

14. Property, plant and equipment

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	Right of use assets	WIP *	Total
Acquisition cost 1 January 2023	7,818	33,151	3,021,776	3,593	58,011	3,124,349
Additions	-	-	-	153	126,632	126,786
Transfers between items	28	218	105,273	-	-109,888	-4,369
Disposals	-1	-	-2,793	-	-	-2,794
Acquisition cost 31 December 2023	**7,846**	**33,369**	**3,124,256**	**3,747**	**74,755**	**3,243,972**
Accumulated depreciation 1 January 2023	259	11,261	695,401	1,043	-	707,964
Depreciation charge for the year	-	1,811	116,034	323	-	118,168
Write-downs	-	-	2,437	-	-	2,437
Depreciation charge on disposals and transfers between items	-	-	-2,243	-	-	-2,243
Accumulated depreciation 31 December 2023	**259**	**13,072**	**811,629**	**1,366**	**-**	**826,326**
Net book value						
At 31 December 2023	**7,587**	**20,297**	**2,312,627**	**2,381**	**74,755**	**2,417,647**
At 31 December 2022	7,560	21,890	2,326,375	2,550	58,011	2,416,385

**) WIP= Work in progress including advance payments*

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	Right of use assets	WIP *	Total
Acquisition cost 1 January 2022	7,820	27,931	2,907,167	3,241	65,001	3,011,160
Additions	-	-	-	352	133,605	133,957
Transfers between items	-	5,220	125,652	-	-140,595	-9,722
Disposals	-2	-	-11,044	-	-	-11,045
Acquisition cost 31 December 2022	**7,818**	**33,151**	**3,021,776**	**3,593**	**58,011**	**3,124,349**
Accumulated depreciation 1 January 2022	259	9,593	585,925	645	-	596,421
Depreciation charge for the year	-	1,668	114,712	399	-	116,778
Write-downs	-	-	5,244	-	-	5,244
Depreciation charge on disposals and transfers between items	-	-	-10,480	-	-	-10,480
Accumulated depreciation 31 December 2022	**259**	**11,261**	**695,401**	**1,043**	**-**	**707,964**
Net book value						
At 31 December 2022	**7,560**	**21,890**	**2,326,375**	**2,550**	**58,011**	**2,416,385**
At 31 December 2021	7,561	18,338	2,321,242	2,596	65,001	2,414,739

*) WIP= Work in progress including advance payments

Right of use assets included in tangible assets

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	Total
Cost at 1 January 2023	1,055	930	565	2,549
Additions	9	43	-	153
Depreciation for the year	-135	-95	-93	-323
Cost at 31 December 2022	**929**	**878**	**573**	**2,380**

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	Total
Cost at 1 January 2022	1,086	867	643	2,596
Additions	156	196	-	352
Depreciation for the year	-187	-133	-79	-399
Cost at 31 December 2022	**1,055**	**930**	**565**	**2,549**

15. Impairment testing of goodwill and network license

Goodwill acquired through business combinations has been allocated to the two Cash Generating Units (CGU) below for impairment testing purposes:

- Caruna Oy
- Caruna Espoo Oy

Carrying amounts of goodwill and network licenses allocated to each of the CGUs in 2023:

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Total
Goodwill	53,567	8,901	62,468
Network licenses	1,332,112	197,100	1,529,212

Key assumptions used in value in use calculations:

The recoverable amount is the higher of the cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Caruna's impairment test is based on value in use. Caruna has also calculated fair value less costs of disposal for impairment testing. Value in use has been estimated based on cash flow projections for 2024-2058. Of these, cash flows for 2024-2027 are based on the business plan which has been approved by the Board of Directors. Cash flow projections for 2028-2058 have been prepared by the management and they are based on the allowed regulated revenue which has been modelled for each CGU based on the best knowledge of the regulatory rules and their future development. Applied long-term capital expenditure are based on the long-term investment plans that have been given to the Energy Authority. The investment plans include for example the assumptions for increase of electricity consumption by 50 per cent by the end of year 2040 due to energy transition. The investment plans also include the security of supply requirements by 2028 set by the Ministry of Economic Affairs and Employment. A longer calculation period than the 5 years set by IAS 36 has been applied to take into account the whole economic life cycle of the electricity network.

Revenue is based on the modelled allowed regulated revenue and its growth rate varies from year to year with the assumption that no regulatory surplus or deficit is generated from 2032 onwards. The development of cost of sales and other operating costs for the business is adjusted with the estimated inflation and electricity consumption growth. The terminal value cash flow is expected to grow by 2 per cent annually.

Discount rates represent the current market assessment of the risks specific to the business, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The applied discount rate of 7.37 per cent has been derived directly from the regulatory pre-tax WACC determined by Energy Authority. The applied discount rate increased by 1.29 percentage units from comparison year 2022.

Energy Authority published at the end of December the final methodology decisions on the regulatory methods defining the electricity distribution and distribution network transmission tariffs for the coming years 2024 - 2031. The authority made significant changes to the regulation model, including changes to the method for determining the value of network assets. The new regulation model negatively affects the profitability of investments, impacting that the timing of the investments might need to be revalued. More detailed plans will be specified in 2024.

The changes made to the regulatory methods in the middle of the regulatory period as well as the increase of the discount rate decreased the value in use in the both CGUs in 2023. However, value in use is still higher than the carrying amounts in the both CGUs.

Finland is undergoing an unprecedented energy transition with the move from fossil sources of energy to renewable ones. Achieving carbon-neutrality targets requires changes in transport, industry and heating. Replacing fossil fuels in a cost-effective way is based on technology operating on electricity. Impairments test calculations in Caruna include the required investments to meet the increasing demands in electricity consumptions.

Sensitivity to changes in assumptions:

The headroom remained positive when the sensitivity of the value of use was tested by decreasing EBITDA by 10 per cent and alternatively by increasing the discount rate by 10 per cent. Due to the stability of the regulated business, the management believes that changes in the business environment causing the carrying amount to materially exceed the recoverable amount are very unlikely.

16. Other non-current assets

EUR 1,000	2023	2022
Other investments at 1 January	49	49
Other investments at 31 December	**49**	**49**

Other investments include other shares owned less than 10 per cent. The shares are shown at amortised cost since no fair values are available.

The shares are related to storage facilities kept for Caruna Group's own purposes for example for transformators etc.

17. Financial assets and liabilities

Financial assets

EUR 1,000	2023	2022
Non-current		
Financial assets at amortised cost		
Accrued receivables	442	347
Financial assets at fair value through OCI		
Interest and cross-currency derivatives	28,962	50,988
Current		
Financial assets at amortised cost		
Trade receivables	130,675	112,601
Total financial assets	**160,079**	**163,936**

Financial assets at fair value through OCI reflect positive change in fair value of those interest rate swaps, that have been designated in hedge relationships according to IFRS 9.

Financial assets at amortised cost are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

Financial liabilities

EUR 1,000	2023	2022
Interest-bearing liabilities		
Non-current liabilities		
Financial liabilities at amortised cost		
Loans	3,411,700	3,152,564
Lease liabilities	3,061	2,896
Trade payables and other liabilities		
Non-current liabilities		
Financial liabilities at amortised cost		
Connection fee liabilities	302,568	302,891
Current liabilities		
Financial liabilities at amortised cost		
Loans	14,286	214,286
Trade payables	25,375	26,628
Lease liabilities	49	177
Total financial liabilities	**3,757,039**	**3,699,442**

Financial liabilities at fair value through OCI reflect negative change in fair value of those interest rate swaps, that have been designated in hedge relationships according to IFRS 9.

Financial liabilities through the statement of profit or loss reflect negative change in fair value of currency derivatives and those interest rate swaps that are not designated in hedge relationships according to IFRS 9.

Financial liabilities at amortised cost are non-derivative financial liabilities carried at amortised cost.

Interest-bearing loans and borrowings

EUR 1,000	Interest rate	Maturity	2023	2022
Non-current interest-bearing loans and borrowings:				
Shareholder loan	8.50%	2047	773,642	773,642
IBLA-loans				
IBLA-loan 7y	2.04 %	2026	10,000	10,000
IBLA-loan 10y	1.69 %	2026	60,000	60,000
IBLA-loan 10y	3.18 %	2026	67,873	70,317
IBLA-loan 10y	0.38 %	2028	300,000	300,000
IBLA-loan 13y	1.93 %	2029	75,000	75,000
IBLA-loan 15y	2.57 %	2031	75,000	75,000
IBLA-loan 15y	2.57 %	2031	25,000	25,000
IBLA-loan 15y	2.57 %	2031	78,000	78,000
IBLA-loan 15y	2.57 %	2031	82,000	82,000
IBLA-loan 15y	2.57 %	2031	75,000	75,000
IBLA-loan 10y	4.90 %	2033	250,000	-
IBLA-loan 18y	2.74 %	2034	75,000	75,000
IBLA-loan 18y	2.74 %	2034	75,000	75,000
IBLA-loan 20y	2.83 %	2036	50,000	50,000
IBLA-loan 20y	2.83 %	2036	40,000	40,000
IBLA-loan 20y	2.42 %	2036	125,000	125,000
IBLA-loan 20y	2.70 %	2037	100,000	100,000
IBLA-loan 22y	2.90 %	2038	40,000	40,000
IBLA-loan 25y	2.97 %	2041	35,000	35,000
IBLA-loan 25y	2.97 %	2041	40,000	40,000
IBLA-loan 25y	2.97 %	2041	50,000	50,000
IBLA-loan 27y	3.00 %	2043	135,000	135,000
IBLA-loan 30y	3.03 %	2046	220,000	220,000
Investment loans				
EIB loan, 12y	1.18%	2028	200,000	200,000
EIB loan, 12y	1.54%	2032	100,000	100,000
NIB loan, 15y	1.56%	2033	121,428	135,714
Facility loans				
RCF loan	2.52%	2025	140,000	115,000
Lease liabilities			3,061	2,896
Loan arrangement fees			-6,243	-7,109
Total non-current interest-bearing loans and borrowings			**3,414,761**	**3,155,460**
Current interest-bearing loans and borrowings:				
IBLA-loans				
IBLA-loan 7y	1.50 %	2023	-	200,000
Investment loans				
NIB loan, 15y	1.56%	2024	14,286	14,286
Lease liabilities			49	177
Total current interest-bearing loans and borrowings			**14,335**	**214,463**
Total interest-bearing loans and borrowings			**3,429,096**	**3,369,923**

The owners KKR (40 per cent), OTPP (40 per cent), AMF (12.5 per cent) and Elo (7.5 per cent) have given a Shareholder loan to Suomi Power Networks TopCo B.V and its subsidiaries. No repayment of Shareholder loan has been made during the current or previous year. No interest expenses were capitalised nor added to the principal Shareholder loan amount during 2022 or 2021.

Caruna has re-financed the EUR 200 million bond which matured in May 2023 by a new Private Placement bond of EUR 250 million. During 2023, Caruna drew down EUR 340 (90) million and repaid a total of EUR 315 (105) million short term loans from capex and revolving credit facility. In addition, Caruna repaid EUR 14.3 million of a loan from Nordic Investment Bank (NIB). Available facilities are capex and revolving credit facility EUR 210 (235) million, bank overdraft EUR 30 (30) million and liquidity facility EUR 6.7 (6.7) million.

The period's net financing costs stated in the statement of profit or loss were EUR 128.0 (121.0) million. The accrued interest liabilities on the balance sheet were EUR 38.9 (36.2) million. Of Caruna's external loans 95 per cent are with fixed interest rates. The weighted avarage interest rate on external loans at the end of the year was 2.5 (2.1) per cent. Caruna complied with the covenant terms of all loan agreements. Standard & Poor's assigned Carunas long-term credit rating of BBB with a stable outlook (see note 2).

In addition to the existing securities, Caruna Group has pledged all its properties.

The loan arrangement fees are accrued based on the effective interest method on the average maturity of the IBLA-loans.

The company's loans include covenants. The breaches of covenants may lead to increased cost of financing or withdrawal of the loan. The company has fulfilled the covenants and they are continuously monitored.

Net debt

EUR 1,000	2023	2022
Cash and cash equivalents	-51,305	-58,270
Shareholder loan	773,642	773,642
Non-current interest-bearing loans and borrowings	2,638,058	2,378,922
Current interest-bearing loans and borrowings	14,286	214,286
Lease liabilities	3,110	3,073
Total net debt	**3,377,791**	**3,311,653**
Cash and cash equivalents	-51,305	-58,270
Gross debt - fixed rate	2,898,620	2,904,923
Gross debt - floating rate	530,476	465,000
Total net debt	**3,377,791**	**3,311,653**

Net debt

EUR 1,000	Net debt 1 Jan 2023	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 Dec 2023
Cash and cash equivalents	-58,270	6,965	-	-	-51,305
Shareholder loan	773,642	-	-	-	773,642
IBLA-loans	2,028,208	49,500	-2,444	1,366	2,076,630
Loan facilities	565,000	10,714	-	-	575,714
Lease liabilities	3,073	-115	-	152	3,110
Total	**3,311,654**	**67,064**	**-2,444**	**1,518**	**3,377,792**

EUR 1,000	Net debt 1 Jan 2022	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 Dec 2022
Cash and cash equivalents	-60,828	2,558	-	-	-58,270
Shareholder loan	773,642	-	-	-	773,642
IBLA-loans	2,023,206	-	4,098	904	2,028,208
Loan facilities	580,000	-15,000	-	-	565,000
Lease liabilities	2,724	-3	-	352	3,073
Total	**3,318,744**	**-12,445**	**4,098**	**1,256**	**3,311,654**

Cash and cash equivalents reconciliation

EUR 1,000	2023	2022
Cash and cash equivalents balance at 31 December	49,200	49,000
Group's Cash Pool account balance at 31 December	2,105	9,270
Cash and cash equivalents at 31 December	**51,305**	**58,270**
Cash and cash equivalents in Group cash flow	51,305	58,270

Loan covenants

The loan covenant of the Senior-loans (IBLA loans and investment loans) is the ratio between Group's Funds from operations (after adding Senior Net finance charges) to Senior Net finance charges (ICR). The other of the loan covenants is the ratio between Group's Funds from operations to net debt excluding shareholder loan (SLR).

ICR-loan covenant is tested with backward lock-up tests of the last 12 months and with forward lock-up tests of the following 12 months. The ratio can not be less than 1.70:1. The consolidated EBITDA included in the Funds from operations is adjusted based on the definitions set in the loan arrangements.

Senior Leverage Ratio is tested with backward lock-up tests of the last 12 months, with forward lock-up tests of the following 12 months and with extended forward lock-up tests for the following 36 months. The ratio on the 12 month backward and forward lock-up tests can not be less than 0.05:1. The ratio on the extended forward lock-up test can not be less than 0.055:1. The consolidated EBITDA included in the Funds from operations is adjusted based on the definitions set in the loan arrangements. The net senior finance charges are calculated on accrued basis.

Loan covenants are monitored on semi-annual basis. The breach of the loan covenants may lead to premature withdrawal of Senior loans.

18. Fair values of financial assets and financial liabilities

In the table below is shown the fair value and book value for each financial asset and liability represented in the consolidated statement of financial position.

At 31 December 2023

EUR 1,000	Note	At fair value through profit or loss	At fair value through OCI	Amortised cost	Book value	Fair value	Fair value hierarchy
Non-current financial assets							
Loan arrangement fee, Revolving credit facility	17			442	442	442	1
Derivative financial instruments (interest and cross-currency)	17		28,962		28,962	28,962	2
Current financial assets							
Trade receivables	17			130,675	130,675	130,675	2
Cash and cash equivalents	21			51,305	51,305	51,305	1
Total financial assets		**-**	**28,962**	**182,422**	**211,384**	**211,384**	
Non-current financial liabilities							
Interest-bearing liabilities (floating rate)	17			530,476	530,476	530,476	2
Interest-bearing liabilities (fixed rate)	17			2,887,467	2,887,467	2,887,467	2
Accrued loan arrangement fee	17			-6,243	-6,243	-6,243	1
Lease liabilities	17			3,061	3,061	3,061	2
Connection fee liabilities	17			302,568	302,568	302,568	3
Current financial liabilities							
Interest-bearing liabilities (floating rate)	17			9,524	9,524	9,524	2
Interest-bearing liabilities (fixed rate)				4,762	4,762	4,762	
Lease liabilities	17			49	49	49	2
Trade payables	24			25,375	25,375	25,375	2
Total financial liabilities		**-**	**-**	**3,757,039**	**3,757,039**	**3,757,039**	

At 31 December 2022

EUR 1,000	Note	At fair value through profit or loss	At fair value through OCI	Amortised cost	Book value	Fair value	Fair value hierarchy
Non-current financial assets							
Loan arrangement fee, Revolving credit facility	17			347	347	347	1
Derivative financial instruments (interest and cross-currency)			50,988		50,988	50,988	2
Current financial assets							
Trade receivables	17			112,601	112,601	112,601	2
Cash and cash equivalents	21			58,270	58,270	58,270	1
Total financial assets		**-**	**50,988**	**171,218**	**222,206**	**222,206**	
Non-current financial liabilities							
Interest-bearing liabilities (floating rate)	17			465,000	465,000	465,000	2
Interest-bearing liabilities (fixed rate)	17			2,694,673	2,694,673	2,694,673	2
Accrued loan arrangement fee	17			-7,109	-7,109	-7,109	1
Lease liabilities	17			2,896	2,896	2,896	2
Derivative financial instruments (interest)	17			302,891	302,891	302,891	3
Connection fee liabilities	17						
Current financial liabilities							
Interest-bearing liabilities (floating rate)	17			14,286	14,286	14,286	2
Interest-bearing liabilities (fixed rate)	17			200,000	200,000	200,000	2
Lease liabilities	16			177	177	177	2
Trade payables	23			26,628	26,628	26,628	2
Total financial liabilities		**-**	**-**	**3,699,442**	**3,699,442**	**3,699,442**	

The management assesses that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including interest rate curves.
- Fair values of the Group’s interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer’s borrowing rate as at the end of the reporting period. The own nonperformance risk as at 31 December 2020 was assessed to be insignificant.

Fair value hierarchy disclosures for each class of financial instruments:

Caruna has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements according to the fair value measurement hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

19. Financial risk management

The Group’s activities expose it to a variety of financial risks: cash flow interest rate risk, credit risk, currency risk and liquidity risk. The objective of the Group’s risk management is to minimise the negative effects on the Group’s financial performance caused by changes in financial markets. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Caruna's Treasury. Caruna's Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units according to the Treasury policy approved by the Board. The objective of treasury management is to secure sufficient funding for business operations, avoiding financial constraints at all times, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (interest rate, liquidity, re-funding, credit and currency risks) and to provide the management with information on the financial position and risk exposures of Caruna and its business units. In addition, Caruna's Treasury actively monitors the actual values of the Group's financial covenants and anticipated financial headroom in relation to maximum values of these financial covenants as part of the Group's reporting purposes.

Market risk

Electricity price risk

Grid loss purchases are exposed to market price volatility. Price risk for grid loss purchases is covered when needed by entering into physical electricity contracts.

Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair value of interest-bearing receivables, loans payable and derivative instruments. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the income statement, balance sheet and cash flow, while also taking into account the market value of net debt.

Interest rate derivatives 31.12.2023

EUR 1,000	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, cash flow hedges and fair value hedges	27,552	-	27,552
Cross currency derivatives, cash flow hedges and fair value hedges	1,410	-	1,410
Total	**28,962**	**-**	**28,962**

Interest rate derivatives 31.12.2022

EUR 1,000	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, cash flow hedges and fair value hedges	46,732	-	46,732
Cross currency derivatives, cash flow hedges and fair value hedges	4,256	-	4,256
Total	50,988	-	50,988

For interest rate sensitivity analysis in accordance with IFRS 7, if interest rates at 31 December 2023 on EUR-denominated borrowings had been 1 per cent higher/lower with all other variables held constant, pre-tax profit for the year would have been EUR 0.6 (3.2) million lower / EUR 0.7 million higher (EUR 2.4 million lower), as a result of changes in the interest flows on floating rate borrowings and hedging instruments and the change of market value of the non-hedge accounted interest rate swaps; there would not be any effect on other components of equity. The following table illustrates the sensitivity analysis.

31.12.2023

EUR million	Income statement + 1%	- 1%	Equity + 1%	- 1%
Interest-bearing liabilities	-4.8	4.6	-	-
Interest rate derivatives				
Hedge accounted	4.2	-3.9	-	-
Non-hedge accounted	-	-	-	-
Total	**-0.6**	**0.7**	**-**	**-**

31.12.2022

EUR million	Income statement + 1%	- 1%	Equity + 1%	- 1%
Interest-bearing liabilities	-3.7	0.2	-	-
Interest rate derivatives				
Hedge accounted	0.5	-2.6	-	-
Non-hedge accounted	-	-	-	-
Total	**-3.2**	**-2.4**	**-**	**-**

Credit risk

Caruna Treasury is responsible for managing the financial counterparty risks selecting carefully and distributing various transactions among adequate number of financial institutions and other counterparties.

Counterparty risk arises if a customer, borrower or other counterparty fails to honor its payment obligations. When drawing up a supply or connection contract, collateral or advance payment can be set for the customers of Caruna companies, for the payment of outstanding claims based on the supply contract. Collaterals provide security against possible credit losses. There are also elements of counterparty risk involved, if substantial amount of loans, hedging contracts or other financial services are obtained from too few providers.

Expected loss rate for trade receivables
Caruna Group records according to IFRS 9 expected credit losses on trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and records lifetime expected losses on trade receivables.

The loss allowance was determined as follows for trade receivables:

EUR 1,000	Not past due	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Total
Supplier with a delivery obligation					
Gross trade receivables	15,160	-	-	-	15,160
Expected loss rate %	0.004 %	-	-	-	
Loss allowance	-	-	-	-	-
Households					
Gross trade receivables	18,937	2,435	739	245	22,357
Expected loss rate %	0.001 %	0.001 %	0.694 %	0.518 %	
Loss allowance	-	-	5	1	7
Companies					
Gross trade receivables	38,572	1,959	277	51	40,859
Expected loss rate %	0.004 %	0.906 %	14.524 %	28.209 %	
Loss allowance	1	18	40	14	74
Total loss allowance	**2**	**18**	**45**	**16**	**80**

For ECL measurement Caruna has divided customers into three groups; supplier with a delivery obligation, households and companies (including municipalities). Caruna has identified that the payment behavior and credit risk differ between these groups. The companies book all trade receivables over 180 days past due as credit loss accruals. On top of this, the Group books according to IFRS 9 ECL model a credit loss for expected future receivables. The calculation reflect the most likely outcome for future credit losses, taking in account customers previous payment behavior as well as other information supporting decision making. Assumptions used in the calculation are revised annually or adjusted when necessary.

Trade receivables are arising from a large number of customers. There is no single customer who represents a significant part of the trade receivables. Trade receivables can not be pointed to a certain geographical area within Caruna's network area.

Currency risk
Changes in currency rates have impact on Group's net financing costs as well as interest-bearing liabilities and the fair values of derivatives. The aim of hedging the currency risk exposure is to reduce the effect of changes in income statement, balance sheet and cash flow, while also taking into account the market value of the net debt position.

Liquidity and refinancing risk
Caruna Treasury manages the Group's liquidity risk and ensures flexibility in funding by maintaining availability under committed credit lines. The Group uses diverse funding sources and its borrowings are long-term. Caruna Networks Oy has unused committed borrowing facilities or other lines of credit that it can access to meet liquidity needs.

In order to decrease the refinancing risk Caruna aims to diversify the maturity structure of its interest-bearing debt and negotiates new committed credit lines well in advance of need. The table below summarises the maturity profile of the Caruna Networks Oy financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2023

EUR 1,000	Payable on demand	Payable in less than 3 months	Payable in 4 to 12 months	Payable in 1 to 5 years	Payable in more than 5 years	Total
Interest-bearing loans and borrowings	-	-	14,286	858,825	2,559,118	3,432,229
Accrued loan arrangement fee	-	-	-	-	-6,243	-6,243
Leasing liabilities	-	-	49	-	3,061	3,110
Connection fee liabilities	-	-	-	-	302,568	302,568
Trade payables	-	25,375	-	-	-	25,375
Accrued interest expenses	-	33,870	5,049	-	-	38,919
Total	**-**	**59,245**	**19,384**	**858,825**	**2,858,504**	**3,795,958**

Year ended 31 December 2022

EUR 1,000	Payable on demand	Payable in less than 3 months	Payable in 4 to 12 months	Payable in 1 to 5 years	Payable in more than 5 years	Total
Interest-bearing loans and borrowings	-	-	214,286	517,159	2,642,514	3,373,959
Accrued loan arrangement fee	-	-	-	-	-7,109	-7,109
Leasing liabilities	-	-	177	-	2,896	3,073
Connection fee liabilities	-	-	-	-	302,891	302,891
Trade payables	-	26,628	-	-	-	26,628
Accrued interest expenses	-	30,892	5,370	-	-	36,262
Total	**-**	**57,520**	**205,547**	**517,159**	**2,941,192**	**3,735,704**

20. Trade and other receivables

Trade receivables

EUR 1,000	2023	2022
Trade receivables, gross amount	78,763	69,212
Credit losses	-80	-48
Accrued sales	51,992	43,437
Total trade and other receivables	**130,675**	**112,601**

Aging analysis of trade receivables (gross amount)

EUR 1,000	2023	2022
Not past due	72,722	64,953
Past due 1-90 days	5,411	3,763
Past due 91-180 days	296	265
Past due more than 181 days	334	231
Total	**78,763**	**69,212**

Credit losses recorded in 2023 were EUR 365 (280) thousand. Trade receivables overdue more than 180 days are generally considered to be credit-impaired and reservations are made in group companie's bookkeeping for the full amount, adjusted for expected recovery rates.

Other receivables

EUR 1,000	2023	2022
Income tax receivables	26	105
Accrued income and prepaid expenses	6,605	3,399
Total trade and other receivables	**6,630**	**3,503**

For terms and conditions relating to related party receivables, refer Note 27. Related party transactions.

21. Cash and cash equivalents

EUR 1,000	2023	2022
Cash at banks and on hand	51,305	58,270
Total cash and cash equivalents	**51,305**	**58,270**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At the end of the financial period the available committed facilities were: capex and revolving credit facility EUR 210.0 (235.0) million, bank overdraft EUR 30.0 (30.0) million, liquidity facility EUR 6.7 (6.7) million.

The Group has pledged all of its short-term deposits to fulfill collateral requirements.

22. Provisions

EUR 1,000	2023	2022
Provisions at 1 January	**102**	**124**
Decreases in provisions	-29	-22
Provisions at 31 December	**73**	**102**
Non-Current provisions	73	102

23. Pension and other post-employment benefit plans

The Caruna Group companies have pension schemes in accordance with the local conditions and practices in Finland. The schemes are generally funded through payments to insurance companies or the Caruna Group's pension fund as determined by actuarial calculations on a regularly basis. The Group has both defined benefit and defined contribution plans.

All employees are eligible to statutory earnings-related pension under the TyEL (The employee's Pensions Act). Caruna has arranged its TyEL cover with Varma Pension Insurance Company. TyEL- plan is interpreted as a defined contribution plan according to IAS 19. The employer pays annual premiums to the pension insurance company and after that Caruna doesn't carry risk for the benefits or the depreciation of the insurance premiums invested by the insurance company.

The Caruna Group has arranged voluntary pension cover for a limited number of persons and all these plans are closed. The valuation is based on the reports prepared by the external actuaries.

Statement of financial position (Items recognised in the balance sheet at 31 December)

EUR 1,000	2023	2022
Defined benefit obligation	1,359	1,364
Fair value of plan assets	-963	-944
Surplus (-)/deficit (+)	396	420
Net defined benefit liability (+)/asset (-) recognised in statement of financial position	**396**	**420**

The reconciliation below shows the opening and closing balances of the defined benefit obligation

EUR 1,000	2023	2022
Opening defined benefit obligation	1,364	1,828
Current service cost	5	54
Interest expense	52	14
Actuarial gains (-)/losses (+) on obligation	4	-473
Benefits paid	-66	-59
Defined benefit obligation at the end of the period	**1,359**	**1,364**

The reconciliation below shows the opening and closing balances of the fair value of plan assets

EUR 1,000	2023	2022
Opening fair value of plan assets	944	1,299
Interest income	36	10
Actuarial gains (+)/losses (-) on plan assets	-50	-347
Benefits paid	-66	-59
Contributions	99	41
Fair value of plan assets at the end of the period	**963**	**944**

Changes in net defined benefit liability during the period

The following table shows how the net defined benefit liability recognised in the statement of financial position is changed during the year.

EUR 1,000	2023	2022
Net defined benefit liability recognised in statement of financial position at beginning of period	420	529
Expense recognised in profit or loss	21	58
Remeasurements recognised in other comprehensive income	54	-126
Contributions	-99	-41
Total	**396**	**420**

Items recognised in profit or loss

EUR 1,000	2023	2022
Service cost	5	54
Net interest	16	4
Expenses recognised in profit or loss	**21**	**58**

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2023	2022
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in financial assumptions	-18	-538
Actuarial gains (-)/losses (+) on defined benefit obligation arising from experience adjustments	22	65
Actuarial gains (-)/ losses (+) on plan assets	50	347
Remeasurement in other comprehensive income	**54**	**-126**

The principal assumptions used in determining pension benefit obligations for the Group's plan are shown below:

The following tables show how the changes in assumptions used affect to the defined benefit obligation, related service cost and net interest.

Reporting Period ending 31 December 2023

Items	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 4.10 %	0 %	0 %	0 %	0 %	0 %
Discount rate +0.50 %	-5 %	-4 %	-7 %	-2 %	4 %
Discount rate -0.50 %	6 %	5 %	8 %	2 %	-5 %
Benefit increase 2.7 % / 0 %	0 %	0 %	0 %	0 %	0 %
Benefit increase +0.50 %	4 %	0 %	13 %	1 %	14 %
Benefit increase -0.50 %	-4 %	0 %	-12 %	-1 %	-13 %

Reporting Period ending 31 December 2022

Items	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 2.60 %	0 %	0 %	0 %	0 %	0 %
Discount rate +0.50 %	-5 %	-4 %	-7 %	-7 %	5 %
Discount rate -0.50 %	6 %	5 %	8 %	7 %	-6 %
Benefit increase 2.1 % / 0 %	0 %	0 %	0 %	0 %	0 %
Benefit increase +0.50 %	4 %	0 %	13 %	4 %	13 %
Benefit increase -0.50 %	-4 %	0 %	-12 %	-3 %	-12 %

24. Trade and other current payables

EUR 1,000	2023	2022
Trade payables		
Accounts payables trade	14,533	17,615
Accrued trade payables	10,842	9,013
Total trade payables	**25,375**	**26,628**
Other non-current liabilities		
Accrued expenses	28	27
Total other non-current liabilities	**28**	**27**
Other liabilities		
Electricity tax liability	33,865	30,503
VAT liability	27,489	23,186
Other payables	1,241	2,591
Total other liabilities	**62,595**	**56,280**
Accrued expenses		
Employee benefit expenses	8,475	7,770
Interest expenses	38,919	36,262
Other accrued expenses	5,283	3,017
Total accrued expenses	**52,677**	**47,048**
Total	**140,675**	**129,984**

Trade payables are non-interest-bearing and are normally settled on 14- day or 30-day terms. According to the Management's estimate, the fair value of the trade and other payables does not materially differ from the balance sheet value.

25. Commitments and contingencies

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as at 31 December are, as follows:

EUR 1,000	2023	2022
Within one year	256	247
After one year but no more than five years	1,075	1,038
More than five years	282	272
Total	**1,613**	**1,557**

Capital Commitments

EUR 1,000	2023	2022
Property, plant and equipment	246,308	300,191
Total	**246,308**	**300,191**

Other purchase commitments

EUR 1,000	2023	2022
Purchase of electricity	18,907	44,839
Total	**18,907**	**44,839**

Contingent liabilities

EUR 1,000	2023	2022
Loans, for which shares have been pledged and mortgages given		
Loans from financial institutions	2,658,588	2,600,317
Floating charges	11,100,000	11,100,000
Real estate mortgages	23,552	24,680
Guarantees on behalf of Group companies	**4,000**	**4,000**

Caruna companies have given guarantees and security for the obligations of each other as well as for Caruna Networks B.V. and Suomi Power B.V. under the finance documents. This guarantee and security liability has expressly not been assumed by any Finnish Caruna company to the extent such assumption would constitute unlawful distribution of assets within the meaning of Chapter 13, Section 1 of the Finnish Companies Act, unlawful financial assistance within the meaning of Chapter 13, Section 10 of the Finnish Companies Act or be otherwise in breach of any other applicable mandatory provisions of Finnish law.

The shares in companies belonging to Caruna Group, group internal loans receivables and group cashpool accounts have been pledged as security on behalf of group loans.

Group cashpool and other bank accounts, EUR 58,270 (60,822) thousand have been pledged as security for loans from financial institutions.

The company's loans include covenants. The breach of covenants may lead to increased cost of financing or withdrawal of the loan. The company has fulfilled the covenants and these are continuously monitored.

Caruna Group has pledged it's receivables based on the Share Purchase Agreement for the security of loans from financial institutions taken by other group companies. At the balance sheet date the value of the pledge was zero.

Caruna Group has pledged its receivables based on the Electricity Hedging Agreement. At the balance sheet date the amount was zero. Caruna Group has pledged its receivables based on financing agreements for insurance contract. At the balance sheet date the amount was zero.

26. Equity

Share capital

Caruna Networks Oy's issued share capital is EUR 2,500. The shares are fully paid. The company has 2,500 shares, with no nominal value, and of which each has an equal right to dividend and to the company's assets. Each share entitles the holder to one vote at the Annual General Meeting.

Invested unrestricted equity fund

Caruna Networks Oy's (business-ID 3361062-2) invested unrestricted equity fund was EUR 2,487,654,715.01 (2022: -)

The former mother company of Caruna Group, Caruna Networks Oy (business-ID 2584904-3) was merged through a sister company merger into Caruna Net Oy (business-ID 3361062-2) on 31 December 2023. In connection with the merger, Caruna Net Oy was renamed to Caruna Networks Oy and the company became the new mother company of Caruna Group.

Caruna Networks Oy (business-ID 2584904-3) and Caruna Net Oy (business-ID 3361062-2) are both fully (100 per cent) owned by Suomi Power BV. Thus the transaction took place under common control.

Since the merger occurred between entities under common control, the merger is not subject to the IFRS 3 Business Combinations standard. IFRS standards do not include separate guidance regarding transactions under common control. Considering the actual nature of the transaction, management has not treated the merger as a business combination in the consolidated financial statements, but rather as a reorganisation, where the consolidated financial statements as of December 31, 2023, include figures according to the old group structure, including the comparison year.

Due to the Group internal transactions, the invested distributable equity funds of the mother company Caruna Networks Oy are 2,487,654,715.01. The invested unrestricted equity fund in the Caruna Group are 171,203,600.00.

Other funds

EUR 1,000	2023	2022
Cash flow hedge reserve	22,096	37,761
Other comprehensive income	-108	-65
Total other funds	**21,988**	**37,696**

The effective portion of the gain or loss on the hedging instrument is recognised in the cash flow hedge reserve.

Profit distribution
Caruna Networks Oy's distributable funds on 31 December 2023 were EUR 2,487,654,715.01, of which the profit for the period was zero. The Board of Directors proposes to the annual general meeting that no distributable funds to be distributed to the shareholders.

27. Related party transactions

The Caruna Group related parties consists of its subsidiaries, The Board of Directors, the CEO and the Management team. Note 3 Group information provides the information about the Group's structure including the details of the subsidiaries and the holding company.

The Board of Directors and Management team

Salaries and other short term employee benefits

EUR 1,000	2023	2022
Board members	350	350
CEO	492	830
Management team	783	724
Total	**1,625**	**1,904**

The salaries and short term employee benefits for Board members, CEO and Management team in 2023 were EUR 1,625 (1,904) thousand. Remunerations have been paid to independent domestic Board members.

Caruna's Management team consists of four members at the end of the reporting period. The organisation consist of four units: Electricity Network Management and Operations, headed by Kalle Liuhala (Elina Lehtomäki until 31.7.2023), Customer Relationships and New Business, headed by Kosti Rautiainen, Corporate services and transformation, headed by Jyrki Tammivuori (acting) and CFO's Office, headed by Noora Neilimo-Kontio. The company's Management Team consists of CEO Jyrki Tammivuori and the three unit heads.

Salaries paid by the Caruna Group include also short-term incentives (STI). The employee has the option to transfer the whole amount or half amount of the STI, however not more than 10 per cent of the annual salary, to the Caruna Personnel Fund established in 2015.

The Caruna Board of Directors approved the update to the Long-Term incentive program (LTI-program) from 2023 onwards. The earning periods of programs starting annually were extended to three years starting from the 2023-2025 program. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros, and the metrics set by the board for its achievement are determined for each three-year program period and are the same for all participants. After the three-year earning period, the earned performance bonus is paid out in three annual installments. Participants usually belong to three overlapping programs simultaneously, so the target level of earnings corresponds to the 2015-2022 programs. As a rule, the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accumulated amount of the incentive at the end of the employment. In 2023, EUR 488 (668) thousand were paid out from the LTI program. The LTI bonuses paid in 2023 were based on the rules of previous programs.

Retirement arrangements
The CEO's retirement age is based on the Finnish pension laws.

Termination benefits
If the employment contract with the CEO is terminated, the CEO is entitled to nine months salary.

Business transactions
All transactions with related parties take place in an arm's length manner. Transactions with the Board of Directors and Management team during the financial year were immaterial.

Group companies have intercompany transactions which are related to administrative and services. These are eliminated upon consolidation.

Loans
At the end of 2022 the shareholder loan was EUR 773,642 (773,642) thousand from the owners OTTP, KKR, AMF and Elo through Suomi Power Networks TopCo BV and its subsidiaries. The outstanding amount of the accrued interest on the shareholder loan was EUR 16,805 (16,805) thousand.

No loans have been granted to the persons included in Caruna's related party during the current and previous period.

Loans are specified in the Note 17 Financial assets and liabilities.

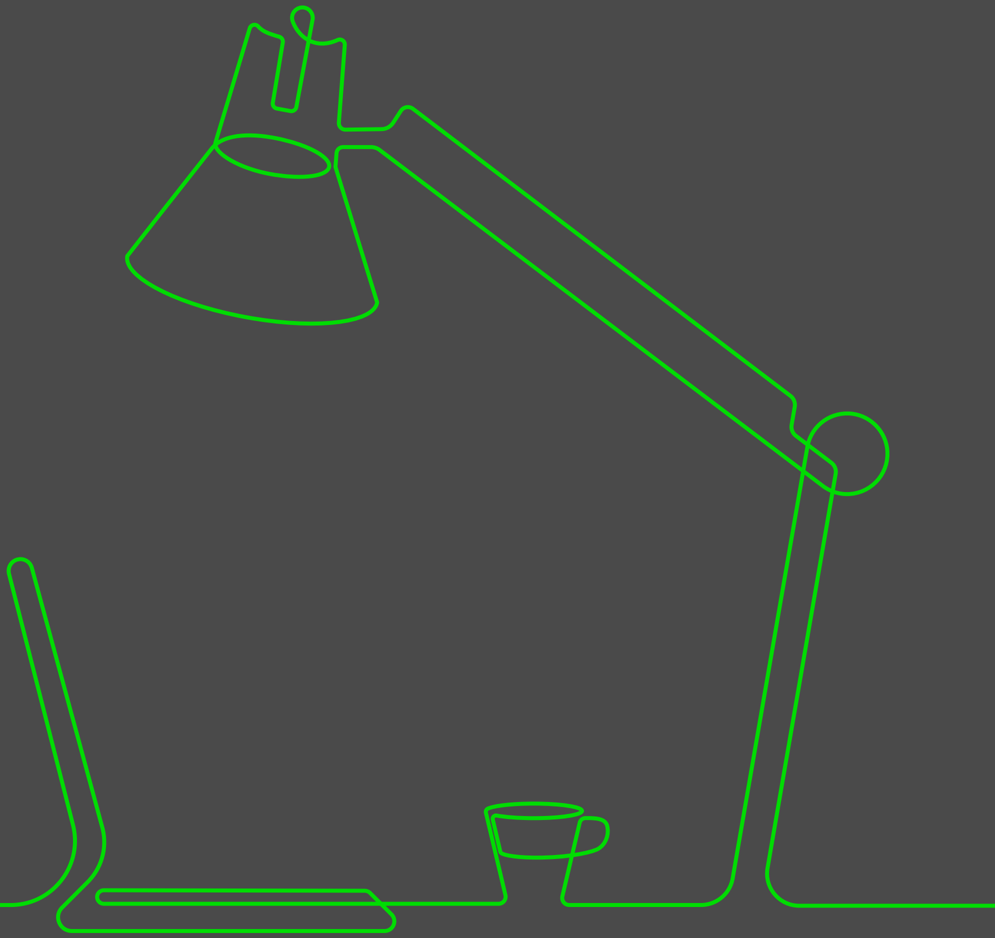
28. Events after the reporting period

Caruna has decided to seek a change to the regulatory methods that came into effect at the beginning of the year by filing a complaint with the Market Court against the Energy Authority. Caruna’s subsidiaries Caruna Oy and Caruna Espoo Oy both submitted the complaint to the Market Court on January 26, 2024.

In February, Caruna announced that it would be adjusting its operations due to the regulatory model introduced by the Energy Authority at the beginning of the year. The regulatory model reduces Caruna's investment capacity, and the company has initiated adjustment measures regarding previously planned investments. The adjustment need for the year 2024 is approximately 60 million euros.

Caruna’s credit rating remained the same as the international credit rating agency Standard & Poor's (S&P) confirmed Caruna's credit rating as "BBB and a stable outlook" in February 2024.

Parent Company Financial Statements (FAS)



Parent company income statement

EUR	Note	24 April 2023–31 December 2023
Net sales		-
Operating loss		-
Profit before appropriations and taxes		-
Profit (-loss) for the period		-

Parent company balance sheet

EUR	Note	31 December 2023
ASSETS		
Non-current assets	3	
Investments		4,850,000,000.00
Total non-current assets		**4,850,000,000.00**
Current assets		
Non-current receivables	4	1,140,414,327.57
Current receivables	5	121,214,597.53
Cash and cash equivalents	6	2,104,533.18
Total current assets		**1,263,733,458.28**
Total assets		**6,113,733,458.28**
EQUITY AND LIABILITIES		
Equity	7	
Share capital		2,500.00
Invested distributable equity fund		2,487,654,715.01
Total equity		**2,487,657,215.01**
Liabilities		
Non-current liabilities	8	3,423,467,544.43
Current liabilities	9	202,608,698.84
Total liabilities		**3,626,076,243.27**
Total equity and liabilities		**6,113,733,458.28**

Notes to the parent company financial statements (FAS)

1. Accounting principles

The financial statements of Caruna Networks Oy (business ID 336 1062-2) have been prepared in accord-ance with Finnish Accounting Standards and other regulation and legislation governing preparing of fi-nancial statements.

Caruna Net Oy (present Caruna Networks Oy, business-ID 3361062-2) has been registered in the Trade register on 26 April 2023. The first financial period of Caruna Networks Oy is different being 24 April 2023 – 31 December 2023. Due to the short first financial period, the company does not present comparison numbers in the financial statements.

The former mother company of Caruna Group, Caruna Networks Oy (business-ID 2584904-3) was merged through a sister company merger into Caruna Net Oy (business-ID 3361062-2) on 31 December 2023. The merger was done in market values. In connection with the merger, Caruna Net Oy was renamed to Caruna Networks Oy and the company became the new mother company of Caruna Group. The balance sheet of Caruna Networks Oy was formed for the first time on after the merger took place on 31 December 2023.

1.1 Foreign currency items and derivative instruments

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. Foreign currency receivables and liabilities are converted into euros using the exchange rates prevailing on the balance sheet date.

1.1.1 Financial instruments – Recognition

Caruna Networks Oy has changed its accounting policies regarding derivatives on 31 December 2016 to meet the criteria of KILA 1963/2016 and has applied the IFRS approach. Caruna Networks Oy has applied hedge accounting to currency swap agreement 31.12.2016.

The Company measures financial instruments, such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by Caruna Networks Oy.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest. Caruna Network Oy uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair val-ue measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair val-ue measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Caruna Net-works Oy determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.1.2 Derivative financial instruments and hedge accounting

The company uses derivative financial instruments, such as interest rate swaps and currency swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in hedging reserve and later reclassified to profit or loss when the hedge item affects profit or loss.

For hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to interest rate risk associated with a recognised liability.

At the inception of a hedge relationship, the company formally designates and documents the hedge rela-tionship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instru-ment, the hedged item, the nature of the risk being hedged and how the entity will assess the effective-ness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

The effective portion of the gain or loss on the hedging instrument is recognised in hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as hedge reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged finance income or finance costs is recognised.

When hedge accounting is discontinued, any cumulative gain or loss previously recognised in hedge re-serve is reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item does no longer exist (i.e. the loan is repaid prematurely) any related cumulative gain or loss on the hedging in-strument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment.

1.2 Deferred taxes

Deferred taxes are provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised.

Deferred tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

1.3 Financial assets and liabilities

Financial assets and liabilities are recognised initially at fair value, net of transaction costs. Loans of the company can be both long- and short-term.

2. Group information

Caruna Net Oy (business ID 3361062-2) was established and registered in the Finnish Trade Register on 26 April 2023. Caruna Networks Oy (business ID 2584904-3) merged with Caruna Net Oy (business ID 3361062-2) on 31 December 2023. In conjunction with the merger, the Caruna Net Oy was renamed to Caruna Networks Oy. Due to the merger, Caruna Networks Oy (business ID 3361062-2) became the parent company of Caruna Group as of 31 December 2023. Caruna Networks Oy (business ID 3361062-2) did not operate during 2023 before the merger took place.

Caruna Networks Oy (3361062-2) is consolidated in Suomi Power Networks TopCo B.V. and its Dutch subsidiary Suomi Power BV owns 100% of the shares in Caruna Networks Oy.

Suomi Power Networks TopCo B.V. has a registered office in Amsterdam, The Netherlands. The consolidated financial statements of Suomi Power Networks TopCo B.V. according to IFRS are available at Suomi Power Networks TopCo B.V. head quarters in Luna Arena, Herikerbergweg 112, 1101 CM Amsterdam, The Netherlands.

The shareholders of Caruna Networks Oy through Suomi Power Networks TopCo B.V. are the international infrastructure investors KKR (40 per cent), Ontario Teachers' Pension Plan OTPP (40 per cent), the Swedish pension insurance company AMF (12.5 per cent) and the domestic pension insurance company Elo (7.5 per cent).

3. Non-Current Assets

Investments

EUR	Investments in group companies 2023
Acquisition cost 24 Apr	**-**
Additions	**4,850,000,000.00**
Acquisition cost 31 Dec	**4,850,000,000.00**
Carrying amount 31 Dec	4,850,000,000.00
Total assets	**4,850,000,000.00**

4. Non-current receivables

EUR	2023
Receivables from group companies	
Loan receivables	
Other loan receivables	1,105,373,408.00
Receivables from group companies total	**1,105,373,408.00**
Receivables from others	
Interest and currency derivatives	28,963,070.56
Prepayments and accrued income	
Other prepayments and accrued income	6,077,849.01
Non-current receivables total	**1,140,414,327.57**

5. Current receivables

EUR	2023
Prepayments and accrued income	
Accrued interest income, swaps	3,549,997.63
Prepaid insurance premiums	222,270.59
Other prepaid expenses and accrued income	2,056,160.90
Prepayments and accrued income total	**5,828,429.12**
Other receivables	89,683.70
Receivables from group companies	
Trade receivables	1,185,744.49
Cash pool account	9,344,249.82
Prepayments and accrued income	
Other interest income	6,516,490.40
Prepayments and accrued income total	6,516,490.40
Group contributions	98,250,000.00
Receivables from group companies total	**115,296,484.71**
Total current receivables	**121,214,597.53**

Receivables from group companies includes cash pool account of EUR 9,344,249.82. The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

6. Cash and cash equivalents

EUR	2023
OP Corporate Bank Plc	2,104,533.18

7. Equity

EUR	2023
Restricted equity	
Share capital 24 Apr	-
Increase in share capital	2,500.00
Share capital 31 Dec	2,500.00
Total restricted equity	**2,500.00**
Unrestricted equity	
Invested distributable equity fund 24 Apr	-
Increase in Invested distributable equity fund	2,487,654,715.01
Invested distributable equity fund 31 Dec	2,487,654,715.01
Total unrestricted equity	**2,487,654,715.01**
Total equity	**2,487,657,215.01**

Distributable unrestricted equity

EUR	2023
Invested distributable equity fund	2,487,654,715.01
Total	**2,487,654,715.01**

8. Non-current liabilities

EUR	2023
Loans from the group companies	773,641,586.65
Loans from financial institutions	2,644,301,874.61
Deferred tax liabilities	5,524,083.17
Total non-current liabilities	**3,423,467,544.43**

Maturity of non-current liabilities

EUR	2023
2024	-
2025	154,285,714.28
2026	218,825,684.12
2027	80,952,380.95
2028 and later	2,963,879,681.91
Total	**3,417,943,461.26**

9. Current liabilities

EUR	2023
Loans from financial institutions	14,285,714.28
Trade payables	59,402.02
Other current liabilities	5,219,117.17
Accrued expenses	
Accrued employee expenses	3,750,009.73
Accrued interest expenses, other	22,113,597.37
Income tax liabilities	1,953,111.96
Other accrued expenses	543,442.00
Accrued expenses total	**28,360,161.06**
Liabilities to group companies	
Trade payables	81,982.90
Cash pool account	137,797,106.94
Accrued expenses	
Accrued shareholder loan interest expenses	16,805,214.47
Liabilities to group companies total	**154,684,304.31**
Total Current liabilities	**202,608,698.84**
Non-interest-bearing liabilities	56,049,960.79
Interest bearing liabilities	3,570,026,282.48
Total	**3,626,076,243.27**

10. Fair value hierarchy of financial derivatives valued at fair value

EUR 1,000	2023
Derivative liabilities and liabilities recoqnised at fair value through OCI	**Level 2**
Interest rate swaps (+ asset/- liability)	27,552,800.00
Cross currency swaps (+ asset/- liability)	1,410,270.56
Total	**28,963,070.56**

11. Commitments and contingent liabilities

EUR	2023
Loans, for which shares and other assets have been pledged	
Loans from financial institutions (senior-loan)	2,658,587,588.89
Book value of pledged subsidiary shares	4,850,000,000.00
Floating charges	6,660,000,000.00
Loans receivables	1,105,373,408.00
Cashpool receivables	9,344,249.82
Mortgages	23,552,233.84
Guarantees on behalf of group companies	4,000,000.00

Caruna Networks Oy has given guarantees and security for the obligations of other group companies as well as Caruna Networks B.V. and Suomi Power B.V. under the finance documents. This guarantee and security liability has expressly not been assumed by Caruna Oy to the extent such assumption would constitute unlawful distribution of assets within the meaning of Chapter 13, Section 1 of the Finnish Companies Act, unlawful financial assistance within the meaning of Chapter 13, Section 10 of the Finnish Companies Act or be otherwise in breach of any other applicable mandatory provisions of Finnish law.

Company's bank accounts, EUR 2,104,535.18 have been pledged as security for loans from financial institutions.

The company's loans include covenants. The breakage of covenants may lead to increased cost of financing or withdrawal of the loan. The company has fulfilled the covenants and these are continuously monitored.

The company has pledged possible liabilities arising from electricity hedging on behalf of its subsidiaries.

12. Holdings in other companies

Name	Caruna Oy	Caruna Espoo Oy
Ownership, %	100	100
Registered office	Espoo	Espoo
Share capital, EUR	2,000,000	4,000,000
Equity, EUR	24,036,568	20,921,064
Profit for the period	128,712.19	123,801.30

Signatures to the financial statements and operating and financial review

Espoo, 6 March 2024

Matti Ruotsala
Chairman of the Board

James Adam
Member of the Board

Marissa Dardi
Member of the Board

Andrew Furze
Member of the Board

Jouni Grönroos
Member of the Board

Cornelia van Heijningen
Member of the Board

Fredrik Lundeborg
Member of the Board

Laura Tarkka
Member of the Board

Jyrki Tammivuori
Managing Director

Auditor's note

An auditor's report based on the audit performed has been issued today.

Espoo, 6 March 2024

Deloitte Oy
Audit Firm

Reeta Virolainen
APA

List of ledgers, types of vouchers and their archiving methods

	Method
Financial statements and operating and financial review	Bound book
Note vouchers	Electronically
Balance specifications	Electronically
Accounting documents	
Income statement and balance sheet	Electronically
General ledger	Electronically
Journal	Electronically
Supporting ledgers	
Trade debtors ledger	Electronically
Trade creditors ledger	Electronically
Payroll accounting	Electronically
Commitments	Electronically
Voucher types	
Bank vouchers	Electronically
Adjusting journal entries	Electronically
Trade debtors ledger	Electronically
Trade creditors ledger	Electronically
Payroll vouchers	Electronically
Vouchers for travel expenses	Electronically

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Caruna Group
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