

Caruna Group

OPERATING AND
FINANCIAL REVIEW AND
FINANCIAL STATEMENTS

2019

Positive energy.

caruna

31 DECEMBER 2019

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Operating and Financial Review for 2019 by Caruna Networks Oy's Board

KEY FINANCIAL (IFRS) AND OPERATIVE INDICATORS FOR THE GROUP

EUR million or as indicated	2019	2018
Net sales	466.4	454.1
Profit for the period	28.1	18.5
Corporation tax	12.2	10.3
Investments	167.3	258.4
Cash flow after investments	-11.9	-132.6
Customers	692,000	683,000
Network cabling rate (%)	56	52
Small-scale producers of solar power in the network area	6,600	4,100
System Average Interruption Duration Index per customer (SAIDI), minutes	79	103
Reliability of supply rate (%)	99.99	99.98

Key events during the financial period

Construction of the smart electricity network continued in 2019 in Caruna Oy's area, which mainly operates in rural areas. A total of 3,800 kilometres of electricity network was placed underground to protect it from the weather, and 3,600 kilometres of this was in Caruna Oy's area. The cabling rate increased to 56 (52) per cent of the network.

Approximately 2,500 (1,700) new solar power systems were connected to Caruna's electricity network in 2019. At the end of December, there were approximately 6,600 (4,100) small-scale generators.

At the beginning of 2019, Caruna began working with Telia to install a fibre-optic network in the ground along with weatherproof electric cables. Joint construction began in the autumn in Rusko and Raisio in Southwest Finland. The joint construction of electricity and fibre-optic networks is the first joint project of this scale in Finland.

Caruna's customer satisfaction improved substantially in 2019. Improvements in the availability of customer service, the use of a standardised key account management model, and improvements to the customer experience in service interactions contributed to this score. The average Net Promoter Score (NPS) for 2019 was 24.2 (6.5).

Caruna Oy's increased electricity distribution prices took effect on 1 November 2019. The price increases

affected customers' total electricity distribution fees, including tax, by an average of 3.9 per cent. The electricity distribution prices remained unchanged in Caruna Espoo Oy's network area.

Caruna Oy received conditional decision from Energy Authority in March 2019, which allows Caruna Oy to extend the recovery period for its cumulative under income from four to eight years. This decision is aligned with now proposed updates in Energy Market Act, which would provide the same opportunity to all distribution service operators.

FINANCIAL DEVELOPMENT

Caruna's net sales in 2019 amounted to EUR 466.4 (454.1) million, showing an increase of 2.7 per cent compared to the same period last year. This increase in net sales is mainly attributable to the price increases that took effect at the start of November in Caruna Oy's network area.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 87.2 (92.5) million. The cost savings of EUR 5.3 million were due to the weather being warmer than usual in 2019.

Other operating expenses came to EUR 82.3 (81.4) million. Depreciations, amortisations and impairment charges amounted to EUR 136.3 (133.1) million and include scrapping of overhead lines of EUR 14.4 (17.5) million.

Consolidated operating profit amounted to EUR 167.2 (154.3) million. Net finance costs were EUR 131.0 (133.7) million. Profit for the period was EUR 28.1 (18.5) million.

FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	2019	2018	2017
Net sales	466.4	454.1	426.4
Operating profit	167.2	154.3	145.7
Operating profit (% of sales)	35.8	34.0	34.2
Profit/loss for the period	28.1	18.5	28.8
Investments	167.3	258.4	291.1
Cash flow after investments	-11.9	-132.6	-169.9
Interest-bearing net debt (at the end of the period)	3,286.5	3,269.8	3,131.2

Business activities

Caruna Group includes two network companies: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas. These two network companies have a total of 692,000 customers in South, Southwest and West Finland, the city of Joensuu and the regions of Koillismaa and Satakunta. At the end of the review period, the total length of the electricity network operated by the network companies was approximately 87,000 kilometres.

Digitalisation, the increase of decentralised energy production and electric transportation require a strong and smart network to ensure electricity supply is as

reliable as possible under all conditions.

Construction of the smart electricity network continued in 2019 in Caruna Oy's area, which mainly operates in rural areas. A total of 3,800 kilometres of electricity network was placed underground to protect it from the weather, and approximately 3,600 kilometres of this was in Caruna Oy's area. The cabling rate increased to 56 (52) per cent of the Caruna's network.

The investments made in 2019 improved the reliability of supply for approximately 30,000 customers. At the end of 2019, the reliability of supply rate was 99.99 (99.98) per cent. The reliability of the electricity network was also improved through other measures, such as increasing the amount of network automation to speed up fault rectification. In addition, poles were replaced to extend the life cycle of overhead lines in sparsely populated areas and trees were felled in the vicinity of overhead lines.

The reliability of electricity distribution was improved for about 2,700 customers in the regions of Kuusamo and Posio in Koillismaa. In Kauhajoki and Isojoki, the reliability of electricity distribution was also improved for nearly 4,000 customers. Additionally, in the region of Oulunjoki the planning of electricity network power line alterations and renovations was started in order to improve the electricity distribution network and meet the network alteration requirements of Fingrid, the transmission system operator.

Caruna began working with Telia at the beginning of 2019 to install a fibre-optic network in the ground along with weatherproof electric cables. Joint construction began in the autumn in Rusko and Raisio in Southwest Finland. The joint construction of electricity and fibre-optic networks is the first joint project of this scale in Finland.

As each base station of the 5G network requires a fibre-optic connection, building the fibre network is a precondition also for developing wireless connections. Reliable and fast network connections also contribute to attracting investments to municipalities.

The Suurpelto substation in Espoo was commissioned in August. The substation contains gas-insulated equipment, which substantially reduces the amount of land required and the impact on the landscape in comparison with conventional air-insulated substations. The new substation will provide more than 20,000 customers with a more reliable electricity supply in an area where electricity consumption is projected to increase in the coming years.

Caruna is also studying alternative ways to improve the reliability of supply. In September, Caruna Oy signed an agreement with Fortum Power and Heat Oy on a pilot project involving electricity storage in Inkoo. The batteries used to store electricity will enable electricity to be distributed to approximately 1,500 residents in Inkoo for an average of four hours in the event of problems elsewhere on the electricity distribution network.

In September, Caruna and Digita agreed to work together to study whether base stations for mobile networks could be located on the land areas occupied by

Caruna's substations. The aim is to identify the degree to which electricity network structures such as substations could serve as sites for new mobile base stations.

In December, Caruna Oy sold its 110-kV overhead line network in the City of Pori to Pori Energia Sähköverkot Oy. The transaction will enable both companies to enhance their high-voltage distribution networks in the future. The agreement also included a new network connection for the Impola substation, which will reinforce the back-up connection between Harjavalta and Impola.

Caruna Group's investments during the reporting period amounted to EUR 167.3 (258.4) million. Caruna began its programme of investments in the improvement of the reliability of supply in 2013 by focusing initially on enhancements to the medium-voltage network which will benefit every customer. The investment programme has reached the midway stage. In 2019, investments were made in the low-voltage network as planned, and allocations are primarily made on the basis of age. This is reflected in a decrease in annual investment levels.

APPROXIMATELY 6,600 SMALL-SCALE PRODUCERS OF SOLAR POWER

By the end of December, about 2,500 new solar power systems were connected to Caruna's electricity network. At the end of the period, there were approximately 6,600 small-scale producers. Caruna supported this objective by launching an electronic service platform enabling customers to compare product and price information to find a suitable solar panel provider.

At present, more than 20 solar power partners are listed on Caruna's electronic service, which offers service providers ready-made contact channels in Caruna's network areas.

In September and October, the service offering expanded to include charging solutions for electric cars.

WARM WEATHER REDUCED ELECTRICITY CONSUMPTION

The weather was warmer than normal, resulting in lower electricity supply volumes in comparison with the previous year, with a total of 9.6 (9.7) TWh in the distribution network and 2.8 (2.9) TWh in the high voltage distribution network.

RELIABILITY OF SUPPLY REMAINED EXCELLENT

The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). The average interruption duration in Caruna's electricity distribution (SAIDI) was 79 (103) minutes per customer between January and December, and the reliability of electricity supply was 99.99 (99.98) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 1.4 (1.9) events.

The highest number of supply interruptions was caused by the storm known as Aapeli in January, during which the

highest number of customers simultaneously affected by an interruption of supply was 28,900 in West Finland. Fault locations were identified quickly, and thanks to network automation and ring network connections particularly, electricity was restored to most customers quickly.

Preparations have been made to maintain the capacity to supply electricity at the current reliability level, even in the event of a longer crisis. There were no substantial disruptions in 2019, but preparations were made for several smaller disruptions during the year. The preparations include adding field resources and raising the preparedness of the control centre and the fault management service.

CARUNA OY'S PRICE INCREASES TOOK EFFECT ON 1 NOVEMBER 2019

The network improvement projects affected Caruna Oy's pricing, and the company's electricity distribution prices including taxes increased by an average of 3.9 per cent as of 1 November 2019. The impact of the price increases on individual customers' bills varied depending on the type of housing and the energy consumption. Prices remained unchanged in the area served by Caruna Espoo Oy, the urban network company.

Climate change is increasing the number of storms and heavy snowfalls, causing power outages, thus increasing society's dependence on electricity. Price changes are necessary to fund the network improvement projects needed to boost the reliability of supply. The investments in network improvements aim to achieve the security of supply commitments in accordance with the Electricity Market Act by the end of 2028. Customers in urban and rural areas must have access to electricity in such a way that in the event of an outage, the power supply must be resumed within 6 hours in urban areas and within 36 hours in sparsely populated areas.

NOTABLE IMPROVEMENT IN CUSTOMER SATISFACTION

Caruna's customer base has grown steadily in recent years. The total number of customers was 692 (683) thousand at the end of 2019. A total of 2,000 (2,300) new connection contracts were signed.

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

Company	2019	2018	2017
Caruna Oy	474	471	467
Caruna Espoo Oy	218	212	205
Total	692	683	672

Caruna works hard to continuously improve its customer satisfaction and measures it monthly using the Net Promoter Score (NPS) and the Customer Effort Score (CES) based on the opinions of private customers, small

and medium-sized customer companies, large customers, land-owners, municipal customers and contractors.

In 2019, Caruna's NPS went up to 24.2 (6.5), a significant improvement on the year before. Improvements in the availability of customer service, the use of a standardised key account management model, and improvements to the customer experience in service interactions contributed to this score. At the end of 2019, the average CES was 4.3 on a scale from 1 to 5.

New services were developed and launched in 2019. The first version of the Caruna+ mobile app was launched in the spring. Caruna+ provides a new customer communication channel and enables customers to easily manage all things related to Caruna. The service was designed to offer an excellent user experience and content that makes customers' daily lives easier.

The features provided by the Caruna+ electronic self-service channel underwent further development, with one of the focus areas being payment solutions offered to customers. In addition, a digital turnkey service for builders was launched, helping new home builders to easily get an electricity connection.

The first customer ombudsman of Caruna was appointed in the spring. A customer can turn to the customer ombudsman in situations where customer service has not found a solution to a situation unsatisfactory to the customer. A customer can also send an appeal to the customer ombudsman, who will investigate all related documents and will contact the customer to solve the situation. The customer ombudsman processes all appeals independently of all previous case handlers.

Research and development

Total research and development expenditure for the financial period amounted to EUR 0.2 (2018: 0.1 and 2017: 0.2) million, which is 0.27 (2018: 0.10 and 2017: 0.23) per cent of operating expenses.

Financing

Electricity distribution is a capital-intensive sector. The network improvement programme to be completed by the end of 2028 will require continuous additional financing. Caruna's debts amount to more than three billion euros, of which over two billion consist of 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.

In the second half of 2019, Caruna drew down a loan of EUR 100 million granted by the European Investment Bank (EIB) in 2018. During the financial period, Caruna also drew a capex facility and working capital loan in a total amount of

EUR 158 million, and repaid EUR 85 million of the sum.

At the end of the financial period, the Group's external loans totalled EUR 2,604.8 (2,430.5) million. On the balance sheet date, 93 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% (2.2%).

At the end of the year, Caruna had a fixed-interest shareholder loan amounting to EUR 773 million. At the end of September, EUR 130 million of the shareholder loan was repaid. The interest on the shareholder loan is paid biannually if the covenants of the other external loans are met.

Caruna renewed its liquidity credit facility in early 2019. The credit facilities available on the balance sheet date were a capex and revolving credit limit amounting to EUR 227 million, a bank overdraft limit of EUR 30 million, a liquidity credit facility of EUR 6.7 million, and an undrawn investment loan of EUR 100 million.

Net financing costs recognised on the income statement for the financial period totalled EUR 131.0 (133.7) million, and the interest liabilities recognised on the balance sheet were EUR 36.7 (39.3) million.

Caruna complied with the covenant terms of all loan agreements.

Standard & Poor's assigned Caruna a long-term credit rating of BBB+ and a stable outlook.

Employees

Caruna Group had 313 (289) employees at the end of the year, 65 (63) of whom were employed by the Group's parent company.

	2019	2018	2017
Number of employees 31 Dec	313	289	276
Average number of employees during the year	313	289	274
Wages and salaries (EUR million)	20.6	19.2	16.7

In 2019, development focused on initiating a cultural change to make the operating methods more customer-oriented. Caruna's values were adjusted at the beginning of September to align them more closely with the company's culture, and the change was supported by the cultural handbook. The company also put an effort in supervisor training in 2019 to accelerate the cultural change.

Caruna was awarded its first Great Place to Work certificate in September. The Great Place to Work certificate is an acknowledgement of the achievement of a corporate culture based on trust.

Every employee spent an average of nearly three days in training, which is almost as much as in 2018. The number absences due to illness remained low, averaging 2.3 (2.6) per cent of working time.

The employee commitment index remained good at 72 (72) per cent.

More information on employees can be found in the corporate responsibility section of Caruna's annual report published at caruna.fi/en.

Corporate responsibility

Caruna is committed to the goal of "zero accidents", which means that safety comes first in all operations.

In 2019, Caruna's personnel completed more than 1,000 Safety Walks to observe and discuss safety-related matters. In addition, Caruna's project supervisors and contractors conducted more than 3,400 site inspections. Caruna Card training continued as part of the programme of actions aiming to improve contractor safety, and more than 290 subcontractors attended. A total of 490 people attended municipal electrical and occupational safety training.

In 2019, Caruna conducted a thorough assessment of the impacts of its operations on climate change and, conversely, the impacts of climate change on the company's operations. More than two-thirds of Caruna's carbon footprint arises in the procurement and supply chain. The materials used for network construction accounted for 40 per cent of the carbon footprint. The study also assessed Caruna's carbon handprint, i.e. the positive effects of its operations. The connection of renewable energy to the electricity network had the greatest effect on the handprint.

Caruna also continued to execute network improvement projects to reduce grid losses while taking other energy-efficiency actions. Thanks to investments in the reliability of supply, the company was able to reduce network losses by approximately 2 (1) GWh.

In 2019, Caruna's partner Kuusakoski Oy processed approximately 95 (81) per cent of the scrap material created by Caruna's network projects. In 2019, approximately 235 (450) pole-mounted transformers were removed from groundwater areas. The aim is to replace all remaining pole-mounted transformers in groundwater areas with pad-mounted transformers in 2020.

Caruna regularly monitors the operations of its contractual partners and ensures that they meet the applicable requirements. In 2019, we audited seven suppliers: one construction contractor, two material suppliers, three ICT suppliers and one project supervision partner.

More information on corporate responsibility can be found in the corporate responsibility section of Caruna's annual report published at caruna.fi/en.

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 supply and distribution network. The key means of preventing interruptions are to replace overhead lines with underground cables, manage the forests near overhead lines and develop remote network control. The operational risks are described in more detail in Caruna's annual report.

FINANCIAL RISKS

The financial risks are presented in note 18 (management of financial risks) to the consolidated financial statements.

Changes in equity

Caruna Networks Oy's share capital is EUR 2,500 and the invested unrestricted equity fund is 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 51,135,211.16 (508,224,821.50). The profit in the comparison period arose from a non-recurring merger profit of EUR 448,860,706.01 realised when Caruna Networks Sähkösiirto Oy and Caruna Networks Espoo Oy were merged into Caruna Networks Oy on 1 January 2018.

Governance

The Annual 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 27 March 2019. The AGM approved Caruna's financial

statements for 2018, confirmed the consolidated income statement and balance sheet and discharged the members of the Board of Directors and the CEO from liability. A decision was made not to pay dividends.

Caruna Networks Oy held an Extraordinary General Meetings on 1 August 2019 to decide on a change to the composition of the Board of Directors.

Board of Directors

The Board convened six times during the financial period. The Board members were Juha Laaksonen (Chair until 27 March 2019) and Matti Ruotsala (Chair as of 27 March 2019), Jouni Grönroos, John Guccione, Gregor Kurth, Matt Liddle, Niall Mills and Laura Tarkka (as of 1 August 2019). The deputy members were Ellen Richardson, Delphine Voeltzel (until 27 March 2019), Nicolas Grant (as of 27 March 2019) and Ines Grund (as of 27 March 2019).

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 after the conclusion of the next Annual General Meeting.

The Audit Committee consisted of Jouni Grönroos (Chair), Gregor Kurth, Delphine Voeltzel (until 27 March 2019) and Matt Liddle (as of 27 March 2019).

The Nomination and Remuneration Committee consisted of Juha Laaksonen (Chair until 27 March 2019), Matti Ruotsala (Chair as of 27 March 2019), John Guccione and Niall Mills.

The Health, Safety and Environment Committee consisted of Niall Mills (Chair until 27 March 2019), Nick Grant (Chair as of 27 March 2019), Gregor Kurth, Matt Liddle (as of 27 March 2019) and Laura Tarkka (as of 5 September 2019).

Management Team

The Management Team consisted of CEO Tomi Yli-Kyyny, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Unit Kostu Rautiainen, Head of Customer Relations Katriina Kalavainen, Head of Governance, Compliance and Risks Harri Pynnä (until 31 July 2019), Head of HR Tommi Saikkonen, Head of Communications and Public Affairs Anne Pirilä and Head of Development and Innovation Elina Lehtomäki.

Harri Pynnä, the Head of Governance, Compliance and Risks, left Caruna's Management Team on 31 July 2019. Harri Pynnä retired on 31 January 2020, and worked in a special expert capacity until then.

Auditing

Caruna Networks Oy's auditor was the audit firm Deloitte Oy, with Jukka Vattulainen, Authorised Public Accountant, as 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

The Government's draft bill on amending the Electricity Market Act was given for statements at the beginning of 2020. The proposal includes a reduction in the annual price increase limit to 12.5 per cent, an extension of the deficit levelling period from four to eight years, and an extension of the deadline for implementing the reliability requirements for electricity distribution for companies operating in the most challenging areas, with the new deadline set at the end of 2036.

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, such as Caruna's electronic service platform and fibre construction 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. In recent years, Caruna has focused on enhancing the reliability of the medium-voltage network. In the coming years, network developments will increasingly focus on the low-voltage network, leading to lower annual investments. The investment programme has reached the midway stage.

The network is being developed in the most cost-effective way based on life-cycle costs, and also other construction methods are being studied besides underground cabling. Caruna is studying the possibility of utilising storage facilities and demand-side response services.

The Government's draft bill on amending the Electricity Market Act was given out for consultation at the beginning

of January 2020. The draft bill proposes postponing the reliability of supply requirements from 2028 to 2036 for companies with medium-voltage networks that had a cabling rate of less than 60% at the end of 2018. Within Caruna Group, Caruna Oy meets this criterion, so Caruna Oy's investments will be rescheduled on the basis of the draft bill.

Caruna is concerned with combating the impacts of climate change and ensuring that the Finnish energy system develops to address future needs. Caruna wants to act as a pioneer in promoting the increased use of renewable energy and the electrification of transport. The electricity network will be developed into a reliable platform on which these solutions can be rapidly and efficiently deployed.

The digital infrastructure strategy published by the Ministry of Transport and Communications in 2018 strives to make Finland one of the best countries for data networks by 2025. Achieving this target will require the construction of fibre-optic networks to be significantly accelerated. Caruna considers the promotion of digitalisation to be an important factor in safeguarding Finland's competitiveness, and it is committed to developing operating models that enable the amount of joint construction to increase when future electricity networks are built.

Board of Directors' proposal for dividend distribution

Caruna Networks Oy's distributable assets total EUR 711,406,898.68. The company's profit for the financial period was EUR 51,135,211.16. The Board of Directors proposes to the annual general meeting that no dividend be paid for 2019 and that the profit be transferred to retained earnings.

Caruna takes care of electricity distribution and is maintaining, overhauling and building a weatherproof electricity network for more than 690,000 customers in South, Southwest and West Finland, the city of Joensuu and the regions of Koillismaa and Satakunta. The operation of the network is monitored around the clock to ensure that customers can be guaranteed access to electricity with minimum disruption under all conditions. The intelligent weatherproof electricity network will also lay the foundation for the energy system of the future, in which digital services will increase, transport will be electrified and consumers will become energy generators.

www.caruna.fi, Twitter @CarunaSuomi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

EUR 1,000	Notes	2019	2018
Net sales	4	466,360	454,069
Other operating income	5	6,703	7,383
Direct costs		-87,232	-92,496
Personnel expenses	6	-25,058	-22,949
Other operating expenses	7	-57,238	-58,521
Depreciations, amortisations and impairment charges	8	-136,322	-133,149
		-305,850	-307,115
Operating profit		167,213	154,337
Finance income	9	3,956	6,201
Finance costs	10	-134,979	-139,949
Finance items total		-131,023	-133,748
Profit before taxes		36,190	20,589
Income taxes	11	-8,050	-2,051
Profit for the period		28,140	18,538
Attributable to			
Equity holders of the parent		28,140	18,538

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (IFRS)

EUR 1,000	Notes	2019	2018
Profit for the period		28,140	18,538
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net movement on cash flow hedges		-19,840	-4,005
Income tax effect	11	3,968	801
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-15,872	-3,204
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement losses (gains) on defined benefit plans	22	-391	-60
Income tax effect	11	78	12
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-313	-48
Other comprehensive income for the period, net of tax		-16,185	-3,252
Total comprehensive income for the period, net of tax		11,955	15,286
Attributable to			
Equity holders of the parent		11,955	15,286

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR 1,000	Notes	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	12	62,468	62,468
Intangible assets	12	1,586,677	1,586,882
Property, plant and equipment	13	2,393,599	2,359,443
Other non-current assets	15,16	1,537	1,917
Derivative financial instruments	16,17	231	-
Deferred tax assets	11	5,549	1,596
Total non-current assets		4,050,061	4,012,306
Current assets			
Trade receivables	16, 17, 19	113,956	111,248
Other receivables	19	1,587	2,103
Derivative financial instruments	16, 17	-	1,806
Cash and cash equivalents	17, 20	88,511	57,535
Total current assets		204,054	172,692
TOTAL ASSETS		4,254,115	4,184,998

EUR 1,000	Notes	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity			
Share capital		3	3
Invested unrestricted equity fund		171,204	171,204
Other equity funds		-21,948	-5,763
Retained earnings		-249,696	-277,836
Total equity		-100,437	-112,392
Non-current liabilities			
Interest bearing loans and borrowings	16, 17	3,374,970	3,327,310
Derivative financial instruments	16, 17	27,303	8,491
Deferred tax liabilities	11	509,309	513,570
Provisions	21	-	169
Net employee defined benefit liabilities	22	361	195
Other non-current liabilities	16, 17, 23	304,375	304,300
Total non-current liabilities		4,216,318	4,154,035
Current liabilities			
Trade payables	16, 17, 23	43,490	53,394
Other payables	23	45,079	37,313
Derivative financial instruments	16, 17	-	3,222
Provisions	21	124	46
Other current liabilities	23	49,541	49,380
Total current liabilities		138,234	143,355
Total liabilities		4,354,552	4,297,390
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,254,115	4,184,998

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

EUR 1,000	Attributable to the equity holders of the parent						Total
	Share capital (Note 25)	Invested unrestricted equity fund (Note 25)	Retained earnings	Other equity components		Other comprehensive income	
				Cash flow hedge reserve			
As at 1 January 2019	3	171,204	-277,835	-5,971	208	-112,392	
Profit for the period	-	-	28,140	-	-	28,140	
Other comprehensive income	-	-	-	-15,872	-313	-16,185	
Total comprehensive income	-	-	28,140	-15,872	-313	11,955	
At 31 December 2019	3	171,204	-249,695	-21,843	-105	-100,437	

EUR 1,000	Attributable to the equity holders of the parent						Total
	Share capital (Note 25)	Invested unrestricted equity fund (Note 25)	Retained earnings	Other equity components		Other comprehensive income	
				Cash flow hedge reserve			
As at 1 January 2018	3	171,204	-296,373	-2,767	256	-127,678	
Profit for the period	-	-	18,538	-	-	18,538	
Other comprehensive income	-	-	-	-3,204	-48	-3,252	
Total comprehensive income	-	-	18,538	-3,204	-48	15,286	
At 31 December 2018	3	171,204	-277,835	-5,971	208	-112,392	

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR 1,000	Notes	2019	2018
Net profit for the period		28,140	18,538
Adjustments			
Taxes		8,050	2,051
Finance costs - net		131,023	133,748
Depreciation, amortisation and impairment charges		136,322	133,149
Adjustments total		275,395	268,948
Operating profit before depreciation (EBITDA)		303,535	287,486
Non-cash flow items		-402	-969
Interest paid		-139,893	-155,822
Interest received		3,992	6,175
Taxes		-10,809	-10,550
Total		-147,112	-161,166
Funds from operations		156,423	126,320
Change in working capital			
Change in trade and other receivables		-2,824	-3,282
Change in trade and other payables		3,677	7,177
Change in connection fee payables		-276	-247
Total change in working capital		577	3,648
Net cash flows from operating activities		157,000	129,968
Capital expenditure		-170,915	-262,418
Proceeds from sales of fixed assets		2,062	117
Net cash flows used in investing activities		-168,853	-262,301
Loans withdrawal		258,000	220,000
Repayments of long-term liabilities		-215,000	-70,000
Repayments of leasing liabilities		-171	-
Net cash used in financing activities		42,829	150,000
Net increase in cash and cash equivalents		30,976	17,667
Cash and cash equivalents at 1 January		57,535	39,868
Cash and cash equivalents at 31 December	16	88,511	57,535

Notes to the consolidated financial statements (IFRS)

1. Accounting policies applied to the consolidated financial statements

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.

The consolidated financial statements of the Caruna Group for the year ended 31 December 2019 were approved by the Board of Directors on 11 March 2020.

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

2. ACCOUNTING POLICIES

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 3.

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.

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 2018, except the new and amended standards and interpretations. These new and amended standards and interpretations have no significant impact on Caruna Group’s consolidated financial statements but may have an impact on the accounting treatment and disclosures of future transactions and events.

IFRS 16 Leases

Caruna has adopted IFRS 16 Leases standard starting from 1 January 2019. The standard is applied with a simplified approach and thus no comparison information has been adjusted to comply with IFRS 16.

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.

Caruna has gone through existing lease agreements and counted the impact of the standard. The effect on the balance sheet is not material in relation to the balance sheet of the consolidated financial statements. Lease agreements mainly concern land and real estate leased for the distribution network’s pad mounted secondary substations and real estate secondary substations as well as land, real estate and equipment leases related to the operation of the high voltage distribution network.

For most leases Caruna applies the exemptions allowed in IFRS 16 regarding low-value underlying assets. Lease expenses related to such lease agreements are recognised in the profit or loss statement as lease expenses. At the moment of transition Caruna recorded in the balance

sheet right-of use assets and respectively lease liabilities to the amount of 3.2 million euros. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2,27 %

Commitments for leases and lease liabilities at the date of transition is presented below (in EUR million):

Operating lease commitments at 31 December 2018	2.8
Exempted from recognition	-1.3
Discounting effect	1.7
Other changes	0.0
Lease liabilities 1 January 2019	3.2

When future lease expenses are updated in the contracts, due to eg. indexes or changes in other contract clauses, the right-of-use assets and lease liabilities are revalued. Changes due to revaluations are recorded in the statement of profit or loss.

IFRIC 23 Uncertainty over income tax treatment

Caruna has adopted IFRIC 23 Uncertainty over income tax treatment starting 1 January 2019. This interpretation addresses the accounting for income taxes when tax treatment involve uncertainty that affects the application of IAS 12 Income taxes. The interpretation does not have any impact on the consolidated financial statements.

Outage fee

Starting from 1 January 2019 outage fees to customers, in compliance with the Electricity Market Act, for disruptions in electricity distribution lasting longer than 12 hours are recorded as other operating expenses in the statement of profit or loss. Previously outage fees were recorded as a deduction from sales. The change to the accounting principle does not have any impact on the comparative period.

Annual Improvements Cycle to IFRSs 2015–2017

Annual improvements during the periods 2015–2017 were published in December 2017 (mandatory application in financial periods commencing on 1 January 2019 or thereafter). The improvements mainly eliminate inconsistencies and clarify the wording of the standards. There are separate transition rules for each standard. The changes are not expected to have an effect on the consolidated financial statements of Caruna Group.

Other amendments and interpretations to IFRS standards or IFRIC interpretations effective from 1 January 2019, eg. amendments to IFRS 9, IAS 28 and IAS 19, do not have an effect on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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, outage fees, 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 period of four years to the customer using the electricity connection at that time. No retroactive credit or charge can be made.

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

I. DISTRIBUTION SALES

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

II. CONNECTION FEES

A customer pays a connection fee when connecting a property to the electricity distribution network for the first time. The connection fee is a one-time payment, and afterwards the connection is transferable to a third party whenever the owner of the property and the electricity connection changes. 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 from 1 January 2019 onwards.

I. RELOCATION FEES

If 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.

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.

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.

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 EBIT. 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.

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.

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.

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.

Licences

Licences for the use of intellectual property are granted for periods ranging between 3 and 10 years depending on the specific licences. The licences may be renewed at little or no cost to Caruna Group. As a result, those licences are assessed as having a definite useful life.

Wayleave

Wayleave compensations are one-time payments paid to the land owners 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 lives 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

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 contracts 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.

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.

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 financial expenses (negative net change of fair value) or financial income (positive net change of fair value). Section 2.4.13 describes the treatment of derivatives fulfilling the criteria of IFRS 9 and used for hedging calculations.

Financial assets at fair value through profit or loss concerning electricity derivatives are measured in the balance sheet at fair value, and the net change in fair value is presented in the statement of profit or loss under other income (both positive and negative net change).

Financial assets at fair value through other comprehensive income

In Caruna Group, financial assets booked through other comprehensive income include 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 16.

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 financial expenses in the profit and loss statement. Financial expenses 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.

2.4.14 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as currency swaps, interest rate swaps and electricity hedges against grid losses, to hedge its interest rate risks and commodity price risks, respectively. 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 and electricity price risk associated with purchase of electricity to cover grid losses.

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 financial income or financial expense 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.

Caruna group has terminated the hedge accounting of electricity derivative contracts on 30 September 2017. The group books changes in the fair value of derivatives of electricity derivatives directly to the income statement. Refer to Note 16 for more details.

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 pre-

pared separately for each of Caruna Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of thirty 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 2028, 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 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.

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.

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.

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.

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

2.5 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 2021. 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 2020: Amendment to IFRS 3: Business Combinations, Amendments to IAS 1 and IAS 8: definition of Material, Amendment to IFRS 9, IAS 39 and IFRS 7: Interest rate Benchmark Reform. 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.

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.

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.

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 three years are approved by the Board of Directors. These budgets and forecast calculations cover a period of approximately thirty years in order to consider the long-term capital expenditure plans which are driven by the security of supply requirements by the end of 2028, set by the Ministry of Economic Affairs and Employment. The Board of Directors approve the impairment calculations.

The applied discount rate of 5.73% 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 14.

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.

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 16.

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.

There has been no changes to capital management objectives, instructions or processes during 2019 or the previous year.

Standard & Poor has confirmed the credit rating BBB+ for Caruna. Caruna's strategy has been to keep the credit rating at the targeted grade, and the credit rating BBB+ has been maintained 2019 as well as the previous year.

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 2018
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.

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.

DAC issued no new bonds during 2019 or 2018.

TRANSACTIONS BETWEEN CARUNA GROUP AND DAC

In 2019, the interest expenses to DAC by Caruna Group amounted to EUR 48,873 (2018: 48,807) thousand. Interest expenses have been recorded in the income statement. During 2019 or 2018 Caruna Group paid no upfront fees to DAC. The fees have been capitalised and will be amortised according to effective interest method during the average life time of IBLA loans.

EUR 1,000	31 Dec 2019	31 Dec 2018
IBLA-loans w/o loan arrangement fees	2 031 761	2 030 502
Accrued interest expenses	18 517	18 525
Total	2 050 278	2 049 027

The carrying amounts of loans from DAC are presented in long-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 %. For further information on interest-bearing liabilities, see Note 16.

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

2019

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Other and internal	Total
Electricity distribution				
Distribution network	342,696	79,385	-66	422,015
High-voltage network	29,069	2,572	-	31,641
Total	371,765	81,957	-66	453,656
Connection fees				
Distribution network	7,784	3,484	-	11,268
High-voltage network	1,436	-	-	1,436
Total	9,220	3,484	-	12,704
Total Net sales	380,985	85,441	-66	466,360

2018

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Other and internal	Total
Electricity distribution				
Distribution network	327,899	78,713	-66	406,546
High-voltage network	29,036	2,583	-	31,619
Total	356,935	81,296	-66	438,165
Connection fees				
Distribution network	10,374	3,160	-	13,534
High-voltage network	1,857	513	-	2,370
Total	12,231	3,673	-	15,904
Total Net sales	369,166	84,969	-66	454,069

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.

The implementation of the new IFRS 15 standard at the beginning of the year did not affect the way Caruna records sales revenue in net sales and other operating income. The Group operates only in the Finnish market and the whole net sales is collected from Finland.

Caruna has not divided operations in different segments, therefore net sales is not reported by segments.

5. Other operating income

EUR 1,000	2019	2018
Customer based services and relocation of connections	2,331	3,172
Gain on Electricity derivatives without hedge accounting status unrealised	-	899
Rental Income	612	752
Income from sale of demolished material	1,884	2,282
Proceeds from sale of property, plant and equipment	1,759	93
Other	117	185
Other operating income total	6,703	7,383

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, unrealised gains and losses of electricity derivatives.

Income from sale of demolished material consists of sales from dismantled electricity network material to recycling and further processing. Proceeds from sale of property, plant and equipment 2019 includes the gain from sale of 110-kV overhead line network in the City of Pori from Caruna Oy to Pori Energia Sähköverkot Oy.

6. Personnel expenses

EUR 1,000	Note	2019	2018
Wages and salaries		20,593	19,267
Pension costs			
Defined contribution plans	22	3,434	2,941
Defined benefit plans	22	316	39
Social security costs		715	701
Total personnel expenses		25,058	22,949

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% of the yearly salary, to the Caruna Personnel Fund.

The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2018-2020 already in 2017. 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 parameters 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 2019, EUR 393 (561) thousand were paid out from the LTI program.

Information regarding management employee benefits are presented in note 26 Related party transactions.

7. Other operating expenses

EUR 1,000	2019	2018
Repairs and maintenance	20,379	21,253
External services	19,535	22,784
Other	15,592	14,484
Unrealised loss of non-hedge accounted electricity derivatives	1,732	-
Total other operating expenses	57,238	58,521

Other operating expenses include repairs and maintenance costs of network, consulting and IT fees, external service fees, communication costs and rental expenses.

External service fees include customer service fees, billing fees, consulting fees, IT service fees and automatic meter reading service fees.

AUDITOR'S FEES

EUR 1,000	2019	2018
Audit fees	198	173
Other services	96	99
Total auditor's fees	294	272

Deloitte Oy was appointed as the auditor for the 2019 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.

8. Depreciation, amortisation and impairment charges

EUR 1,000	2019	2018
Intangible rights	60	318
Way leaves	1,325	839
Other intangible assets	6,725	7,733
Buildings and constructions	1,709	1,713
Machinery and equipment	126,284	122,546
Right of use assets	220	-
Total depreciation	136,322	133,149

Caruna has continued to improve the network reliability program where over head lines exposed to weather conditions are replaced by under ground cabling. Due to this, Caruna has booked EUR 14,405 (17,498) thousand scrapping costs to the depreciation for the financial year 2019.

9. Finance income

EUR 1,000	2019	2018
Interest income	122	66
Interest income from interest derivatives, through OCI	2,906	2,059
Interest income from interest derivatives, non-hedge accounted	928	4,076
Total finance income	3,956	6,201

10. Finance costs

EUR 1,000	2019	2018
Interest on debts and borrowings		
Shareholder loan	75,052	79,810
IBLA-loans (Senior-loan)	48,873	48,807
Investment loans	1,641	838
Other	90	87
Total	125,657	129,542
Interest expenses on interest rate derivatives, through OCI	5,260	2,676
Interest expenses on interest rate derivatives, non-hedged	917	4,042
Total interest expense	131,834	136,260
Arrangement and commitment fees relating to interest-bearing loans	841	1,554
Other financing expenses	2,304	2,135
Total finance costs	134,979	139,949

11. Income tax

INCOME TAX RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

EUR 1,000	2019	2018
Current income tax		
In respect of the current year	-12,218	-10,349
Deferred tax		
Relating to origination and reversal of temporary differences	4,168	8,298
Total income tax expense recognised in the statement of profit or loss (tax expense -/tax income +)	-8,050	-2,051
Consolidated statement of comprehensive income		
Deferred tax related to items recognised in OCI during the year:		
Fair value remeasurement of hedging instruments entered into cash flow hedges	3,968	801
Remeasurements of post employment benefit liabilities	78	12
Income tax charged to other comprehensive income (tax expense -/tax income +)	4,046	813

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

EUR 1,000	2019	2018
Profit before tax	36,190	20,589
Tax calculated at nominal Finnish tax rate 20%	-7,238	-4,118
Non-deductible expenses for tax purposes	-812	974
Utilisation of tax losses carried forward	-	1,093
	-8,050	-2,051
Income tax expense reported in the statement of profit or loss	-8,050	-2,051

Income taxes are tax expenses in the statement of profit or loss during the financial period and the comparison year. The changes in deferred taxes recorded in the statement of profit or loss are tax income both during the financial period and the comparison year.

DEFERRED TAXES

EUR 1,000	Balance sheet 31 Dec 2018	Recognised in P&L	Recognised in OCI	Balance sheet 31 Dec 2019
Deferred tax receivables				
Provisions	31	-15	-	16
Derivative financial instruments	1,493	-	3,967	5,460
Expensed acquisition related cost	73	-	-	73
Total deferred tax receivables	1,597	-15	3,967	5,549
Deferred tax liabilities				
Depreciation difference	85,384	1,418	-	86,802
Measurement of assets at fair value in acquisition	426,312	-6,021	-	420,291
Other	1,875	419	-78	2,216
Total deferred tax liabilities	513,571	-4,184	-78	509,309

EUR 1,000	Balance sheet 31 Dec 2017	Recognised in P&L	Recognised in OCI	Balance sheet 31 Dec 2018
Deferred tax receivables				
Provisions	-834	31	834	31
Derivative financial instruments	848	-	645	1,493
Expensed acquisition related cost	73	-	-	73
Defined benefit plans	-14	-	14	-
Total deferred tax receivables	73	31	1,493	1,597
Deferred tax liabilities				
Derivative financial instruments	-692	-	692	-
Depreciation difference	88,006	-2,622	-	85,384
Measurement of assets at fair value in acquisition	432,391	-6,079	-	426,312
Other	1,453	434	-12	1,875
Total deferred tax liabilities	521,158	-8,267	680	513,571

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.

Deferred tax assets have not been recognised in respect of such losses arisen from subsidiaries that are loss-making and there are no other ways to even out taxes or other evidence of recoverability in the near future. There are no confirmed tax losses carried forward at the moment.

12. Intangible assets

EUR 1,000	Goodwill	Intangible rights	Network license	Wayleaves	Other intangible assets	Total
Acquisition cost 1 January 2019	62,468	4,460	1,529,212	30,263	29,816	1,656,218
Transfers between items	-	1	-	3,105	4,799	7,905
Disposals	-	-1	-	-568	-15	-583
Acquisition cost 31 December 2019	62,468	4,460	1,529,212	32,800	34,601	1,663,540
Accumulated depreciation 1 January 2019	-	3,939	-	5,614	-2,683	6,869
Depreciation for the period	-	60	-	1,325	6,725	8,110
Depreciation charge on disposals and transfers between items	-	-1	-	-568	-15	-583
Accumulated depreciation 31 December 2019	-	3,998	-	6,371	4,027	14,396
Net book value						
At 31 December 2019	62,468	462	1,529,212	26,429	30,573	1,649,144
At 31 December 2018	62,468	521	1,529,212	24,649	32,498	1,649,349
Acquisition cost 1 January 2018	62,468	3,988	1,529,212	24,633	47,828	1,668,129
Transfers between items	-	472	-	5,716	3,643	9,832
Disposals	-	-	-	-85	-21,656	-21,742
Acquisition cost 31 December 2018	62,468	4,460	1,529,212	30,263	29,816	1,656,218
Accumulated depreciation 1 January 2018	-	3,621	-	4,860	11,241	19,722
Depreciation for the period	-	318	-	839	7,733	8,890
Depreciation charge on disposals and transfers between items	-	-	-	-85	-21,656	-21,742
Accumulated depreciation 31 December 2018	-	3,939	-	5,614	-2,683	6,869
Net book value						
At 31 December 2018	62,468	521	1,529,212	24,649	32,498	1,649,349
At 31 December 2017	62,468	367	1,529,212	19,773	36,588	1,648,408

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.

13. 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 2019	7,480	28,924	2,492,392	3,293	125,528	2,657,618
Additions	-	-	-	45	167,298	167,343
Transfers between items	25	227	193,351	-	-201,508	-7,905
Disposals	-45	-1,276	-36,242	-	-	-37,538
Acquisition cost 31 December 2019	7,460	27,876	2,649,501	3,338	91,318	2,779,493
Accumulated depreciation 1 January 2019	-	5,807	289,074	-	-	294,882
Depreciation charge for the year	-	1,709	126,284	220	-	128,213
Depreciation charge on disposals and transfers between items	-	-1,252	-35,949	-	-	-37,200
Accumulated depreciation 31 December 2019	-	6,265	379,409	220	-	385,894
Net book value						
At 31 December 2019	7,460	21,611	2,270,092	3,118	91,318	2,393,599
At 31 December 2018	7,480	23,117	2,203,318	0	125,528	2,359,443

*) WIP= Work in progress including advance payments

**) Caruna has adopted IFRS 16 Leases standard starting from 1 January 2019. The standard is applied with a simplified approach and thus no comparison information has been adjusted to comply with IFRS 16.

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	WIP *)	Total
Acquisition cost 1 January 2018	7,042	28,834	2,245,117	166,217	2,447,211
Additions	-	-	-	258,447	258,447
Transfers between items	474	371	288,459	-299,136	-9,831
Disposals	-37	-281	-41,184	-	-41,502
Acquisition cost 31 December 2018	7,480	28,924	2,492,392	125,528	2,654,325
Accumulated depreciation 1 January 2018	-	4,375	207,677	-	212,052
Depreciation charge for the year	-	1,713	122,546	-	124,259
Depreciation charge on disposals and transfers between items	-	-281	-41,148	-	-41,429
Accumulated depreciation 31 December 2018	-	5,807	289,074	-	294,882
Net book value					
At 31 December 2018	7,480	23,117	2,203,318	125,528	2,359,443
At 31 December 2017	7,042	24,459	2,037,440	166,217	2,235,159

*) 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 2019	1,428	1,007	858	3,293
Additions	22	3	20	45
Depreciation for the year	81	60	79	220
Cost at 31 December 2019	1,369	950	799	3,118

14. 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

2019 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

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 2020-2045. Of these, cash flows for 2020-2023 are based on the 3 year business plan which has been approved by the Board of Directors. Cash flow projections for 2024-2045 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 has been prepared taking into account 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 in order to take into account the effect of the security of supply requirements on the allowed regulated revenues.

An annual growth rate of 2% has been applied for operating expenditure for 2024-2045. The terminal value cash flow is expected to grow by 2% annually. 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.

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 5.73% has been derived directly from the regulatory pre-tax WACC.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The headroom turned negative when the sensitivity of the value was tested by decreasing EBITDA by 10% and increasing the discount rate by 10%. The breakeven point for the EBITDA sensitivity amounts to -5,5% for Caruna Espoo Oy. The breakeven point for the discount rate sensitivity amounts to +6.3% in Caruna Espoo Oy. 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.

15. Other non-current assets

EUR 1,000	2019	2018
Other investments at 1 January	49	49
Other investments at 31 December	49	49

Other investments include other shares owned less than 10%. 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 transformers etc.

16. Financial assets and liabilities

FINANCIAL ASSETS

EUR 1,000	2019	2018
Non-current		
Financial assets at amortised cost		
Accrued receivables	1,488	1,868
Financial assets at fair value through OCI		
Cross currency derivatives	231	-
Current		
Financial assets at fair value through profit or loss		
Electricity derivatives, non-hedged	-	1,806
Financial assets at amortised cost		
Trade receivables	113,956	111,248
Total financial assets	115,675	114,922

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 through profit or loss reflect positive change in fair value of those electricity derivatives that are not designated in hedge relationships according to IFRS 9.

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

FINANCIAL LIABILITIES

EUR 1,000	2019	2018
INTEREST-BEARING LIABILITIES		
Non-current liabilities		
Financial liabilities at amortised cost		
Loans	3 371 980	3 327 310
Leaseliabilities	2 990	-
TRADE PAYABLES AND OTHER LIABILITIES		
Non-current liabilities		
Financial liabilities at fair value through OCI		
Cross-currency swaps	27 303	8 491
Financial liabilities at amortised cost		
Connection fee liabilities	304 024	304 300
Current liabilities		
Financial instruments through profit or loss		
Electricity derivatives	-	73
Interest derivatives	-	3 149
Financial liabilities at amortised cost		
Trade payables	43 490	53 394
Lease liabilities	176	-
Total financial liabilities	3 749 963	3 696 717

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 electricity and 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	2019	2018
Non-current interest-bearing loans and borrowings				
Shareholder loan	8,50 %	2047	773 642	903 642
IBLA-loans				
IBLA-loan 7y	1,50 %	2023	500 000	500 000
IBLA-loan 10y	2,04 %	2026	10 000	10 000
IBLA-loan 10y	1,69 %	2026	60 000	60 000
IBLA-loan 10y	3,18 %	2026	66 761	65 502
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
Investment loans				
EIB loan, 12y	1,18 %	2028	200 000	200 000
EIB loan, 12y	1,54 %	2032	100 000	-
NIB loan, 15y	1,56 %	2033	150 000	150 000
Facility loans				
RCF loan	0,30 %	2024	123 000	50 000
Lease liabilities		-	3 165	-
Accrued loan arrangement fees			-6 423	-6 834
Total non-current interest-bearing loans and borrowings			3 375 145	3 327 310
Total interest-bearing loans and borrowings			3 375 145	3 327 310

The owners First State (40%), OMERS (40%), Keva (12,5%) and Elo (7,5%) have given a Shareholder loan to Suomi Power Networks TopCo B.V and its subsidiaries. In 2018, Caruna Networks Oy repaid the Shareholder loan by EUR 130 (30) million. No interest expenses were capitalised nor added to the principal Shareholder loan amount during 2019 or 2018.

During 2019, Caruna raised EUR 158 million and repaid a total of EUR 85 million short term loans from capex and revolving credit facility. Available facilities are capex and revolving credit facility EUR 227 million, bank overdraft EUR

30 million and liquidity facility EUR 6,7 million. Caruna also raised a EUR 100 million loan from the Nordic Investment Bank (NIB). The average maturity of the loan is 11 years. During the comparison year Caruna raised a EUR 150 million loan from the Nordic Investment Bank (NIB) with an average maturity of 10 years for the loan. Caruna also took out in total EUR 70 million for investments from the Capex and Revolving Credit Facilities, which of EUR 40 million was repaid, during the comparison year. At the end of the comparison year Caruna's available facility limits consisted

of a capex and revolving credit facility, EUR 300 million; a bank overdraft facility, EUR 30 million; and a liquidity facility, EUR 15 million; and an undrawn capex loan EUR 100 million.

The periods financing costs stated on the income statement were EUR 131.0 (133.7) million, and the amount interest loans stated on the balance sheet were EUR 36.7 (39.3) million. Of Caruna's external loans 93 percent are with fixed interest rates. The average interest rate on external loans at the end of the year was 2.1 (2.2)%. Caruna complied with the covenant terms of all loan agreements. Standard & Poor's assigned Caruna's long-term credit rating of BBB+ and a stable outlook.

In addition to 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	2019	2018
Cash and cash equivalents	-88,511	-57,535
Shareholder loan	773,642	903,642
Total non-current interest-bearing loans and borrowings	2,598,338	2,423,668
Lease liabilities	3,165	-
Total net debt	3,286,634	3,269,775
Cash and cash equivalents	-88,511	-57,535
Gross debt - fixed rate	2,852,145	2,977,310
Gross debt - floating rate	523,000	350,000
Total net debt	3,286,634	3,269,775

EUR 1,000	Net debt 1 January 2019	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 Dec 2019
Cash and cash equivalents	-57,535	-30,976	-	-	-88,511
Shareholder loan	903,642	-130,000	-	-	773,642
IBLA-loans	2,023,668	-	1,259	411	2,025,338
Loan facilities	400,000	173,000	-	-	573,000
Lease liabilities	3,239	-	-	-74	3,165
Total	3,269,775	12,024	1,259	337	3,286,634

EUR 1,000	Net debt 1 January 2018	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 Dec 2018
Cash and cash equivalents	-42,900	-14,635	-	-	-57,535
Shareholder loan	933,642	-30,000	-	-	903,642
IBLA-loans	2,020,426	-	2,966	276	2,023,668
Loan facilities	220,000	180,000	-	-	400,000
Total	3,131,168	135,365	2,966	276	3,269,775

CASH AND CASH EQUIVALENTS RECONCILIATION

EUR 1,000	2019	2018
Cash and cash equivalents balance at 31 December	46,900	57,535
Group's Cash Pool account balance at 31 December	41,611	-
Cash and cash equivalents at 31 December	88,511	57,535
Cash and cash equivalents in Group cash flow	88,511	57,535

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.

17. 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 2019

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	16			1,488	1,488	1,488	1
Cross currency derivatives	16		231		231	231	2
Current financial assets							
Trade receivables	16			113,956	113,956	113,956	2
Cash and cash equivalents	20			88,511	88,511	88,511	1
Total financial assets		-	231	203,955	204,186	204,186	
Non-current financial liabilities							
Interest-bearing liabilities (floating rate)	16			523,000	523,000	523,000	2
Interest-bearing liabilities (fixed rate)	16			2,855,403	2,855,403	2,855,403	2
Accrued loan arrangement fee	16			-6,423	-6,423	-6,423	1
Lease liabilities	16			2,990	2,990	2,990	2
Derivative financial instruments (interest)	16		27,303		27,303	27,303	2
Connection fee liabilities	16			304,024	304,024	304,024	3
Current financial liabilities							
Lease liabilities	16			176	176	176	2
Trade payables	23			43,490	43,490	43,490	2
Total financial liabilities		-	27,303	3,722,659	3,749,962	3,749,962	

AT 31 DECEMBER 2018

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	16			1,868	1,868	1,868	1
Current financial assets							
Derivative financial instruments (electricity)	16	1,806			1,806	1,806	2
Trade receivables	16			111,248	111,248	111,248	2
Cash and cash equivalents	20			57,535	57,535	57,535	1
Total financial assets		1,806	-	170,651	172,457	172,457	
Non-current financial liabilities							
Interest-bearing liabilities (floating rate)	16			350,000	350,000	350,000	2
Interest-bearing liabilities (fixed rate)	16			2,984,144	2,984,144	2,984,144	2
Accrued loan arrangement fee	16			-6,834	-6,834	-6,834	1
Derivative financial instruments (interest)	16		8,491		8,491	8,491	2
Connection fee liabilities	16			304,300	304,300	304,300	3
Current financial liabilities							
Derivative financial instruments (electricity)	16	73			73	73	2
Derivative financial instruments (interest)	16	3,149			3,149	3,149	2
Trade payables	23			53,394	53,394	53,394	2
Total financial liabilities		3,222	8,491	3,685,004	3,696,717	3,696,717	

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 2019 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).

18. 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. Caruna hedged the grid loss costs beforehand with electricity derivatives until 30 September 2017, when Caruna decided to terminate the hedge accounting of electricity hedges.

Electricity derivatives 31 December 2019

EUR 1,000	Positive fair value	Negative fair value	Net fair value
Electricity derivatives, non-hedge accounting	-	-	-
Total	-	-	-

Electricity derivatives 31 December 2018

EUR 1,000	Positive fair value	Negative fair value	Net fair value
Electricity derivatives, non-hedge accounting	1,806	-73	1,733
Total	1,806	-73	1,733

Interest rate risk

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

Interest rate derivatives 31 December 2019

EUR 1,000	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, non-hedge accounting	-	-	-
Interest rate derivatives, cash flow hedges and fair value hedges	-	-27,303	-27,303
Cross currency derivatives, cash flow hedges and fair value hedges	231	-	231
Total	-	-27,303	-27,072

Interest rate derivatives 31 December 2018

EUR 1,000	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, non-hedge accounting	-	-3,149	-3,149
Interest rate derivatives, cash flow hedges and fair value hedges	-	-7,463	-7,463
Cross currency derivatives, cash flow hedges and fair value hedges	-	-1,029	-1,029
Total	-	-11,640	-11,640

For interest rate sensitivity analysis in accordance with IFRS 7, if interest rates at 31 December 2019 on EUR-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been EUR 3.2 (1.3) million lower / EUR 0.5 (2.1) million higher, as a result of changes in the interest flows on floating rate borrowings and hedging instruments and the change of market value of the non-hedge accounted interest rate swaps; there would not be any effect on other components of equity. The following table illustrates the sensitivity analysis.

31 December 2019

MEUR	Income statement		Equity	
	+ 1%	- 1%	+ 1%	- 1%
Interest-bearing liabilities	-2.0	2.7	-	-
Interest rate derivatives				
Hedge accounted	0.7	-0.6	-	-
Non-hedge accounted	-	-	-	-
Total	-1.3	2.1	-	-

31 December 2018

MEUR	Income statement		Equity	
	+ 1%	- 1%	+ 1%	- 1%
Interest-bearing liabilities	-2.1	2.1	-	-
Interest rate derivatives				
Hedge accounted	-	-	-	-
Non-hedge accounted	-	-	-	-
Total	-2.1	2.1	-	-

Credit risk

Caruna Finance is to manage 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	18,867	-	-	-	18,867
Expected loss rate %	0 %	-	-	-	
Loss allowance	0	-	-	-	0
Households					
Gross trade receivables	15,921	5,024	737	335	22,017
Expected loss rate %	0 %	0 %	1 %	1 %	
Loss allowance	0	0	5	3	9
Companies					
Gross trade receivables	33,343	2,197	133	97	35,770
Expected loss rate %	0 %	1 %	15 %	29 %	
Loss allowance	0	22	20	28	70
Total loss allowance	0	22	25	32	79

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, starting at 1 January 2018, the Group books according to IFRS 9 ECL model a credit loss for expected future receivables. The calculation reflect the most likely outcome for future credit losses, taking in account customers previous payment behavior as well as other information supporting decision making. Assumptions used in the calculation are revised annually or adjusted when necessary.

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

Currency risk

Changes in currency rates have impact on group's net financing costs as well as interest bearing liabilities and the

fair values of derivatives. The aim of hedging the currency risk exposure is to reduce the effect of changes in income statement, balance sheet and cash flow, while also taking into account the market value of the net debt position.

Liquidity and refinancing risk

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

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

YEAR ENDED 31 DECEMBER 2019

EUR 1,000	Payable on demand	Payable in less than 3 months	Payable in 4 to 12 months	Payable in 1 to 5 years	Payable in more than 5 years	Total
Interest-bearing loans and borrowings	-	-	-	623,000	2,755,403	3,378,403
Accrued loan arrangement fee	-	-	-	-	-6,423	-6,423
Leasing liabilities	-	61	183	978	1,943	3,165
Connection fee liabilities	-	-	-	-	304,024	304,024
Interest derivatives	-	-	-	-	27,303	27,303
Trade payables	-	43,490	-	-	-	43,490
Accrued interest expenses	-	29,999	6,735	-	-	36,733
Total	-	73,550	6,918	623,978	3,082,250	3,786,695

YEAR ENDED 31 DECEMBER 2018

EUR 1,000	Payable on demand	Payable in less than 3 months	Payable in 4 to 12 months	Payable in 1 to 5 years	Payable in more than 5 years	Total
Interest-bearing loans and borrowings	-	-	-	550,000	2,784,144	3,334,144
Accrued loan arrangement fee	-	-	-	-	-6,834	-6,834
Connection fee liabilities	-	-	-	-	304,300	304,300
Interest derivatives	-	3,149	-	4,157	3,305	10,611
Currency derivatives	-	-	-	-	1,029	1,029
Electricity derivatives	-	71	2	-	-	73
Trade payables	-	53,394	-	-	-	53,394
Accrued interest expenses	-	32,638	6,651	-	-	39,289
Total	-	89,252	6,653	554,157	3,085,944	3,736,006

19. Trade and other receivables

TRADE RECEIVABLES

EUR 1,000	2019	2018
Trade receivables, gross amount	76,654	70,047
Credit losses	-79	-153
Accrued sales	37,380	41,354
Total trade and other receivables	113,956	111,248

AGING ANALYSIS OF TRADE RECEIVABLES (GROSS AMOUNT)

EUR 1,000	2019	2018
Not past due	68,132	62,578
Past due 1-90 days	8,090	7,005
Past due 91-180 days	185	185
Past due more than 181 days	247	279
Total	76,654	70,047

Credit losses recorded in 2019 were EUR 323 (432) thousand. Trade receivables overdue more than 180 days are generally considered to be credit-impaired and reservations are made in group companies bookkeeping for the full amount, adjusted for expected recovery rates. On top of this starting 1 January 2018 the Group books according to the IFRS 9 ECL model a credit loss for future credit losses. The change in accounting policy has not had a material impact on accounting for credit losses and there was no material change in credit losses.

OTHER RECEIVABLES

EUR 1,000	2019	2018
Income tax receivables	91	760
Accrued income and prepaid expenses	1,497	1,343
Total trade and other receivables	1,587	2,103

For terms and conditions relating to related party receivables, refer Note 26. Related party transactions.

20. Cash and cash equivalents

EUR 1,000	2019	2018
Cash at banks and on hand	88,511	57,535
Total cash and cash equivalents	88,511	57,535

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 227 (300) million, bank overdraft EUR 30 (30) million, liquidity facility EUR 7 (15) million.

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

21. Provisions

EUR 1,000	2019	2018
Provisions at 1 January	215	368
Increases in provisions	99	22
Decreases in provisions	-190	-175
Provisions at 31 December	124	215
Non-current provisions	-	169
Current provisions	124	46

Other provisions relate mainly to compensations for ended employments.

22. 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	2019	2018
Defined benefit obligation	1,816	1,210
Fair value of plan assets	-1,455	-1,015
Surplus (-)/deficit (+)	361	195
Net defined benefit liability (+)/asset (-) recognised in statement of financial position	361	195

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

EUR 1,000	2019	2018
Opening defined benefit obligation	1,210	1,664
Current service cost	16	21
Interest expense	20	24
Actuarial gains (-)/losses (+) on obligation	636	-399
Benefits paid	-66	-100
Defined benefit obligation at the end of the period	1,816	1,210

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

EUR 1,000	2019	2018
Opening fair value of plan assets	1,015	1,504
Interest income	17	22
Actuarial gains (+)/losses (-) on plan assets	245	-459
Benefits paid	-66	-100
Contributions	244	48
Fair value of plan assets at the end of the period	1,455	1,015

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	2019	2018
Net defined benefit liability recognised in statement of financial position at beginning of period	195	160
Expense recognised in profit or loss	19	23
Remeasurements recognised in other comprehensive income	391	60
Contributions	-244	-48
Total	361	195

Items recognised in profit or loss

EUR 1,000	2019	2018
Service cost	16	21
Net interest	3	2
Expenses recognised in profit or loss	19	23

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2019	2018
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in financial assumptions	216	-32
Actuarial gains (-)/losses (+) on defined benefit obligation arising from experience adjustments	420	-367
Actuarial gains (-)/ losses (+) on plan assets	-245	459
Remeasurement in other comprehensive income	391	60

THE PRINCIPAL ASSUMPTIONS USED IN DETERMINING PENSION BENEFIT OBLIGATIONS FOR THE GROUP'S PLAN ARE SHOWN BELOW

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

Reporting Period ending 31 December 2019	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 1.40%	0 %	0 %	0 %	0 %	0 %
Discount rate +0.50%	-7 %	-6 %	-10 %	-9 %	102 %
Discount rate -0.50%	8 %	7 %	11 %	10 %	-128 %
Benefit increase 1.4%/0%	0 %	0 %	0 %	0 %	0 %
Benefit increase +0.50%	5 %	0 %	24 %	8 %	25 %
Benefit increase -0.50%	-4 %	0 %	-22 %	-7 %	-23 %

Reporting Period ending 31 December 2018	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 1.70%	0 %	0 %	0 %	0 %	0 %
Discount rate +0.50%	6 %	5 %	9 %	11 %	42 %
Discount rate -0.50%	-2 %	-1 %	-3 %	-3 %	-32 %
Benefit increase 2%/0%	0 %	0 %	0 %	0 %	0 %
Benefit increase +0.50%	3 %	0 %	20 %	7 %	22 %
Benefit increase -0.50%	-3 %	0 %	-19 %	-5 %	-20 %

23. Trade and other current payables

EUR 1,000	2019	2018
Trade payables		
Accounts payables trade	26,216	29,994
Accrued trade payables	17,274	23,400
Total trade payables	43,490	53,394
Other non-current liabilities		
Accrued expenses	351	-
Total other non-current liabilities	351	-
Other liabilities		
Electricity tax liability	20,170	18,203
VAT liability	22,673	18,314
Other payables	2,237	795
Total other liabilities	45,079	37,313
Accrued expenses		
Employee benefit expenses	7,081	5,766
Interest expenses	36,733	39,289
Income tax liability	910	171
Other accrued expenses	4,816	4,154
Total accrued expenses	49,540	49,380
Total	138,461	140,086

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.

24. 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	2019	2018
Within one year	218	457
After one year but no more than five years	885	1,882
More than five years	232	492
Total	1,335	2,831

CAPITAL COMMITMENTS

EUR 1,000	2019	2018
Property, plant and equipment	292,246	288,890
Total	292,246	288,890

OTHER PURCHASE COMMITMENTS

EUR 1,000	2019	2018
Purchase of electricity	9,937	7,132
Total	9,937	7,132

CONTINGENT LIABILITIES

EUR 1,000	2019	2018
Loans, for which shares have been pledged and mortgages given		
Loans from financial institutions	2,604,762	2,430,502
Floating charges	11,100,000	11,100,000
Real estate mortgages	22,989	24,077
Guarantees on behalf of Group companies	20,085	20,048

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 88,511(57,535) 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 its 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 EUR 0.

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

25. 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	2019	2018
Cash flow hedge reserve	-21,843	-5,971
Other comprehensive income	-105	208
Total other funds	-21,948	-5,763

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 51,135,211.16 (508,224,821.50). The profit for 2018 included a non-recurring merger profit of EUR 448,860,706.01 realised when Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy were merged into Caruna Networks Oy on 1 January 2018. The comparable profit for the financial period 2018 was EUR 59,364,115.49. The Board of Directors proposes to the annual general meeting that no dividend be paid for 2019 and that the profit be transferred to retained earnings.

26. Related party transactions

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

THE BOARD OF DIRECTORS AND MANAGEMENT TEAM

Salaries and other short term employee benefits

EUR 1,000	2019	2018
Board members	239	180
CEO	489	410
Management team	1,397	1,234
Total	2,125	1,824

The salaries and short term employee benefits for Board members, CEO and Management team in 2018 were EUR 2,125 (1,824) thousand. Remunerations have been paid to independent domestic Board members.

Caruna's Management team consists at the end of the reporting period of 7 members. To the management board belongs CEO Tomi Yli-kyyny, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Kostu Rautiainen, Head of Customer Relations Katriina Kalavainen, Head of HR Tommi Saikkonen, Head of Communications and Public Affairs Anne Pirilä and Head of Development and Innovation Elina Lehtomäki. Head of Governance Harri Pynnä was part of the management team until 31 July 2019.

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% of the annual salary, to the Caruna Personnel Fund established in 2015.

In its meeting 16 November 2017 The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2018-2020. 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 parameters 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 2019, EUR 393 (561) 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

In September 2019 Caruna Networks Oy repaid EUR 130,000 thousand of the Shareholder loan to its owners. At the end of 2019 the shareholder loan was EUR 773,642 (903,642) thousand from the owners First State Investment, OMERS Infrastructure, Keva 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 (19,629) 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 16 Financial assets and liabilities.

27. Events after the reporting period

The Government's draft bill on amending the Electricity Market Act was opened for statements at the beginning of 2020. The proposal includes a reduction in the annual price increase limit to 12.5 per cent, an extension of the deficit levelling period from four to eight years, and an extension of the deadline for implementing the reliability requirements for electricity distribution for companies operating in the most challenging areas, with the new deadline set at the end of 2036.

Parent company Financial statements (FAS)

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Net sales	3	19,077,141.04	16,343,424.96
Other operating income	4	-	448,860,706.01
Personnel expenses	5	-7,617,102.67	-6,383,856.67
Other operating expenses	6	-13,377,076.05	-10,788,919.56
Operating profit		-1,917,037.68	448,031,354.74
Financial income and expenses	7	-101,935,072.85	-107,804,338.05
Profit before appropriations and taxes		-103,852,110.53	340,227,016.69
Appropriations	8	167,000,000.00	178,100,000.00
Income taxes	9	-12,012,678.31	-10,102,195.19
Profit for the period		51,135,211.16	508,224,821.50

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non current assets			
Investments	10	2,957,000,000.00	2,947,000,000.00
Total non current assets		2,957,000,000.00	2,947,000,000.00
Current assets			
Non-current receivables	11	1,027,503,762.65	929,310,711.18
Current receivables	12	203,278,348.81	223,567,720.57
Cash and cash equivalents	13	41,610,904.81	12,435,408.47
Total current assets		1,272,393,016.27	1,165,313,840.22
TOTAL ASSETS		4,229,393,016.27	4,112,313,840.22
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2,500.00	2,500.00
Invested distributable equity fund		171,203,600.47	171,203,600.47
Hedging reserves		-27,303,315.52	-7,462,902.13
Retained earnings (cumulative profit)		516,371,402.57	8,146,581.07
Profit for the financial year		51,135,211.16	508,224,821.50
Total equity		711,409,398.68	680,114,600.91
Liabilities			
Non current liabilities	15	3,405,706,518.69	3,342,635,137.22
Current liabilities	16	112,277,098.90	89,564,102.09
Total liabilities		3,517,983,617.59	3,432,199,239.31
TOTAL EQUITY AND LIABILITIES		4,229,393,016.27	4,112,313,840.22

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 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 income 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 financial income and expenses in the profit and loss statement.

1.2.1 Financial instruments – Recognition

Caruna Networks Oy has changed its accounting policies regarding derivatives on December 31, 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 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, assuming that 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 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 Networks 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 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 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 financial income or financial expense is recognised.

When hedge accounting is discontinued, any cumulative gain or loss previously recognised in hedge reserve 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.

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 institution. 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 are long-term.

1.6 PROVISIONS

Provisions are recognised when Caruna Networks Oy has a present obligation (legal or constructive) because 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 mutual pension insurance companies Keva (12,5 %) and Elo (7,5 %), and international infrastructure investors First State Investments (40 %) and OMERS Infrastructure (40 %).

3. Net sales by geographical markets

EUR	2019	2018
Sales to group companies, Finland	19,077,141.04	16,343,424.96
Total	19,077,141.04	16,343,424.96

4. Other operating income

EUR	2019	2018
Merger gain	-	448,860,706.01

The merger gain was created when Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy merged with Caruna Networks Oy on 1 January 2018.

5. Personnel and other personnel related expenses

PERSONNEL EXPENSES

EUR	2019	2018
Wages and salaries	-6,312,828.36	-5,481,462.67
Indirect personnel expenses		
Pensions	-1,090,352.52	-727,042.68
Other personnel expenses	-213,921.79	-175,351.32
Total	-7,617,102.67	-6,383,856.67

NUMBER OF PERSONNEL

	2019	2018
Average number of personnel during the financial year	64	51

SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS TO MANAGEMENT

EUR	2019	2018
To board members, CEO and management team	-2,124,617.00	-1,824,491.00

6. Other operating expenses

EUR	2019	2018
Rents	-80,383.90	-70,954.92
External services	-11,793,896.36	-9,924,334.63
Other expenses	-1,502,795.79	-793,630.01
Total	-13,377,076.05	-10,788,919.56

AUDITOR'S FEES, DELOITTE OY, AUDIT FIRM

EUR	2019	2018
Audit fees	-56,000.00	-148,111.00
Other fees	-96,450.00	-98,768.50
Total	-152,450.00	-246,879.50

7. Financial income and expenses

EUR	2018	2017
Other interest and financial income		
From group companies	29,368,738.44	25,996,215.59
From others	3,833,649.17	6,135,679.51
Total financial income	33,202,387.61	32,131,895.10
Interest expenses and other financial expenses		
To group companies		
Shareholder loan interest expenses	-75,052,445.07	-79,810,083.96
To others		
Senior loan interest and financial expenses	-52,394,029.23	-51,847,980.54
Interest swap expenses	-6,177,113.52	-6,717,665.03
Other interest and financial expenses	-1,513,872.64	-1,560,503.62
Total financial expenses	-135,137,460.46	-139,936,233.15
Total	-101,935,072.85	-107,804,338.05

8. Appropriations

EUR	2019	2018
Group contributions received	167,000,000.00	178,100,000.00

9. Income taxes

EUR	2019	2018
Income taxes from group contributions	33,400,000.00	35,620,000.00
Income taxes from ordinary activities	-45,412,678.31	-45,722,195.19
Total taxes	-12,012,678.31	-10,102,195.19

10. Assets

INVESTMENTS

EUR	Investments in group companies 2019	Investments in group companies 2018
Acquisition cost 1 Jan	2,947,000,000.00	266,108,600.47
Additions	10,000,000.00	2,947,000,000.00
Disposals	-	-266,108,600.47
Acquisition cost 31 Dec	2,957,000,000.00	2,947,000,000.00
Carrying amount 31 Dec	2,957,000,000.00	2,947,000,000.00
Total assets	2,957,000,000.00	2,947,000,000.00

As a result of the merger of Caruna Networks Sähkösiirto Oy and Caruna Networks Espoo Oy, the shares of Caruna Oy and Caruna Espoo Oy were transferred to Caruna Networks Oy on 1 January 2018.

11. Non-current receivables

EUR	2019	2018
Receivables from group companies		
Loan receivables		
Other loan receivables	1,019,876,666.00	920,876,666.00
Receivables from group companies total	1,019,876,666.00	920,876,666.00
Receivables from others		
Interest and currency derivatives	230,968.07	-
Prepayments and accrued income		
Other prepayments and accrued income	7,396,128.58	8,434,045.18
Non-current receivables total	1,027,503,762.65	929,310,711.18

12. Current receivables

EUR	2019	2018
Trade receivables	274,225.64	-
Prepayments and accrued income		
Accrued interest income, swaps	336,144.74	372,396.77
Prepaid insurance premiums	12,815.28	11,051.00
Other prepaid expenses	391,057.20	782,114.40
Other prepaid expenses and accrued income	244,268.79	9,734.84
Prepayments and accrued income total	984,286.01	1,175,297.01
Receivables from group companies		
Trade receivables	188,074.17	1,194,663.24
Cash pool account	28,503,472.89	37,353,929.48
Prepayments and accrued income		
Other interest income	6,328,290.10	5,743,830.84
Prepayments and accrued income total	6,328,290.10	5,743,830.84
Group contributions	167,000,000.00	178,100,000.00
Receivables from group companies total	202,019,837.16	222,392,423.56
Total current receivables	203,278,348.81	223,567,720.57

Receivables from group companies includes cash pool account of EUR 28,503,472.89 (37,353,929.48). 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	2019	2018
OP Corporate Bank Plc	41,610,904.81	12,435,408.47

14. Equity

EUR	2019	2018
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	-7,462,902.13	-3,458,019.94
Change in hedging reserves	-19,840,413.39	-4,004,882.19
Hedging reserves 31 Dec	-27,303,315.52	-7,462,902.13
Total restricted equity	-27,300,815.52	-7,460,402.13
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	516,371,402.57	8,146,581.07
Retained earnings 31 Dec	516,371,402.57	8,146,581.07
Profit/Loss for the period	51,135,211.16	508,224,821.50
Total unrestricted equity	738,710,214.20	687,575,003.04
Total equity	711,409,398.68	680,114,600.91

DISTRIBUTABLE UNRESTRICTED EQUITY

EUR	2019	2018
Retained earnings	516,371,402.57	8,146,581.07
Profit for the period	51,135,211.16	508,224,821.50
Invested distributable equity fund	171,203,600.47	171,203,600.47
Hedging reserve	-27,303,315.52	-7,462,902.13
Total	711,406,898.68	680,112,100.91

15. Non current liabilities

EUR	2019	2018
Loans from the group companies	773,641,586.65	903,641,586.65
Loans from financial institutions	2,604,761,616.52	2,430,502,183.40
Interest and currency derivatives	27,303,315.52	8,491,367.17
Total non-current liabilities	3,405,706,518.69	3,342,635,137.22

16. Current liabilities

EUR	2019	2018
Trade payables	1,171,299.06	1,030,455.31
Other current liabilities	4,793,778.45	3,831,902.34
Interest derivatives	-	3,148,500.51
Accrued expenses		
Accrued employee expenses	2,343,651.90	1,984,979.14
Accrued interest expenses, other	19,928,005.22	19,659,893.93
Income tax liabilities	904,678.31	171,080.70
Other accrued expenses	132,275.17	178,465.44
Accrued expenses total	23,308,610.60	21,994,419.21
Liabilities to group companies		
Trade payables	38,840.71	151,628.21
Cash pool account	66,159,355.61	39,778,093.15
Accrued expenses		
Accrued shareholder loan interest expenses	16,805,214.47	19,629,103.36
Liabilities to group companies total	83,003,410.79	59,558,824.72
Total Current liabilities	112,277,098.90	89,564,102.09
Non-interest bearing liabilities	73,421,058.81	58,277,376.11
Interest bearing liabilities	3,444,562,558.78	3,373,921,863.20
Total	3,517,983,617.59	3,432,199,239.31

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

EUR	2019	2018
Derivative liabilities recognised at fair value through OCI	Level 2	Level 2
Interest rate swaps	27,303,315.52	10,611,402.64
Cross currency swaps	-	1,028,465.04
Total	27,303,315.52	11,639,867.68

18. Maturity of interest rate and cross currency swaps liabilities

EUR	2019	2018
On demand	-	-
Less than 3 months	-	3,148,500.51
4 to 12 months	-	-
1 to 5 years	-	-
> 5 years	27,303,315.52	8,491,367.17
Total	27,303,315.52	11,639,867.68

19. Commitments and contingent liabilities

EUR	2019	2018
Loans, for which shares and other assets have been pledged		
Loans from financial institutions (senior-loan)	2,604,761,616.52	2,430,502,183.40
Book value of pledged subsidiary shares	2,957,000,000.00	2,947,000,000.00
Floating charges	6,660,000,000.00	6,660,000,000.00
Loans receivables	1,019,876,666.00	920,876,666.00
Cashpool receivables	28,503,472.89	37,353,929.48
Mortgages	22,988,530.94	24,076,753.61
Guarantees on behalf of group companies	20,085,290.00	20,047,890.00

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 41,610,904.81 (2018: 12,435,408.47) 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

	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	19,992,041.11	20,483,945.73
Profit/Loss for the period	-6,463,541.44	189,051.05

21. Formulas for key figures

OPERATING PROFIT-%

$$\frac{\text{Operating profit} \times 100}{\text{Net sales}}$$

RETURN ON EQUITY-%

$$\frac{(\text{Profit/Loss before appropriations and taxes} - \text{taxes}) \times 100}{\text{Equity (average for the period)}}$$

EQUITY RATIO-%

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

Signatures to the financial statements and operating and financial review

Espoo, 11 March 2020

Matti Ruotsala
Chairman of the Board

Jouni Grönroos
Member of the Board

John Guccione
Member of the Board

Gregor Kurth
Member of the Board

Matthew Liddle
Member of the Board

~~Niall Mills~~ Ellen Richardson
~~Member of the Board~~ *Deputy Member of the Board*

Laura Tarkka
Member of the Board

Tomi Yli-Kyyny
Managing Director

Auditor's note

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

Espoo, 11 March 2020

Deloitte Oy
Audit Firm

Jukka Vattulainen
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

Caruna Oy

Caruna Networks Oy
www.caruna.fi/en

Mail Address

PO Box 1, 00068
CARUNA, FINLAND

Street Address

Upseerinkatu 2
00068, Espoo, FINLAND