CARUNA GROUP

Financial Statements and Operating and Financial Review

31 December 2022

caruna | We bring electricity to you.

Contents

Operating and Financial Review for 2022 by Caruna Networks Oy's Board

KEY FINANCIAL (IFRS) AND OPERATIONAL INDICATORS FOR THE GROUP

EUR million or as indicated	2022	2021
Net sales	484.6	499.8
Profit for the period	50.8	46.6
Corporate tax	6.3	10.7
Investments	133.6	140.1
Cash flow after investments	47.6	46.5
Customers	726,000	714,000
System Average Interruption Duration Index per customer (SAIDI), minutes	85	71*
Reliability of supply rate (%)	99.98	99.99

*) calculation method has changed

KEY EVENTS DURING THE FINANCIAL PERIOD

At the end of 2022, Caruna had 726,000 customers. A total of 2,300 (2,800) new connection agreements were signed, 28 (14) of which were for medium- or high-voltage connections. Customer satisfaction improved significantly, as the cumulative NPS, a measure of customer satisfaction, stood at 27.9 (19.1) at the end of December.

Caruna's operating environment deteriorated in 2022 due to the extraordinary tightening measures taken by the regulator in the middle of the regulatory period and a general increase in costs due to the energy crisis triggered by the Ukraine war. The war in Ukraine did not have a direct financial impact on Caruna's business. The indirect impacts included significantly higher raw material, electricity and construction costs and a shortage of components.

In November, the cost rises prompted Caruna to announce increases to the prices of both its distribution companies as of 1 January 2023. The post-tax prices for Caruna Oy's customers will increase by an average of approximately 3.9 per cent. The post-tax prices for Caruna Espoo Oy's customers (Espoo, Kauniainen, Kirkkonummi and the centre of Joensuu) will rise by an average of approximately 2.9 per cent.

From January to December, the total electricity supply volume on the distribution network decreased to 9.5 (10.1) TWh. The decrease was mainly due to the energy crisis sparked by the Ukraine war and a milder winter compared with the same period in the previous year.

The average interruption time in Caruna's electricity distribution (SAIDI) was 85 (71) minutes per customer between January and December, and the reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) was 1.7 (1.3) interruptions per customer. Four major storms hit Finland in the year, the most destructive of which was storm Armi. In February, storm Armi caused a maximum of 9,700 customers to suffer electricity outages simultaneously in Espoo, West Uusimaa and Southwest Finland.

In January, international credit rating agency Standard & Poor's (S&P) lowered Caruna's credit rating from "BBB+ and a significantly weakened outlook" to "BBB and a stable outlook". The drop is due to the changes made to the regulation model for electricity distribution companies during the regulatory period.

Caruna's CFO, Jyrki Tammivuori, was appointed CEO of the company on 13 May 2022. Jyrki Tammivuori was the company's acting CEO from 23 March to 12 May 2022. The company's SVP People, Public Affairs & Regulation, Noora Neilimo-Kontio, was appointed as Caruna's CFO and deputy CEO on 13 June 2022.

FINANCIAL DEVELOPMENT

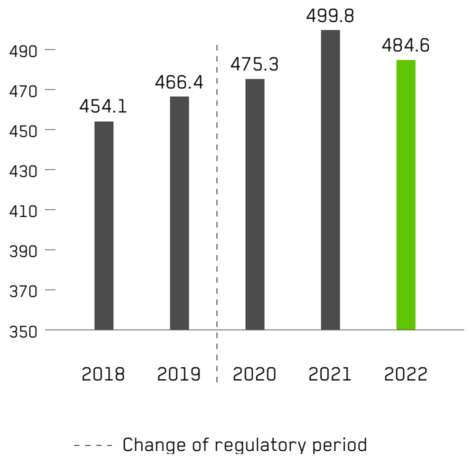
Caruna Group's net sales in 2022 amounted to EUR 484.6 (499.8) million. Net sales decreased by EUR 15.2 million (3.0 per cent) year-on-year. Caruna's net sales comprises of electricity distribution sales and connection fees. The electricity distribution sales decreased by EUR 22.2 million to the comparison year. The Ukraine war caused the energy crisis which sparked the energy prices in 2022. As a result, energy consumption decreased especially during the second half of the year. The decrease in electricity consumption decreased Caruna's electricity distribution sales by EUR 14.3 million.

Year 2022 was colder than the comparison year which lowered Caruna's net sales by EUR 4.9 million. Caruna Espoo Oy decreased its distribution prices in 1 November 2021. This resulted in a EUR 3,0 million decrease in the Group's net sales compared to the previous year.

Connection fees increased by EUR 7.0 million year-on-year to EUR 23.8 million. In 2022, Caruna broke its record for the number of new connections points connected to the network, the largest of which was the connection for the Murtotuuli wind farm.

NET SALES

EUR million



Graph 1: Net sales

Direct costs, consisting of grid loss electricity purchases and grid service fees, were EUR 90.5 (93.8) million. The challenging geopolitical situation raised electricity market prices during 2022, increasing the cost of grid losses by EUR 8.3 million compared to 2021. Caruna hedged its purchases of grid losses in 2022 by entering into physical power purchase agreements. Without hedging, the costs of grid losses would have been EUR 25 million higher than the actual costs.

The grid service fees were EUR 11.5 million lower than in the comparison period. Lower supply volumes in the distribution network and the high-voltage distribution network reduced the grid service fees. In addition, the transmission system operator Fingrid did not charge distribution system operators for grid service fees in December.

Other operating expenses, including external services, personnel costs and other operating expenses, were EUR 84.3 (88.1) million. The reasons for the increase in expenses included the introduction of Datahub, the Energy Authority network licence fee and wage increases under collective agreements of EUR 1.8 million compared to the previous year. Less fault repair and stand-by work reduced expenses, which was due to the number of storms. In addition, measures to increase efficiency and productivity reduced other operating expenses.

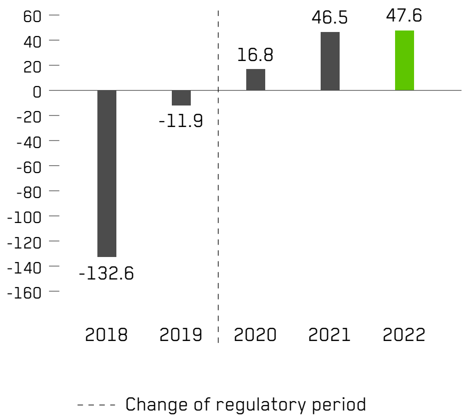
Depreciation, amortisation and impairment charges amounted to EUR 129.2 (132.2) million. This item includes EUR 6.5 (8.7) million in distribution network scrapping charges.

Consolidated operating profit amounted to EUR 184.7 (192.5) million. Net financing costs were EUR 121.0 (133.5) million. Non-recurring costs of EUR 10.8 million related to issuing the green bond and repaying the old bond were recognised in net financing costs in the comparison year (2021). Profit for the period was EUR 50.8 (46.6) million.

The Group's cash flow remained good. Cash flow after investments was positive at EUR 47.6 (46.5) million.

CASH FLOW AFTER INVESTMENTS

EUR million



Graph 2: Cash flow after investments

FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	2022	2021	2020
Net sales		499.8	475.3
Operating profit		192.5	171.0
Operating profit (% of net sales)		38.5	36.0
Profit for the period		46.6	35.0
Investments		140.1	143.2
Cash flow after investments		46.5	16.8
Interest-bearing net debt (at the end of the period)		3,318.7	3,276.5

Caruna's tax footprint in 2022 totalled EUR 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 remitted to the state.

BUSINESS ACTIVITIES

Caruna safeguards the reliable distribution of electricity to its customers as electricity consumption increases and we move from fossil to renewable energy. The company's investments in the electricity network ensure that customers can use domestic, renewable energy and become small-scale producers of electricity.

Caruna brings electricity to 726,000 customers in South, Southwest and West Finland, Joensuu and Koillismaa, corresponding to 20 per cent of Finland's electricity distribution. The total length of Caruna's electricity network was 88,600 kilometres at the end of the reporting period. The Group includes two network companies: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas.

Caruna's operating environment deteriorated in 2022 due to the extraordinary tightening measures taken by the regulator in the middle of the regulatory period and a general increase in costs due to the energy crisis triggered by the Ukraine war.

The costs of raw materials, electricity and construction rose substantially. Electricity network construction costs rose by more than 10 per cent, and the costs of energy losses increased by approximately 35 per cent in 2022 compared with the previous year. The shortage of components also caused changes to the schedules of electricity network projects.

In November, the cost rises prompted Caruna to announce increases to the prices of both its distribution companies as of 1 January 2023. The post-tax prices for Caruna Oy's customers will increase by an average of approximately 3.9 per cent. The post-tax prices for Caruna Espoo Oy's customers (Espoo, Kauniainen, Kirkkonummi and the centre of Joensuu) will rise by an average of approximately 2.9 per cent.

In January 2022, the energy industry brought an appeal to the Market Court concerning the Energy Authority's (EA) changes to its regulatory methods midway through the regulatory period. The common view in the industry is that the authority did not have sufficient legal grounds to make the changes midway through the regulatory period and did not have the independence required by EU directives when the changes were prepared and implemented.

A record volume of wind power was connected to Caruna's network

A total of 2,300 (2,800) new connection contracts were signed, 28 of which were for medium- or high-voltage connections.

In June, Fortum announced its intention to work with Caruna on the implementation of an entirely new electric boiler concept for domestic district heating production at the Suomenoja plant site in Espoo. Caruna supplied the project with Finland's first dynamic electricity connection. The project will also use a new way of ensuring adequate capacity in the electricity network, as the electricity required by the electric boiler can be regulated flexibly. The need for flexibility is constantly increasing as the production volumes of wind and solar energy will increase in the future.

In 2022, approximately 4.04 (4.22) TWh of renewable electricity was transferred into Caruna's network.

In 2022, renewable energy production capacity in Caruna's network totalled 1,612 (1,227) MW. Small-scale renewable energy production capacity also increased significantly to 177 (108) MW, and the number of small-scale producers in solar power systems below 1 MW was 19,700 (12,000) at the end of the year.*

Caruna's most significant carbon handprint (positive environmental impact) comes from connecting renewable energy to the electricity network.

The construction work on an internal network and the customer's own transmission line to the Murtotuuli wind farm was completed in spring 2022. Murtotuuli includes 21 separate power plants with a total output of 133 MVA. The wind farm is in Posio. The customer connection was commissioned in July.

The construction work on an internal network and the customer's own transmission line to the Rustari wind farm in Kurikka was completed in the spring. Rustari includes eight separate

*) Solar power systems < 1 MW

power plants with a total output of 45 MVA. The power plant was connected to Caruna's network in September.

In September, Caruna and Ruda Solpark Ab made an agreement to connect a solar farm to the electricity network in Kemiönsaari. The solar farm is the first of its kind to connect to Caruna's medium-voltage network. The solar power plant will be built in a field containing 3,600 solar panels. In the future, the solar power plant should produce 1.98 MWp of electricity.

The drafts of Caruna's development plans for the electricity distribution network were on display for customers in the spring 2022. Customers gave feedback on plans for adopting electric cars and solar panels, the opportunity for flexible electricity consumption, and customers' views on the reliability of the existing network and the necessary development. More than 4,000 customers responded to customer consultations. Most of the respondents were consumers. The final development plans and customer feedback summaries were published on Caruna's website in August.

Caruna's customer satisfaction (NPS) improved substantially year-on-year to 27.9 (19.1). 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	2022	2021	2020
Caruna Oy	488	484	479
Caruna Espoo Oy	238	230	224
Total	**726**	**714**	**703**

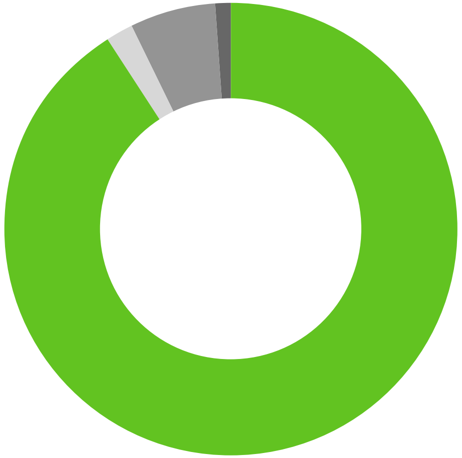
Households are the largest customer group, accounting for 91 per cent of all customers and 40 per cent of all the energy transferred. Industry and services account for seven per cent of customers and 41 per cent of the energy transferred.

CONSUMPTION BY CUSTOMER SEGMENT

Households	40 %
Agriculture	4 %
Services	25 %
Industry	16 %
Other	15 %

Graph 3: Consumption by customer segment

NUMBER OF CUSTOMERS BY SEGMENT



Households	91 %
Agriculture	2 %
Services	6 %
Industry	1 %
Other	0 %

Graph 4: Number of customers by segment

Fewer electricity network construction projects were started than planned due to the rise in cost levels and challenges in component availability

Caruna aims to modernise its electricity network over the long term in line with the needs of its customers and the energy transition. In the coming years, this will require investments in electricity network development and capacity increases, especially in the high-voltage electricity network.

Electricity networks are a key enabler of the energy transition. Society will become even more dependent on electricity as emissions are reduced and digitalisation progresses. The growing demand for electricity will be met with renewable energy, which will require continuous investments in the electricity system to ensure sufficient capacity.

The planning of a new underground cable connection between Hepokorpi and Finnoo in Espoo continued. The timetable for the project's permit applications is critical because Caruna aims to complete the project in 2025 or 2026. The new connection will increase the electricity transmission capacity in South Espoo and enable the electrification of transport and heating, among other things. The estimated cost of the project is approximately EUR 27 million.

The new Sinimäki substation in Espoo was commissioned in November. The new Sinimäki substation will directly serve about 15,000 customers and indirectly distribute electricity to approximately 140,000 customers. To meet the growing demand for electricity, an underground cable was installed during the project to connect the primary substations in Leppävaara and Sinimäki.

The 110 kV Leppiniemi switching substation was built in Oulunjoki as part of the large-scale development measures on the main grid and distribution network in the Oulunjoki region. At the same time, 14 kilometres of high-voltage transmission lines were modernised, having reached the end of their life cycles. Fortum's 149 MW hydroelectric power station in Pyhäkoski was transferred from the transmission system operator Fingrid onto Caruna's 110 kV electricity network at the end of 2022.

Local Cable Projects continued in Caruna Espoo Oy's areas and in Central Uusimaa, Häme, Southwest Finland, Satakunta, Ostrobothnia and Koillismaa. The old low-voltage overhead lines in built-up areas will be replaced by new underground cable networks. Approximately 1,500 kilometres of new electricity network lines will be built in conurbations between 2022 and 2025.

In addition, Caruna is building 35 kilometres of new underground power cable and fibre optic network lines in collaboration with fibre-optic company Koillisnet and the City of Kuusamo. The joint construction will provide local residents and businesses with a reliable electricity network and fast internet connections.

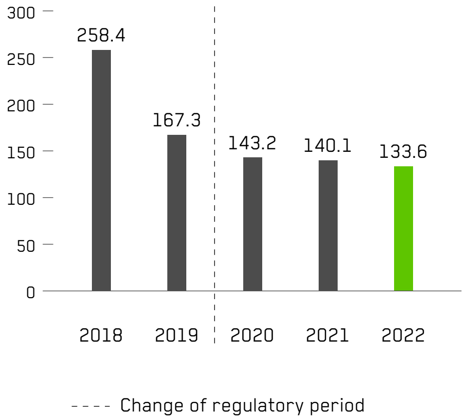
Planning and construction work continued on some projects to renovate the distribution networks in the Southwest Finland and Ostrobothnia regions. The aim is to modernise overhead lines that have reached the end of their life cycles. Approximately 2,600 kilometres of new electricity network lines will be built between 2022 and 2024.

Caruna Group's investments during the reporting period amounted to EUR 133.6 (140.1) million. Construction and raw material costs increased in 2022, while investment-related material prices rose by EUR 5.0 million and fuel prices by EUR 2.8 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 2022 were EUR 6.5 million lower than in the comparison year.

The share of investments in the high-voltage distribution network was 13.7 (19.3) per cent. In 2022, investments were targeted at urban areas where the customer benefits from investments are significant due to the large number of customers. Development of the network in sparsely populated areas is continued based on age and condition.

INVESTMENTS

EUR million



Graph 5: Investments 2018–2022

Construction site safety

In 2022, there were six occupational accidents leading to lost working time on Caruna's construction sites. The comparable 12-month cumulative injury frequency (LWIF) in the company's supply chain stood at 4.1 (6.3) at the end of December.

In January, Caruna awarded safety prizes to its contractors and subcontractors for outstanding contributions to occupational safety. The prizes went to TLT Connection Oy, N3M Power Oy and the Kuusamo working group of Eltel Networks Pohjoinen Oy.

The reliability of supply remained excellent – electricity consumption decreased towards the end of the year as a consequence of the energy crisis

From January to December, the total electricity supply volume on the distribution network decreased to 9.5 (10.1) TWh. The decrease was mainly due to the energy crisis sparked by the Ukraine war and a milder winter compared with the same period in the previous year. The electricity supply volume on the high-voltage distribution network also decreased to 2.6 (2.7) TWh.

The reliability of the electricity supply is measured by the System Average Interruption Duration Index (SAIDI). Between January and December, Caruna's SAIDI score was 85 (71) minutes. The reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) was 1.7 (1.3) interruptions per customer.

The year's storms were concentrated in the early part of the year. The highest numbers of supply interruptions were caused by storms Armi and Manu in the first half of the year. Storm Manu caused a maximum of 7,000 customers to suffer electricity outages simultaneously in West and Southwest Finland and in West Uusimaa. In February, storm Armi caused a maximum of 9,700 customers to suffer electricity outages simultaneously in Espoo, West Uusimaa and Southwest Finland.

RESEARCH AND DEVELOPMENT

No research and development expenditure was recorded for the financial period. The expenses in the comparison years of 2021 and 2020 were EUR 0.2 million and EUR 0.2 million, respectively. In the comparison years of 2021 and 2020, research and development expenditure amounted to 0.20 and 0.19 per cent of operating expenses, respectively.

FINANCING

Electricity distribution is a capital-intensive sector. The network improvement programme in accordance with the security-of-supply criteria to be completed by the end of 2036 and the ongoing energy transition will require continuous additional financing. Caruna's debts amount to more than EUR 3 billion, of which over EUR 2 billion is external loans, and approximately EUR 800 million is in shareholder loans.

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

During the financial period, Caruna drew a capex facility and working capital loan in a total amount of EUR 90 (130) million and repaid EUR 105 (90) million.

The remaining EUR 200 million tranche of a EUR 500 million bond issued in 2016 will mature in May 2023. EUR 300 million of the bond was refinanced in the previous year. Caruna intends to refinance the maturing EUR 200 million tranche in early 2023.

At the end of the financial period, the Group's external loans totalled EUR 2,600.3 (2,611.2) million. On the balance sheet date, 96 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 2.1 per cent (2.0 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 committed credit facilities available on the balance sheet date were a capex and revolving credit facility amounting to EUR 235 (220) million, a bank overdraft limit of EUR 30 (30) million and a liquidity facility of EUR 6.7 (6.7) million.

Net financing costs recognised on the income statement for the financial period totalled EUR 121.0 (133.5) million, and the accrued interest expenses recognised on the balance sheet were EUR 36.2 (34.6) million.

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

In January 2022, international credit rating agency Standard & Poor's (S&P) lowered Caruna's credit rating from "BBB+ and a significantly weakened outlook" to "BBB and a stable outlook". The drop is due to the changes made to the regulation model for electricity distribution companies during the regulatory period.

EMPLOYEES

Caruna Group had 259 (308) employees at the end of the year, 69 (84) of whom were employed by the Group's parent company.

	2022	2021	2020
Number of employees 31 Dec	259	308	314
Average number of employees during the year	283	317	323
Wages and salaries (EUR million)	22.4	22.2	22.0

Every employee spent an average of 6.6 (3.7) hours in training. Absences accounted for an average of 1.8 (1.5) per cent of working time.

The employee commitment index rose substantially to 78 (69) per cent.

In May, Caruna concluded negotiations on changes affecting all of its personnel. As a result of the negotiations, the employment contracts of five people at Caruna Networks Oy ended. In Caruna Group as a whole, the employment contracts of 25 people ended. Information on personnel can be found in Caruna's annual report at caruna.fi.

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 2022. 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.

STATEMENT ON CHANGES IN SHAREHOLDERS' EQUITY

Caruna Networks Oy's share capital is EUR 2,500, and the invested unrestricted equity fund contains EUR 171,203,600.47. The company has no subordinated loans as defined in the Limited Liability Companies Act. Caruna Networks Oy's profit for the financial period amounted to EUR 25,256,996.89 (42,633,454.99).

In September, Caruna Networks Oy distributed a dividend to its shareholders as decided by an Extraordinary General Meeting. The dividend amounted to EUR 14,040 per share for a total of EUR 35,100,000.00.

GOVERNANCE

The General Meeting appoints the members of the Board of Directors for a term of office commencing at the Annual General Meeting and ending at the next Annual General Meeting. Planning the composition of the Board of Directors involves taking into account Caruna's current and future business needs and seeking to ensure the diversity of the Board in several aspects. Caruna's Board members must have adequate experience and expertise that complement those of the other members. The members' individual qualities are also emphasised.

General meetings

Caruna Networks Oy's Annual General Meeting was held on 24 March 2022. The meeting approved Caruna's financial statements for 2021, adopted the consolidated income statement and balance sheet, and discharged the members of the Board of Directors and the CEO from liability. The meeting decided not to pay a dividend.

Caruna Networks Oy held Extraordinary General Meetings on 8 September 2022 and 14 November 2022. In September, the Board's proposal for a dividend payment to the shareholders was approved. In November, decisions were taken to amend the Articles of Association and elect a deputy member to the Board of Directors.

Board of Directors

The Board of Directors convened 12 times in 2022. The Board of Directors consisted of Matti Ruotsala (Chair), James Adam, Andrew Furze, Jouni Grönroos, Shankar Krishnamoorthy, Kerron Lezama (until 15 December 2022), Fredrik Lundeborg and Laura Tarkka. The deputy members were Tara Davies (until 14 November 2022), Julie Giese (from 14 November 2022), Filip Szopa (from 24 March 2022) and Charles Thomazi.

Committees of the Board of Directors

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 evaluating matters for decision-making by the Board. Committee members are elected by the Board. The members' terms of office end at the conclusion of the next Annual General Meeting.

In 2022, the Audit Committee consisted of Jouni Grönroos (Chair), Shankar Krishnamoorthy, Kerron Lezama (until 15 December 2022) and Fredrik Lundeborg. The Audit Committee convened three times in 2022.

In 2022, the Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair), James Adam and Andrew Furze. The Nomination and Remuneration Committee convened six times in 2022.

The Health, Safety and Environment Committee consisted of Shankar Krishnamoorthy (Chair), Kerron Lezama (until 15 December 2022) and Laura Tarkka. The Health, Safety and Environment Committee convened three times in 2022.

Management Team

The company's Management Team consisted of CEO Jyrki Tammivuori, CFO and Deputy CEO Noora Neilimo-Kontio, Head of Electrical Network Elina Lehtomäki and Head of Customer Relations Kosti Rautiainen.

The CFO and Deputy CEO, Jyrki Tammivuori, was appointed CEO of the company on 13 May 2022. Jyrki Tammivuori was the company's acting CEO from 23 March to 12 May 2022. Tomi Yli-Kyyny was the company's CEO until 23 March 2022. The SVP People, Public Affairs & Regulation, Noora Neilimo-Kontio, was appointed as Caruna's CFO and Deputy CEO on 13 June 2022.

AUDITING

At Caruna Networks Oy's Annual General Meeting 2022, audit firm Deloitte Oy was elected as auditor. Reeta Virolainen, Authorised Public Accountant, was the auditor with principal responsibility.

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.

KEY EVENTS AFTER THE FINANCIAL PERIOD

In relation to the appeal that the energy industry brought to the Market Court in January 2022 concerning the Energy Authority's changes to the regulatory methods midway through the regulatory period, the Market Court decided in February to seek a preliminary ruling from the Court of Justice of the European Union (CJEU) concerning the authority's independence. If the CJEU decides to consider a preliminary ruling, the process will take about one year longer.

The Board appointed James Adam as the member of the Audit Committee and the Health, Safety and Environment Committee on 30 January 2023.

ESTIMATE OF PROBABLE FUTURE DEVELOPMENTS

Caruna Oy and Caruna Espoo Oy operate as part of Caruna Group and within the framework of the electricity distribution industry in a regulated operational environment. Caruna Networks Oy will continue to operate as the parent company, offering administrative services to the other companies in the Group, along with other services to support electricity distribution for customers and partners. The operations are expected to continue in accordance with normal business principles and conditions.

Since 2013, Caruna has systematically implemented a large-scale investment programme to improve the reliability of supply. The focus of network development will shift to enabling the energy transition when the reliability-of-supply criteria have been satisfied. Annual investments will increase as the energy transition progresses in response to customer needs.

The Energy Authority continued developing the regulatory model that will enter into force in 2024 with the aim of achieving effective regulation that supports society. According to Caruna's estimate no major changes are expected. The continuation of the war in Ukraine has changed the energy system's production structure. This makes it more challenging to ensure sufficient electricity production in Finland at all times. Caruna takes care of electricity distribution for its customers who are critical to the security of supply. If there is a shortage of electricity production, Caruna manages electricity shortage evenly among its customers.

As a result of the energy crisis following the war in Ukraine, Caruna's purchasing costs for gridy losses will increase by more than EUR 40 million in 2023 compared to 2022. In 2022, the increase in the market price of electricity was not reflected in Caruna's results due to successful hedging. No such hedging benefit is expected in 2023. Investment costs are expected to rise further in 2023, which will have an impact on initiating new investments. Cost increases are expected to level off in the long term. Caruna aims to offer reasonable pricing, despite the significant changes taking place in the operating environment.

The electricity network is being developed in the most cost-effective way based on life-cycle costs, for example, by examining the opportunities to use battery storage facilities and demand-side management to cover rapidly changing customer requirements. As a pioneer, Caruna aims to promote the increase of renewable energy production in society and the electrification of transport in order to achieve Finland's carbon neutrality goals by 2035. The electricity network will be developed into a reliable platform on which these solutions can be rapidly and efficiently deployed.

Market interest rates, such as Euribor, have risen by almost four percentage points in a year. This will be reflected in higher costs of external capital in the future.

BOARD OF DIRECTORS' PROPOSAL FOR DIVIDEND DISTRIBUTION

Caruna Networks Oy's distributable assets total EUR 715,634,677.54. The company's profit for the financial period was EUR 25,256,996.89. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2022 and that the profit for the period be transferred to retained earnings.

Caruna is a Finnish electricity network company. We safeguard the reliable distribution of electricity to our customers as electricity consumption increases and we move from fossil to renewable energy. By investing in the electricity network, we make sure that our customers can use domestic, renewable energy and become small-scale producers of electricity. We bring electricity to 726,000 customers in South, Southwest and West Finland, Joensuu and Koillismaa, corresponding to 20 per cent of Finland's electricity distribution.

www.caruna.fi, Twitter @CarunaSuomi

Key figures

Income Statement		2022	2021	2020	2019	2018
Net sales	EUR million	484.6	499.8	475.3	466.4	454.1
Operating profit before depreciation	EUR million	313.9	324.7	304.5	303.5	287.5
of revenue		64.8%	65.0%	64.1%	65.1%	63.3%
Operating profit	EUR million	184.7	192.5	171.0	167.2	154.3
of revenue		38.1%	38.5%	36.0%	35.9%	34.0%
Net income	EUR million	50.8	46.6	35.0	28.1	18.5
of revenue		10.5%	9.3%	7.4%	6.0%	4.1%
Income tax	EUR million	6.3	10.7	10.7	12.2	10.3

Financial position		31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Interest-bearing net debt	EUR million	3 311.7	3 318.7	3 276.5	3 286.5	3 269.8

Other data		2022	2021	2020	2019	2018
Investments	EUR million	133.6	140.1	143.2	167.3	258.4
Cash flow after investments	EUR million	47.5	46.5	16.8	-11.9	-132.6
Dividends	EUR million	35.1	85.6	12.0	-	-
Number of employees at the end of period		259	308	314	313	289

Key ratios	2022	2021	2020	2019	2018
Return on equity	-67.3%	-47.9%	-37.8%	-26.5%	-15.4%
Return on capital employed	5.7%	6.0%	5.3%	5.3%	5.1%
Equity ratio	-1.0%	-2.6%	-2.0%	-2.4%	-2.7%

Calculation of key figures

Key figure	Calculation
Operating profit before depreciation	Operating profit + depreciation, amortisation and impairments
Operating profit %	Operating profit x 100 / Net sales
Cash flow after investments	Net cash flows from operating activities - Investments
Return on equity-%	(Profit/Loss before taxes - taxes)*100 / Equity (average for the period)
Return on capital employed-%	(Profit before taxes + interest and other finance costs) X 100 / (Total assets - total non-interest-bearing liabilities) (average on beginning and end of the reporting period)
Equity ratio-%	Equity x 100 / Total assets
SAIDI, new	Average duration of customer interruptions by their total number* / Total number of customers *) sum of interruption time frames > 3 minutes
SAIDI, old	Average duration of customer interruptions by their total number** / Total number of customers **) sum of interruption time frames of interruptions by connection points
SAIFI	Total number of customers interrupted by an outage / Total number of customers
The reliability of supply rate	SAIDI / Minutes/Year

Consolidated statement of profit or loss (IFRS)

EUR 1,000	Note	2022	2021
Net sales	4	**484,634**	**499,761**
Other operating income	5	4,027	6,761
Direct costs	6	-90,526	-93,751
Personnel expenses	7	-26,675	-27,104
Other operating expenses	8	-57,575	-60,961
Depreciations, amortisations and impairment charges	9	-129,230	-132,222
Total		**-304,006**	**-314,038**
Operating profit		**184,655**	**192,484**
Finance income	10	3,949	2,172
Finance costs	11	-124,924	-135,669
Finance items total		**-120,975**	**-133,497**
Profit before taxes		**63,680**	**58,987**
Income taxes	12	-12,882	-12,377
Profit for the period		**50,798**	**46,610**
Attributable to:			
Equity holders of the parent		50,798	46,610

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

EUR 1,000	Note	2022	2021
Profit for the period		**50 798**	**46 610**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		66 451	17 269
Income tax effect	12	-13 290	-3 454
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**53 161**	**13 815**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement losses (gains) on defined benefit plans	23	126	-121
Income tax effect	12	-25	24
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**101**	**-97**
Other comprehensive income for the period, net of tax		**53 262**	**13 718**
Total comprehensive income for the period, net of tax		**104 060**	**60 328**
Attributable to:			
Equity holders of the parent		104 060	60 328

Consolidated statement of financial position (IFRS)

EUR 1,000	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Goodwill	13	62,468	62,468
Intangible assets	13	1,584,795	1,582,279
Property, plant and equipment	14	2,416,386	2,414,739
Other non-current assets	16, 17	396	775
Derivative financial instruments	17, 18	50,988	-
Deferred tax assets	12	741	3,861
Total non-current assets		**4,115,774**	**4,064,122**
Current assets			
Trade receivables	17, 18, 20	112,601	127,739
Other receivables	20	3,503	4,308
Cash and cash equivalents	18, 21	58,270	60,828
Total current assets		**174,374**	**192,875**
Total assets		**4,290,148**	**4,256,997**

EUR 1,000	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Share capital		3	3
Invested unrestricted equity fund		171,204	171,204
Other equity funds		37,697	-15,565
Retained earnings		-249,961	-265,659
Total equity		**-41,057**	**-110,017**
Non-current liabilities			
Interest-bearing loans and borrowings	17, 18	3,169,746	3,379,394
Derivative financial instruments	17, 18	-	19,759
Deferred tax liabilities	12	527,886	511,096
Net employee defined benefit liabilities	23	420	529
Provisions	22	102	124
Other non-current liabilities	17, 18, 24	302,918	303,256
Total non-current liabilities		**4,001,072**	**4,214,158**
Current liabilities			
Interest-bearing loans and borrowings	17, 18	200,177	-
Trade payables	17, 18, 24	26,628	45,977
Other payables	24	56,280	57,883
Other current liabilities	24	47,048	48,996
Total current liabilities		**330,133**	**152,856**
Total liabilities		**4,331,205**	**4,367,014**
Total shareholders' equity and liabilities		**4,290,148**	**4,256,997**

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 2022	3	171,204	-265,658	-15,400	-165	-110,017
Profit for the period	-	-	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**

	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 2021	3	171,204	-226,668	-29,215	-68	-84,745
Profit for the period	-	-	46,610	-	-	46,610
Other comprehensive income	-	-	-	13,815	-97	13,718
Total comprehensive income	**-**	**-**	**46,610**	**13,815**	**-97**	**60,328**
Dividends distributed	-	-	-85,600	-	-	-85,600
At 31 December 2021	**3**	**171,204**	**-265,658**	**-15,400**	**-165**	**-110,017**

Consolidated statement of cash flows (IFRS)

EUR 1,000	Note	2022	2021
Net profit for the period		50,798	46,610
Adjustments			
Taxes		12,882	12,377
Finance costs - net		120,975	133,497
Depreciation, amortisation and impairment charges		129,230	132,222
Adjustments total		263,087	278,096
Operating profit before depreciation (EBITDA)		**313,885**	**324,706**
Non-cash flow items		-29	-37
Interest paid		-122,676	-140,000
Interest received		2,449	2,154
Taxes		-3,576	-12,562
Total		**-123,832**	**-150,445**
Funds from operations		**190,053**	**174,261**
Change in working capital			
Change in trade and other receivables		15,999	-16,375
Change in trade and other payables		-32,179	27,090
Change in connection fee payables		-365	-188
Total change in working capital		**-16,545**	**10,527**
Net cash flows from operating activities		**173,508**	**184,788**

EUR 1,000	Note	2022	2021
Capital expenditure		-126,647	-139,120
Proceeds from sales of fixed assets		684	812
Net cash flows used in investing activities		**-125,963**	**-138,308**
Loans withdrawal		90,000	430,000
Repayments of long-term liabilities		-105,000	-390,000
Repayments of leasing liabilities		-3	-174
Dividend distribution to the owners		-35,100	-85,600
Net cash used in financing activities		**-50,103**	**-45,774**
Net increase in cash and cash equivalents		-2,558	706
Cash and cash equivalents at 1 January		60,828	60,122
Cash and cash equivalents at 31 December	17	**58,270**	**60,828**

Notes to the consolidated financial statements (IFRS)

1. Accounting policies applied to the consolidated financial statements

1.1 CORPORATE INFORMATION

Caruna Networks Oy (Y-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.

Caruna Networks Oy 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 2022 were approved by the Board of Directors on 8 March 2023.

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 2021. Amendments and interpretations to IFRS standards or IFRIC interpretations effective from 1 January 2022, e.g. amendments to IFRS 3, IFRS 16, IAS 16, and IAS 37, do 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. In addition, a monthly fee is charged. Distribution fees are recognised as income over time and the timing of revenue recognition is linked to distributed amounts (kWh). 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 four years (Caruna Espoo Oy) or a regulation period of eight years (Caruna Oy) 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. 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. Received connection fees from August 2003 onwards are no longer refundable to customers and recorded as revenue in net sales.

Other Income
Revenue from activities outside normal operations is reported in other 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

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 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 and 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 at 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 2023: Amendment to IAS 1, IAS 8 and IAS 17 and annual improvements. The changes are not expected to have an 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 operating 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, Caruna Networks Oy distributed a dividend of EUR 35.1 million to shareholder by decision of the September Extraordinary General Meeting.

There has been no changes to capital management objectives, instructions or processes during 2022 or the previous year.

Caruna's credit rating is BBB and a stable outlook. Standard & Poor's lowered Caruna's credit rating from "BBB+ on Credit watch negative" to BBB and a stable outlook at 27 January 2022. The reason for this were the significant changes made to the regulatory framework in the middle of the regulatory period, leading to a cut in remuneration. 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 2022
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 2022, the interest expenses to DAC by Caruna Group amounted to EUR 45,709 (46,977) thousand. During the comparison year 2021, the income statement includes expenses of EUR 10,766 thousand for issuing the green bond and repayment of the old bond.

EUR 1,000	31 December 2022	31 December 2021
IBLA-loans w/o loan arrangement fees	2,035,317	2,031,219
Accrued interest expenses	16,428	16,402
Total	**2,051,745**	**2,047,621**

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. Net sales

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.

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 net sales	137	51	87	274
Total Net sales	**398,687**	**85,729**	**31**	**484,634**

2021

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Other and internal	Total
Electricity distribution				
Distribution network	368,167	83,104	-55	451,216
High-voltage network	28,984	2,784	-	31,768
Total	**397,151**	**85,888**	**-55**	**482,984**
Connection fees				
Distribution network	10,285	5,195	-	15,480
High-voltage network	1,152	-	-	1,152
Total	**11,437**	**5,195**	**-**	**16,632**
Other net sales	-	-	145	145
Total Net sales	**408,588**	**91,083**	**90**	**499,761**

5. Other operating income

EUR 1,000	2022	2021
Customer based services and relocation of connections	2,034	2,593
Income from sale of demolished material	1,049	1,947
Rental Income	510	613
Proceeds from sale of property, plant and equipment	119	115
Other	315	1,493
Other operating income total	**4,027**	**6,761**

Revenue from activities outside normal operations is reported in other operating income.

This includes recurring items such as relocation of connections, power cuts and re-connections, cable guidance 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.

Other items include contractual arrangements in 2021.

6. Direct costs

1 000 eur	2022	2021
Transmission service costs	57,719	69,249
Grid losses	32,807	24,502
Direct costs total	**90,526**	**93,751**

Direct costs include transmission services costs charged by Fingrid. The costs vary according to distributed volumes. Fingrid did not charge any transmission service costs in December 2022 from any distribution companies in Finland.

Caruna covers grid losses by purchasing electricity from the markets. The challenging geopolitical situation raised electricity market prices during 2022, in-creasing the cost of grid losses by EUR 8.3 million compared to 2021. Caruna hedged its purchases of grid losses in 2022 by entering into physical power purchase agreements.

7. Personnel expenses

EUR 1,000	Note	2022	2021
Wages and salaries		22,414	22,202
Pension costs			
Defined contribution plans	23	3,357	3,770
Defined benefit plans	23	73	160
Social security costs		831	972
Total personnel expenses		**26,675**	**27,104**

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.

Change negotiations were held in Caruna in spring 2022. As a result 25 employees had to leave the group during June to August.

Wages and salaries inclue a one-time item of EUR 984 thousand related to the held change negotiations.

The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2021-2024 already in 2020. 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 to achieve it the Board annually sets parametres that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. 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. There is a detailed guide regarding the LTI program. In 2022, EUR 668 (360) thousand were paid out from the LTI program.

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

8. Other operating expenses

EUR 1,000	2022	2021
Repairs and maintenance	23,289	25,100
External services	23,536	22,082
Other	10,750	13,779
Total other operating expenses	**57,575**	**60,961**

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	2022	2021
Audit fees	137	160
Other services	120	90
Total auditor's fees	**257**	**250**

Deloitte Oy was appointed as the auditor for the 2022 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, amortisation and impairment charges

EUR 1,000	2022	2021
Intangible rights	59	59
Way leaves	1,150	1,288
Other intangible assets	5,997	6,393
Buildings and constructions	1,668	1,653
Machinery and equipment	119,957	122,617
Right of use assets	399	212
Total depreciation	**129,230**	**132,222**

Caruna has continued to improve the network reliability program where over head lines exposed to weather conditions are replaced by under ground cabling or by strenghtening the over head lines. Due to this, Caruna has booked EUR 6,583 (8,432) thousand scrapping costs to the depreciation for the financial year 2022.

10. Finance income

EUR 1,000	2022	2021
Interest income	134	130
Interest income from interest derivatives, through OCI	3,815	2,042
Total finance income	**3,949**	**2,172**

11. Finance costs

EUR 1,000	2022	2021
Interest expenses on Financial liabilities at amortised cost		
Shareholder loan	66,673	66,673
IBLA-loans (Senior-loan)	45,709	46,977
Investment loans	3,713	1,066
Capitalised borrowing costs	-476	-192
Other	250	70
Total	**115,869**	**114,594**
Interest expenses on interest rate derivatives, through OCI	5,706	6,605
Interest expenses on interest rate derivatives, not qualified as hedge	-198	-283
Total interest expense	**121,377**	**120,916**
Arrangement and commitment fees relating to interest-bearing loans	745	793
Other financing expenses	2,802	13,960
Total finance costs	**124,924**	**135,669**

Capitalised borrowing costs relate to construction of Sinimäki primary substation. Caruna has not drawn a separate loan for the building of the Sinimäki primary substation, therefore the amount of borrowing costs to be capitalised is the weighted avarage interest rate of all loans. During 2022 the interest rate was 3.415 per cent.

Expenses totalling EUR 10,776 thousand relating to the issue of a green bond and repayment of expenses regarding the old bond have been included in the other financing costs comparison year 2021.

12. Income tax

INCOME TAX RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

EUR 1,000	2022	2021
Current income tax		
In respect of the current year	-6,288	-10,663
In respect of the prior years	0	12
Deferred tax		
Relating to origination and reversal of temporary differences	-6,594	-1,726
Total income tax expense recognised in the statement of profit or loss (tax expense -/tax income +)	**-12,882**	**-12,377**
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	-13,290	-3,454
Remeasurements of post employment benefit liabilities	-25	24
Income tax charged to other comprehensive income (tax expense -/tax income +)	**-13,315**	**-3,430**

RECONCILIATION OF TAX EXPENSE AND THE ACCOUNTING PROFIT MULTIPLIED BY FINLAND'S DOMESTIC TAX RATE (20%) FOR:

EUR 1,000	2022	2021
Profit before tax	63,680	58,987
Tax calculated at nominal Finnish tax rate 20%	-12,736	-11,797
Non-deductible expenses for tax purposes	-146	-579
Total	**-12,882**	**-12,377**
Income tax expense reported in the statement of profit or loss	-12,882	-12,377

DEFERRED TAXES

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	-	
Derivative financial instruments	3,850	-	-3,850	
Total deferred tax receivables	**3,861**	**730**	**-3,850**	
Deferred tax liabilities				
Depreciation difference	100,033	12,718	-	
Measurement of assets at fair value in acquisition	408,248	-6,021	-	
Derivative financial instruments	2,815	627	9,466	
Total deferred tax liabilities	**511,096**	**7,324**	**9,466**	

EUR 1,000	Balance sheet 1 Jan 2021	Recognised in P&L	Recognised in OCI	Balance sheet 31 Dec 2021
Deferred tax receivables				
Provisions	10	1	-	11
Derivative financial instruments	7,304	-	-3,454	3,850
Total deferred tax receivables	7,314	**1**	**-3,454**	**3,861**
Deferred tax liabilities				
Depreciation difference	92,558	7,475	-	100,033
Measurement of assets at fair value in acquisition	414,269	-6,021	-	408,248
Derivative financial instruments	2,567	272	-24	2,815
Total deferred tax liabilities	509,394	**1,726**	**-24**	**511,096**

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

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 depreciation 1 January 2022	-	4,117	-	8,157	16,692	28,965
Depreciation for the period	-	59	-	1,085	4,724	5,869
Write-downs	-	-	-	65	1,273	1,338
Depreciation charge on disposals and transfers between items	-	-	-	-114	-1,835	-1,949
Accumulated depreciation 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**
Net book value at 31 December 2021	62,468	343	1,529,212	28,166	24,558	1,644,747
Acquisition cost 1 January 2021	62,468	4,460	1,529,212	34,914	39,145	1,670,198
Transfers between items	-	-	-	1,791	2,157	3,948
Disposals	-	-	-	-382	-52	-434
Acquisition cost 31 December 2021	**62,468**	**4,460**	**1,529,212**	**36,323**	**41,250**	**1,673,712**
Accumulated depreciation 1 January 2021	-	4,058	-	7,251	10,352	21,659
Depreciation for the period	-	59	-	1,047	6,347	7,453
Write-downs	-	-	-	241	45	286
Depreciation charge on disposals and transfers between items	-	-	-	-382	-52	-434
Accumulated depreciation 31 December 2021	**-**	**4,117**	**-**	**8,157**	**16,692**	**28,965**
Net book value at 31 December 2021	**62,468**	**343**	**1,529,212**	**28,166**	**24,558**	**1,644,747**
Net book value at 31 December 2020	62,468	403	1,529,212	27,663	28,793	1,648,539

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 2022	7,820	27,931	2,907,167	3,241	65,001	3,011,160
Additions	0	-	-	352	133,605	133,957
Transfers between items	0	5,220	125,652	-	-140,595	-9,722
Disposals	-2	0	-11,044	0		-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	-	0	5,244	-	-	5,244
Depreciation charge on disposals and transfers between items	0	0	-10,480	0		-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**
Net book value at 31 December 2021	7,561	18,338	2,321,242	2,596	65,001	2,414,739
Acquisition cost 1 January 2021	7,528	27,899	2,791,465	3,228	64,175	2,894,295
Additions	-	-	-	0	140,096	140,096
Transfers between items	292	32	134,998	-	-139,270	-3,948
Disposals	0	0	-19,295	13		-19,282
Acquisition cost 31 December 2021	**7,820**	**27,931**	**2,907,167**	**3,241**	**65,001**	**3,011,160**
Accumulated depreciation 1 January 2021	-	7,940	482,155	432	-	490,528
Depreciation charge for the year	0	1,653	114,172	213	0	116,037
Write-downs	0	-	8,445	0	0	8,445
Depreciation charge on disposals and transfers between items	259	-	-18,847	0	0	-18,589
Accumulated depreciation 31 December 2021	**259**	**9,593**	**585,925**	**645**	**-**	**596,421**
Net book value at 31 December 2021	**7,561**	**18,338**	**2,321,242**	**2,596**	**65,001**	**2,414,739**
Net book value at 31 December 2020	7,528	19,958	2,309,309	2,796	64,175	2,403,767

*) 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 2022	1,086	867	643	
Additions	156	196	-	
Disposals	-	-	-	
Depreciation for the year	-187	-133	-79	
Cost at 31 December 2022	**1,055**	**930**	**565**	
Cost at 1 January 2021	1,165	909	721	
Additions	1	18	-	
Disposals	-6	-	-	
Depreciation for the year	-74	-60	-78	
Cost at 31 December 2021	**1,086**	**867**	**643**	

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

2022 carrying amount of goodwill and network licenses allocated to each of the CGUs:

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 which has been estimated to be higher than net selling price. Value in use has been estimated based on cash flow projections for 2023-2059. Of these, cash flows for 2023-2027 are based on the business plan which has been approved by the Board of Directors. Cash flow projections for 2028-2059 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.

Net sales 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 2028 onwards. The development of direct and fixed 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 6,08 per cent has been derived directly from the regulatory pre-tax WACC determined by Energy Authority. The applied discount rate increased by 2.11 percentage units from comparison year 2021.

Energy Authority updated the regulatory methods governing electricity distribution tariffs in 2021. The updated regulatory methods are valid until the end of the current regulatory period, i.e. during 2022 and 2023. The most significant changes to the regulatory methods are lowering of the unit prices used to calculate regulated asset value (RAV), updating of the allowed income as well as removal of the security of supply incentive. Due to the changes to the regulatory methods, the unit prices decreased in average by 23 per cent in Caruna Oy and in average by 14 per cent in Caruna Espoo Oy.

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 2022. However, value in use is still higher than the net selling price in 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 was tested by decreasing Operating profit before depreciation 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	2022	2021
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	2022	2021
Non-current		
Financial assets at amortised cost		
Accrued receivables	347	727
Financial assets at fair value through OCI		
Interest and cross-currency derivatives	50,988	-
Current		
Financial assets at amortised cost		
Trade receivables	112,601	127,739
Total financial assets	**163,936**	**128,466**

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.

The market value of interest and cross-currency derivatives, EUR 51,0 million, has turned positive due to the risen interest rates. During the comparison period, the market values of interest and cross-currency derivatives were negative and they were prensented in financial liabilities.

FINANCIAL LIABILITIES

EUR 1,000	2022	2021
INTEREST-BEARING LIABILITIES		
Non-current liabilities		
Financial liabilities at amortised cost		
Loans	3,166,850	3,376,848
Lease liabilities	2,896	2,546
TRADE PAYABLES AND OTHER LIABILITIES		
Non-current liabilities		
Financial liabilities at fair value through OCI		
Interest and cross-currency derivatives	-	19,759
Financial liabilities at amortised cost		
Connection fee liabilities	302,891	303,255
Current liabilities		
Financial liabilities at amortised cost		
Loans	200,000	-
Trade payables	26,628	45,977
Lease liabilities	177	178
Total financial liabilities	**3,699,442**	**3,748,563**

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	2022	2021
Non-current interest-bearing loans and borrowings				
Shareholder loan	8.50%	2047	773,642	773,642
IBLA-loans				
IBLA-loan 7y	1.50%	2023	-	200,000
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	70,317	66,219
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 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

EUR 1,000	Interest rate	Maturity	2022	2021
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	150,000	150,000
Facility loans				
RCF loan	2.52%	2025	115,000	130,000
Lease liabilities			2,896	2,546
Loan arrangement fees			-7,109	-8,013
Total non-current interest-bearing loans and borrowings			**3,169,746**	**3,379,394**
Current interest-bearing loans and borrowings				
IBLA-loans				
IBLA-loan 7y	1.50%	2023	200,000	-
Lease liabilities			177	178
Total current interest-bearing loans and borrowings			**200,177**	**178**
Total interest-bearing loans and borrowings			**3,369,923**	**3,379,572**

IBLA-loan 7y of EUR 200 million maturing in May 2023 will be refinanced in early 2023.

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.

During 2022, Caruna drew down EUR 90 (130) million and repaid a total of EUR 105 (90) million short term loans from capex and revolving credit facility. During comparison year 2021 a EUR 300 million from EUR 500 million bond maturing in May 2023 was refinanced with a 7 year green bond. Available facilities are capex and revolving credit facility EUR 235 (220) million, bank overdraft EUR 30 (30) million and liquidity facility EUR 6.7 (6.7) million.

The period's financing costs stated on the income statement were EUR 121.0 (133.5) million. Net financing expenses include during comparison yera 2021 expenses totalling EUR 10.8 million relating to the issue of a green bond and repayment of expenses regarding the old bond. The accrued interest liabilities on the balance sheet were EUR 32.6 (34.6) million. Of Caruna's external loans 96 per cent are with fixed interest rates. The weighted avarage interest rate on external loans at the end of the year was 2.1 (2.0) 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	2022	2021
Cash and cash equivalents	-58,270	-60,828
Shareholder loan	773,642	773,642
Non-current interest-bearing loans and borrowings	2,393,208	2,603,206
Current interest-bearing loans and borrowings	200,000	-
Lease liabilities	3,073	2,724
Total net debt	**3,311,653**	**3,318,744**
Cash and cash equivalents	-58,270	-60,828
Gross debt - fixed rate	2,904,923	2,899,572
Gross debt - floating rate	465,000	480,000
Total net debt	**3,311,653**	**3,318,744**

NET DEBT

EUR 1,000	Net debt 1 January 2022	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 December 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**

EUR 1,000	Net debt 1 January 2021	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 December 2021
Cash and cash equivalents	-60,122	-706	-	-	-60,828
Shareholder loan	773,642	-	-	-	773,642
IBLA-loans	2,020,302	-3,378	5,099	1,183	2,023,206
Loan facilities	540,000	40,000	-	-	580,000
Lease liabilities	2,885	-174	-	13	2,724
Total	**3,276,707**	**35,742**	**5,099**	**1,196**	**3,318,744**

CASH AND CASH EQUIVALENTS RECONCILIATION

EUR 1,000	2022	2021
Cash and cash equivalents balance at 31 December	49,000	50,200
Group's Cash Pool account balance at 31 December	9,270	10,622
Cash and cash equivalents at 31 December	58,270	60,822
Cash and cash equivalents in Group cash flow	58,270	60,822

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 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)	17		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			2,708,959	2,708,959	2,708,959	2
Accrued loan arrangement fee	17			-7,109	-7,109	-7,109	1
Lease liabilities	17			2,896	2,896	2,896	2
Connection fee liabilities	17			302,891	302,891	302,891	3
Current financial liabilities							
Interest-bearing liabilities (fixed rate)	17			200,000	200,000	200,000	2
Lease liabilities	17			177	177	177	2
Trade payables	24			26,628	26,628	26,628	2
Total financial liabilities		**-**	**-**	**3,699,442**	**3,699,442**	**3,699,442**	

AT 31 DECEMBER 2021

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			727	727	727	1
Current financial assets							
Trade receivables	17			127,739	127,739	127,739	2
Cash and cash equivalents	21			60,828	60,828	60,828	1
Total financial assets		**-**	**-**	**189,294**	**189,294**	**189,294**	
Non-current financial liabilities							
Interest-bearing liabilities (floating rate)	17			480,000	480,000	480,000	2
Interest-bearing liabilities (fixed rate)	17			2,904,861	2,904,861	2,904,861	2
Accrued loan arrangement fee	17			-8,013	-8,013	-8,013	1
Lease liabilities	17			2,546	2,546	2,546	2
Derivative financial instruments (interest)	17	-	19,759		19,759	19,759	2
Connection fee liabilities	17			303,255	303,255	303,255	3
Current financial liabilities							
Lease liabilities	17			178	178	178	2
Trade payables	24			45,977	45,977	45,977	2
Total financial liabilities		**-**	**19,759**	**3,728,804**	**3,748,563**	**3,748,563**	

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

EUR 1,000	Positive fair value	Negative fair value	Net fair value
31 December 2022			
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**
31 December 2021			
Interest rate derivatives, non-hedge accounting	-	-198	-198
Interest rate derivatives, cash flow hedges and fair value hedges	-	-19,249	-19,249
Cross currency derivatives, cash flow hedges and fair value hedges	-	-311	-311
Total	**-**	**-19,758**	**-19,758**

For interest rate sensitivity analysis in accordance with IFRS 7, if interest rates at 31 December 2022 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 3.2 (0.4) million lower / EUR 2.4 (3.9) 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.

MEUR	Income statement + 1%	- 1%	Equity + 1%	- 1%
31 December 2022				
Interest-bearing liabilities	-3.7	0.2	-	-
Interest rate derivatives				
Hedge accounted	0.5	-2.6	-	-
Non-hedge accounted	-	-	-	-
Total	**-3.2**	**-2.4**	**-**	**-**
31.12.2021				
Interest-bearing liabilities	-4.4	0.3	-	-
Interest rate derivatives				
Hedge accounted	4.1	-4.1	-	-
Non-hedge accounted	-	-	-	-
Total	**-0.4**	**-3.9**	**-**	**-**

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	13,800	-	-	-	13,800
Expected loss rate %	0.004%	-	-	-	
Loss allowance	-	-	-	-	-
Households					
Gross trade receivables	15,127	1,850	591	249	17,817
Expected loss rate %	0.001%	0.001%	0.694%	0.518%	
Loss allowance	-	-	4	1	5
Companies					
Gross trade receivables	35,570	1,353	169	16	37,108
Expected loss rate %	0.004%	0.906%	14.524%	28.209%	
Loss allowance	1	12	25	5	43
Total loss allowance	**1**	**12**	**29**	**6**	**48**

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.

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
Year ended 31 December 2022						
Interest-bearing loans and borrowings	-	-	200,000	115,000	3,058,959	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**	**115,000**	**3,357,637**	**3,735,704**
Year ended 31 December 2021						
Interest-bearing loans and borrowings	-	-	-	330,000	3,054,861	3,384,861
Accrued loan arrangement fee	-	-	-	-	-8,013	-8,013
Leasing liabilities	-	59	177	945	1,543	2,724
Connection fee liabilities	-	-	-	-	303,255	303,255
Interest derivatives	-	-	-	500	19,259	19,759
Trade payables	-	45,977	-	-	-	45,977
Accrued interest expenses	-	27,824	6,800	-	-	34,624
Total	**-**	**73,860**	**6,977**	**331,445**	**3,370,905**	**3,783,187**

20. Trade and other receivables

TRADE RECEIVABLES

EUR 1,000	2022	2021
Trade receivables, gross amount	69,212	77,277
Credit losses	-48	-55
Accrued sales	43,437	50,517
Total trade and other receivables	**112,601**	**127,739**

AGING ANALYSIS OF TRADE RECEIVABLES (GROSS AMOUNT)

EUR 1,000	2022	2021
Not past due	64,953	73,055
Past due 1-90 days	3,763	3,661
Past due 91-180 days	265	113
Past due more than 181 days	231	448
Total	**69,212**	**77,277**

Credit losses recorded in 2022 were EUR 280 (503) 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	2022	2021
Income tax receivables	105	1,554
Accrued income and prepaid expenses	3,399	2,754
Total trade and other receivables	**3,503**	**4,308**

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

21. Cash and cash equivalents

EUR 1,000	2022	2021
Cash at banks and on hand	58,270	60,822
Total cash and cash equivalents	**58,270**	**60,822**

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 235 (220) million, bank overdraft EUR 30 (30) million, liquidity facility EUR 7 (7) million.

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

22. Provisions

EUR 1,000	2022	2021
Provisions at 1 January	**124**	**-**
Increases in provisions	0	124
Decreases in provisions	-22	-
Provisions at 31 December	**102**	**124**
Non-Current provisions	102	124

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	2022	2021
Defined benefit obligation	1,364	1,828
Fair value of plan assets	-944	-1,299
Surplus (-)/deficit (+)	420	529
Net defined benefit liability (+)/asset (-) recognised in statement of financial position	**420**	**529**

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

EUR 1,000	2022	2021
Opening defined benefit obligation	1,828	1,724
Current service cost	54	72
Interest expense	14	10
Actuarial gains (-)/losses (+) on obligation	-473	86
Benefits paid	-59	-64
Defined benefit obligation at the end of the period	**1,364**	**1,828**

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

EUR 1,000	2022	2021
Opening fair value of plan assets	1,299	1,360
Interest income	10	8
Actuarial gains (+)/losses (-) on plan assets	-347	-35
Benefits paid	-59	-64
Contributions	41	30
Fair value of plan assets at the end of the period	**944**	**1,299**

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	2022	2021
Net defined benefit liability recognised in statement of financial position at beginning of period	529	364
Expense recognised in profit or loss	58	74
Remeasurements recognised in other comprehensive income	-126	121
Contributions	-41	-30
Total	**420**	**529**

ITEMS RECOGNISED IN PROFIT OR LOSS

EUR 1,000	2022	2021
Service cost	54	72
Net interest	4	2
Expenses recognised in profit or loss	**58**	**74**

ITEMS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

EUR 1,000	2022	2021
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in financial assumptions	-538	77
Actuarial gains (-)/losses (+) on defined benefit obligation arising from experience adjustments	65	9
Actuarial gains (-)/ losses (+) on plan assets	347	35
Remeasurement in other comprehensive income	**-126**	**121**

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.

Items	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Reporting Period ending 31 December 2022					
Discount rate 3.90%	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 2.6% / 0%	0%	0%	0%	0%	0%
Benefit increase +0.50%	4%	0%	13%	4%	13%
Benefit increase -0.50%	-4%	0%	-12%	-3%	-12%
Reporting Period ending 31 December 2021					
Discount rate 0.80%	0%	0%	0%	0%	0%
Discount rate +0.50%	-7%	-6%	-9%	-7%	48%
Discount rate -0.50%	7%	6%	10%	8%	-59%
Benefit increase 2.1% / 0%	0%	0%	0%	0%	0%
Benefit increase +0.50%	5%	0%	17%	7%	17%
Benefit increase -0.50%	-4%	0%	-15%	-6%	-16%

24. Trade and other current payables

EUR 1,000	2022	2021
Trade payables		
Accounts payables trade	17,615	19,189
Accrued trade payables	9,013	26,788
Total trade payables	**26,628**	**45,977**
Other non-current liabilities		
Accrued expenses	27	-
Total other non-current liabilities	**27**	**-**
Other liabilities		
Electricity tax liability	30,503	34,550
VAT liability	23,186	22,231
Other payables	2,591	1,102
Total other liabilities	**56,280**	**57,883**
Accrued expenses		
Employee benefit expenses	7,770	7,681
Interest expenses	36,262	34,624
Other accrued expenses	3,017	6,691
Total accrued expenses	**47,048**	**48,996**
Total	**129,984**	**152,856**

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	2022	2021
Within one year	193	247
After one year but no more than five years	813	1,038
More than five years	214	272
Total	**1,220**	**1,557**

CAPITAL COMMITMENTS

EUR 1,000	2022	2021
Property, plant and equipment	300,191	217,633
Total	**300,191**	**217,633**

OTHER PURCHASE COMMITMENTS

EUR 1,000	2022	2021
Purchase of electricity	44,839	9,560
Total	**44,839**	**9,560**

CONTINGENT LIABILITIES

EUR 1,000	2022	2021
Loans, for which shares have been pledged and mortgages given		
Loans from financial institutions	2,600,317	2,611,219
Floating charges	11,100,000	11,100,000
Real estate mortgages	24,680	20,692
Guarantees on behalf of Group companies	**4,000**	**4,135**

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 invested unrestricted equity fund was EUR 171,204 (171,204) thousand during the financial year.

OTHER FUNDS

EUR 1,000	2022	2021
Cash flow hedge reserve	37,761	-15,400
Other comprehensive income	-65	-165
Total other funds	**37,696**	**-15,565**

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

DIVIDEND DISTRIBUTION

Caruna Networks Oy's profit for the financial period was EUR 25,256,996.89 (42,633,454.99). The Board of Directors proposes to the annual general meeting that no dividend be paid for 2022 and that the profit be transferred to retained earnings.

An extraordinary general meeting was held 8 September 2022, where The Board of Directors proposal, that a cash dividend of EUR 14,040 per share, EUR 35,1 million in total, was approved. The dividend was paid in September 2022.

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

1 000 eur	2022	2021
Board members	350	278
CEO	830	648
Management team	724	1,637
Total	**1,904**	**2,562**

The salaries and short term employee benefits for Board members, CEO and Management team in 2022 were EUR 1,904 (2,562) 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 composition of the management team changed 23 March 2022. The new organisation consist of four units: Electricity Network Management and Operations, headed by Elina Lehtomäki, Customer Relationships and New Business, headed by Kosti Rautiainen, Corporate services and transformation, headed by Jyrki Tammivuori (o.t.o) and CFO's Office, headed by Noora Neilimo-Kontio. The company's Management Team consists of CEO Jyrki Tammivuori and the three unit heads. Until 23 March 2022 the former CEO Tomi Yli-Kyyny was a member of the Management Team. Yli-Kyyny started a new position outside Caruna during spring 2022

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 a Long-Term incentive program (LTI-program) for the years 2021-2024 during 2020. 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 to achieve it the Board annually sets parametres that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. 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. There is a detailed guide regarding the LTI program. In 2022, EUR 668 (360) thousand were paid out from the LTI program.

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

In relation to the appeal that the energy industry brought to the Market Court in January 2022 concerning the supervisory authority's alterations to the regulatory methods midway through the regulatory period, the Market Court decided in February to seek a preliminary ruling from the Court of Justice of the European Union (CJEU) concerning the authority's independence. If the CJEU decides to consider a preliminary ruling, the process will take about one year longer.

The Board appointed James Adam as the member of the Audit Committee and the Health, Safety and Environment Committee on 30 January 2023.

Parent company financial statements (FAS)

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 January 2022–31 December 2022	1 January 2021–31 December 2021
Net sales	3	**23,453,403.97**	**21,478,592.17**
Other operating income	4	7,439.50	8,838.10
Personnel expenses	5	-9,957,469.13	-9,597,139.31
Other operating expenses	6	-14,812,286.56	-13,505,705.24
Operating loss		**-1,308,912.22**	**-1,615,414.28**
Finance income and costs	7	-90,368,508.52	-102,060,439.24
Profit before appropriations and taxes		**-91,677,420.74**	**-103,675,853.52**
Appropriations	8	123,200,000.00	156,900,000.00
Income taxes	9	-6,265,582.37	-10,590,691.49
Profit for the period		**25,256,996.89**	**42,633,454.99**

PARENT COMPANY BALANCE SHEET

EUR	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets	10		
Investments		2,972,000,000.00	2,962,000,000.00
Total non-current assets		**2,972,000,000.00**	**2,962,000,000.00**
Current assets			
Non-current receivables	11	1,163,210,709.35	1,101,647,023.66
Current receivables	12	178,458,493.36	187,369,086.84
Cash and cash equivalents	13	9,270,068.05	10,622,131.75
Total current assets		**1,350,939,270.76**	**1,299,638,242.25**
Total assets		**4,322,939,270.76**	**4,261,638,242.25**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		2,500.00	2,500.00
Invested distributable equity fund		171,203,600.47	171,203,600.47
Hedging reserves		47,201,906.95	-19,249,152.36
Retained earnings (cumulative profit)		519,174,080.18	511,640,625.19
Profit for the financial year		25,256,996.89	42,633,454.99
Total equity		**762,839,084.49**	**706,231,028.29**
Liabilities			
Non-current liabilities	15	3,173,958,481.45	3,404,619,669.97
Current liabilities	16	386,141,704.82	150,787,543.99
Total liabilities		**3,560,100,186.27**	**3,555,407,213.96**
Total equity and liabilities		**4,322,939,270.76**	**4,261,638,242.25**

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 January 2022– 31 December 2022	1 January 2021– 31 December 2021
Cash flows from operating activities		
Profit before appropriations and taxes	-91,677,420.74	-103,675,853.52
Finance income and costs	90,368,508.52	102,060,439.24
Changes in working capital		
Increase (-)/decrease (+) in trade and other current receivables	-834 464,03	1 029 516,43
Increase (+)/decrease (-) in current liabilities	98 929,60	1 579 332,15
Changes in working capital total	**-735,534.43**	**2,608,848.58**
Interest and other finance costs paid	-122,428,134.26	-139,916,533.20
Interest received	33,258,719.28	33,793,376.34
Income taxes paid	-3,578,013.24	-12,551,507.07
Cash flows from operating activities	**-94,791,874.87**	**-117,681,229.63**
Cash flows from investments		
Repayments of loan receivables	-	60,000,000.00
Change in cash pool account	8,539,811.17	71,881,215.07
Cash flows from investments	**8,539,811.17**	**131,881,215.07**
Cash flows from financing activities		
Proceeds from long-term liabilities	90,000,000.00	430,000,000.00
Repayments of long-term liabilities	-105,000,000.00	-390,000,000.00
Dividends paid	-35,100,000.00	-85,600,000.00
Group contribution paid	135,000,000.00	29,500,000.00
Cash flows from financing activities	**84,900,000.00**	**-16,100,000.00**
Net increase in cash and cash equivalents	**-1,352,063.70**	**-1,900,014.56**
Cash and cash equivalents as at 1 Jan	10,622,131.75	12,522,146.31
Cash and cash equivalents as at 31 Dec	9,270,068.05	10,622,131.75

Notes to the parent company financial statements (FAS)

1. Accounting principles

The financial statements of Caruna Networks Oy (Y-2584904-3) have been prepared in accordance with Finnish Accounting Standards and other regulation and legislation governing preparing of financial statements.

1.1 NET SALES

The revenue includes income from financial administration services, financial services, legal, IT, HR, procurement, and communication services as well as management services from group companies

1.2 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. Exchange rate differences arising from operations are recorded to adjust in-come or costs in the profit and loss statement depending on the nature of the item in question. Exchange rate differences arising from financial items are recorded in the finance income and costs in the profit and loss statement.

1.2.1 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.

1.2.2 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.

1.3 INCOME TAXES

Income taxes recognised in the profit or loss statement includes both taxes from reporting period and possible adjustment to prior periods.

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.

1.4 PENSIONS

The pension coverage for employees is provided through insurance policies taken out with a pension insti-tution. The statutory pension expenses are recognised as expenses in the year they incurred.

1.5 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.

1.6 PROVISIONS

Provisions are recognised when Caruna Networks Oy has a present obligation (legal or constructive) be-cause 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. Provisions are recognised as an expense in the statement of profit or loss.

2. Group information

Caruna Networks Oy 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) and the Swedish pension insurance company AMF (12.5 per cent) and the domestic pension insurance company Elo (7.5 per cent).

3. Net sales by geographical markets

EUR	2022	2021
Sales to group companies, Finland	23,366,073.97	21,333,590.77
Sales to others, Finland	87,330.00	145,001.40
Total	**23,453,403.97**	**21,478,592.17**

4. Other operating income

EUR	2022	2021
Other operating income	7,439.50	8,838.10
Total	**7,439.50**	**8,838.10**

5. Personnel and other personnel related expenses

PERSONNEL EXPENSES

EUR	2022	2021
Wages and salaries	-8,370,571,33	-7,932,592,51
Indirect personnel expenses		
Pensions	-1,297,335,75	-1,353,607,74
Other personnel expenses	-289,562,05	-310,939,06
Total	**-9,957,469,13**	**-9,597,139,31**

Number of personnel	2022	2021
Average number of personnel during the financial year	80	72

SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS TO MANAGEMENT

EUR	2022	2021
To board members, CEO and management team	-1,904,283.00	-2,562,410.00

Change-negotiations were held in Caruna companies in spring 2022. As a result, jobs were ended from five employees in Caruna Networks Oy.

6. Other operating expenses

EUR	2022	2021
External services	-13,676,721.28	-13,064,332.09
Other expenses	-1,135,565.28	-441,373.15
Total	**-14,812,286.56**	**-13,505,705.24**

AUDITOR'S FEES, DELOITTE OY, AUDIT FIRM

EUR	2022	2021
Audit fees	-49,140.00	-40,000.00
Other fees	-120,419.00	-90,000.00
Total	**-169,559.00**	**-130,000.00**

7. Finance income and costs

EUR	2022	2021
Other interest and finance income		
From group companies	31,009,310.77	31,684,168.04
From others	3,820,856.14	2,042,277.62
Total finance income	**34,830,166.91**	**33,726,445.66**
Interest expenses and other finance costs		
To group companies		
Shareholder loan interest expenses	-66,672,861.74	-66,672,861.74
To others		
Senior loan interest and finance costs	-51,491,132.41	-50,399,205.89
Interest swap expenses	-5,507,907.64	-6,321,681.48
Other interest and finance costs	-1,526,773.64	-12,393,135.79
Total finance costs	-125,198,675.43	-135,786,884.90
Total	**-90,368,508.52**	**-102,060,439.24**

Other interest and finance costs include non-recurring costs of 10,776,000.00 related to the repayment of the old bond and the draw-down of the new green bond.

8. Appropriations

EUR	2022	2021
Group contributions received	123,200,000.00	156,900,000.00

9. Income taxes

EUR	2022	2021
Income taxes from group contributions	24,640,000.00	31,380,000.00
Income taxes from ordinary activities	-30,905,582.37	-41,970,691.49
Total taxes	**-6,265,582.37**	**-10,590,691.49**

10. Assets

INVESTMENTS

EUR	Investments in group companies 2022	Investments in group companies 2021
Acquisition cost 1 Jan	**2,962,000,000.00**	**2,957,000,000.00**
Additions	10,000,000.00	5,000,000.00
Acquisition cost 31 Dec	**2,972,000,000.00**	**2,962,000,000.00**
Carrying amount 31 Dec	2,972,000,000.00	2,962,000,000.00
Total assets	**2,972,000,000.00**	**2,962,000,000.00**

Loan receivables of EUR 10 (5) million from Caruna Oy have been converted in to subsidiary shares. The transaction did not have any cash flow impact.

11. Non-current receivables

EUR	2022	2021
Receivables from group companies		
Loan receivables		
Other loan receivables	1,105,373,408.00	1,093,473,408.00
Receivables from group companies total	**1,105,373,408.00**	**1,093,473,408.00**
Receivables from others		
Interest and currency derivatives	50,988,153.31	-
Prepayments and accrued income		
Other prepayments and accrued income	6,849,148.04	8,173,615.66
Non-current receivables total	**1,163,210,709.35**	**1,101,647,023.66**

The market value of interest and currency derivatives turned positive because the interest rates have risen.

12. Current receivables

EUR	2022	2021
Trade receivables	9,224.98	-
Prepayments and accrued income		
Accrued interest income, swaps	1,832,876.12	333,414.27
Prepaid insurance premiums	17,144.42	13,602.78
Other prepaid expenses	439,102.64	878,205.32
Income tax receivables	-	1,424,986.75
Other prepaid expenses and accrued income	292,626.34	665,751.36
Prepayments and accrued income total	**2,581,749.52**	**3,315,960.48**
Receivables from group companies		
Trade receivables	2,287,911.11	653,986.00
Cash pool account	44,130,769.85	20,316,057.04
Prepayments and accrued income		
Other interest income	6,248,837.90	6,183,083.32
Prepayments and accrued income total	6,248,837.90	6,183,083.32
Group contributions	123,200,000.00	156,900,000.00
Receivables from group companies total	**175,867,518.86**	**184,053,126.36**
Total current receivables	**178,458,493.36**	**187,369,086.84**

Receivables from group companies includes cash pool account of EUR 44,130,769.85 (20,316,057.04). The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

13. Cash and cash equivalents

EUR	2022	2021
OP Corporate Bank Plc	9,270,068.05	10,622,131.75

14. Equity

EUR	2022	2021
Restricted equity		
Share capital 1 Jan	2,500.00	2,500.00
Share capital 31 Dec	2,500.00	2,500.00
Hedging reserves 1 Jan	-19,249,152.36	-36,517,985.82
Change in hedging reserves	66,451,059.31	17,268,833.46
Hedging reserves 31 Dec	47,201,906.95	-19,249,152.36
Total restricted equity	**47,204,406.95**	**-19,246,652.36**
Unrestricted equity		
Invested distributable equity fund 1 Jan	171,203,600.47	171,203,600.47
Invested distributable equity fund 31 Dec	171,203,600.47	171,203,600.47
Retained earnings 1 Jan	554,274,080.18	597,240,625.19
Dividends paid	-35,100,000.00	-85,600,000.00
Retained earnings 31 Dec	519,174,080.18	511,640,625.19
Profit/Loss for the period	25,256,996.89	42,633,454.99
Total unrestricted equity	**715,634,677.54**	**725,477,680.65**
Total equity	**762,839,084.49**	**706,231,028.29**

DISTRIBUTABLE UNRESTRICTED EQUITY

EUR	2022	2021
Retained earnings	519,174,080.18	511,640,625.19
Profit for the period	25,256,996.89	42,633,454.99
Invested distributable equity fund	171,203,600.47	171,203,600.47
Hedging reserve	-	-19,249,152.36
Total	**715,634,677.54**	**706,228,528.29**

15. Non-current liabilities

EUR	2022	2021
Loans from the group companies	773,641,586.65	773,641,586.65
Loans from financial institutions	2,400,316,894.80	2,611,219,318.38
Interest and currency derivatives	-	19,758,764.94
Total non-current liabilities	**3,173,958,481.45**	**3,404,619,669.97**

MATURITY OF NON-CURRENT LIABILITIES

EUR	2022
2024	-
2025	17,647,058.82
2026	220,933,018.44
2027 and later	2,935,378,404.18
Total	**3,173,958,481.45**

16. Current liabilities

EUR	2022	2021
Loans from financial institutions	200,000,000.00	-
Trade payables	1,560,716.27	1,452,704.32
Other current liabilities	5,955,783.66	5,746,681.21
Accrued expenses		
Accrued employee expenses	3,264,112.08	3,477,963.46
Accrued interest expenses, other	19,456,601.48	17,818,476.62
Income tax liabilities	1,262,582.38	-
Other accrued expenses	35,600.00	35,000.00
Accrued expenses total	**24,018,895.94**	**21,331,440.08**
Liabilities to group companies		
Trade payables	2,722.71	7,656.12
Cash pool account	137,798,371.77	105,443,847.79
Accrued expenses		
Accrued shareholder loan interest expenses	16,805,214.47	16,805,214.47
Liabilities to group companies total	**154,606,308.95**	**122,256,718.38**
Total Current liabilities	**386,141,704.82**	**150,787,543.99**
Non-interest-bearing liabilities	48,343,333.05	65,102,461.14
Interest-bearing liabilities	3,511,756,853.22	3,490,304,752.82
Total	**3,560,100,186.27**	**3,555,407,213.96**

The 200 MEUR bond which matures in May 2023 will be refinanced in early 2023.

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

EUR	2022	2021
Derivative liabilities recoqnised at fair value through OCI	**Level 2**	**Level 2**
Interest rate swaps (+ asset/ - liability)	46,731,666.00	-19,447,435.87
Cross currency swaps (+ asset/ - liability)	4,256,487.31	-311,330.07
Total	**50,988,153.31**	**-19,758,765.94**

18. Maturity of interest rate and cross currency swaps liabilities

EUR	2022	2021
On demand	-	-
Less than 3 months	-	-
4 to 12 months	-	-
1 to 5 years	-	500,340.94
> 5 years	-	19,258,425.00
Total	**-**	**19,758,765.94**

Due to the increased interest rate levels, the market value of interest rate swaps have turned positive during 2022. Please see note 11 Non-current receivables.

19. Commitments and contingent liabilities

EUR	2022	2021
Loans, for which shares and other assets have been pledged		
Loans from financial institutions (senior-loan)	2,600,316,894.80	2,611,219,318.38
Book value of pledged subsidiary shares	2,972,000,000.00	2,962,000,000.00
Floating charges	6,660,000,000.00	6,660,000,000.00
Loans receivables	1,105,373,408.00	1,093,473,408.00
Cashpool receivables	44,130,769.85	20,316,057.04
Mortgages	24,680,001.99	20,691,853.39
Guarantees on behalf of group companies	4,000,000.00	4,134,610.00

Caruna 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 9,270,068.05 (2021: 10,622,131.75) 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

20. Holdings in other companies

Name	Caruna Oy	Caruna Espoo Oy
Ownership, %	100	100
Registered office	Espoo	Espoo
Share capital, EUR	2,000,000.00	4,000,000.00
Equity, EUR	23,907,855.60	20,797,262.64
Profit/Loss for the period	-1,011,687.62	47,771.49

Signatures to the financial statements and operating and financial review

Espoo, 8 March 2023

Matti Ruotsala
Chairman of the Board

James Adam
Member of the Board

Andrew Furze
Member of the Board

Jouni Grönroos
Member of the Board

Shankar Krishnamoorthy
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, 8 March 2023

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

We bring electricity to you.

Caruna Networks Oy
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