CARUNA GROUP

Operating And Financial Review And Financial Statements

31 DECEMBER 2020

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Operating and Financial Review for 2020 by Caruna Networks Oy's Board

KEY FINANCIAL (IFRS) AND OPERATIONAL INDICATORS FOR THE GROUP

EUR million or as indicated	2020	2019
Net sales	475.3	466.4
Profit for the period	35.0	28.1
Corporation tax	10.7	12.2
Investments	143.2	167.3
Cash flow after investments	16.8	-11.9
Customers	703,000	692,000
Network cabling rate (%)	59	56
Small-scale producers of solar power in the network area	9,400	6,600
System Average Interruption Duration Index per customer (SAIDI), minutes	103	79
Reliability of supply rate (%)	99.98	99.99

Key events during the financial period

Caruna's customer base continued to grow steadily. The number of customers reached 703 (692) thousand at the end of December. Customer satisfaction remained almost the same, as the cumulative NPS, which is a measure of customer satisfaction, stood at 22.6 (24.2) at the end of December.

In the spring, Caruna helped alleviate the financial impacts of the coronavirus epidemic on its customers by offering private customers the option of postponing the payment of invoices by three months between 16 March and 30 June.

In order to help contractors survive these difficult financial times caused by the coronavirus epidemic, Caruna expedited its payments to contractors during the epidemic from March to August.

From January to December, the total electricity supply volume decreased slightly to 9.2 (9.6) TWh on the distribution network. The decrease was due to lower consumption as temperatures were higher than in the preceding year. In 2020, the average temperature in Finland was a record-breaking 4.8°C. The coronavirus epidemic had a minor impact on consumption in Caruna's network areas.

The most dramatic storm of the year occurred in September when Storm Aila knocked out the power supply to customers, with as many as 20,000 Caruna customers suffering power cuts at the same time. Long power cuts are rare, and they are almost always caused by major storms. According to the Finnish Meteorological Institute, there were 44 days of storms in Finland last year, and this is an unusually high figure. There were 1,778 (1,164) power cuts that breached the reliability of supply threshold that came into effect in 2019. The reliability of supply rate for electricity distribution was 99.98 (99.99) per cent at the end of December.

The projects to improve the electricity network in Caruna's network areas proceeded despite the extraordinary circumstances brought on by the coronavirus epidemic. Caruna upgraded approximately 3,600 kilometres of the electricity network in its network areas, thereby providing work for contractors all over Finland.

In May, the ISO 55001:2014 quality certificate for Caruna's electricity network asset management system was renewed. In addition, the audits that took place in the spring confirmed Caruna's environmental certificate based on the ISO 14001 standard and its occupational health and safety certificate based on the ISO 45001 standard.

Fortum and Caruna have worked together on a pilot project in Inkoo to develop a battery system to store electricity and improve the reliability of electricity distribution and the quality of supply. The battery system, which was commissioned in August, is the largest battery connected to Finland's distribution network.

Ninety-five per cent of Caruna's personnel switched to remote working during the epidemic. There were no redundancies or lay-offs. Summer interns and work experience trainees were also hired as in previous years. In addition, Caruna supported employment among young people and helped municipalities to take on summer workers in various parts of Finland.

FINANCIAL DEVELOPMENT

In 2020, Caruna Group's net sales amounted to EUR 475.3 (466.4) million, showing an increase of 1.9 per cent year-on-year. The increase in net sales was mainly due to higher connection fee income. The coronavirus epidemic had a marginal impact on the Group's net sales.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 85.5 (87.2) million. The EUR 1.7 million decrease in costs is mainly due to the introduction of reactive energy compensation devices in certain substations. These devices reduce the reactive energy charges to the grid operator and regional network companies.

Other operating expenses came to EUR 89.5 (82.3) million. In 2020, there were several storms that gave rise to additional costs, especially in terms of fault rectification. The costs incurred due to fault repairs, standby costs and planned outages were EUR 5.5 million higher than in the preceding year. Furthermore, EUR 1.8 (0.9) million was paid in outage fees to customers for the durations of power cuts. Depreciations, amortisations and impairment charges amounted to EUR 133.5 (136.3) million. This item includes EUR 10.5 (14.4) million in scrapping charges related to overhead power lines.

Consolidated operating profit amounted to EUR 171.0 (167.2) million. Net finance costs were EUR 125.2 (131.0) million. The decrease in net finance costs is mainly due to lower interest rates on shareholder loans than in the comparison year. Profit for the period was EUR 35.0 (28.1) million.

The Group's cash flow developed favourably. For the first time in the Group's history, its cash flow after investments was positive, ending on EUR 16.8 (-11.9) million.

FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	2020	2019	2018
Net sales	475.3	466.4	454.1
Operating profit	171.0	167.2	154.3
Operating profit (% of sales)	36.0	35.8	34.0
Profit for the period	35.0	28.1	18.5
Investments	143.2	167.3	258.4
Cash flow after investments	16.8	-11.9	-132.6
Interest-bearing net debt (at the end of the period)	3,276.5	3,286.5	3,269.8

Business activities

Caruna Group includes two network companies operating under different circumstances: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas. The network companies have a total of approximately 703,000 consumer, corporate and municipal customers in South, Southwest and West Finland, the city of Joensuu and the regions of Koillismaa and Satakunta. The total length of Caruna's electricity network was nearly 88,350 kilometres at the end of the reporting period.

Caruna's customer base has grown steadily in recent years. The total number of customers was 703 (692) thousand at the end of the year. The rate of growth was 1.6% (1.3%). A total of 2,400 (2,000) new connection agreements were signed, 10 (13) of which were for medium- or high-voltage connections.

Bigro Ab in Närpiö, which is among Finland's largest tomato cultivation businesses, and Timo Juntti Oy in Kaarina, a market garden specialising in cucumber, began using 110 kV network connections for their greenhouses. The contracts for the new connections were signed in 2019. The new connections in Närpiö and Kaarina will enable production to expand and will provide the greenhouses with reliable, cost-efficient electricity distribution.

In September, an agreement was signed with wind power company Rustari Wind Oy on the construction of a 110 kV transformer field in Jalasjärvi. The new transformer field will enable renewable energy to be connected to the network. Commissioning should take place in September 2022.

Länsimetro Oy – the company extending the Helsinki metro line in Espoo – has new connections in Kivenlahti and Finnoo, both in Espoo, which were commissioned in 2020. The new connections for the Jokeri light rail line will be commissioned between 2020 and 2023. The metro extension and the Jokeri light rail line will both significantly enhance the use of electric, low-carbon mobility solutions in Espoo.

NUMBER OF CUSTOMERS AT THE END OF THE FINANCIAL PERIOD (THOUSANDS):

Company	2020	2019	2018
Caruna Oy	479	474	471
Caruna Espoo Oy	224	218	212
Total	**703**	**692**	**683**

Caruna continues to devote resources to customer satisfaction and estimates its development using the Net Promoter Score index (NPS). Caruna's cumulative NPS score remained around the same level, finishing the year at 22.6 (24.2). In all customer interactions, the customers' experience of the ease of receiving service has remained good, with a score of 4.3 (4.3) on a scale from 1 to 5.

The electrification of society, the increase of renewable energy production and electric transportation require a strong and smart electricity network in order to achieve Finland's carbon neutrality goals by 2035. Undisrupted electricity distribution under all circumstances is a prerequisite for the functioning of a smart electricity network. Caruna has carried out long-term work to upgrade its electricity network while taking future requirements into consideration.

WARM WEATHER AND A MILD WINTER REDUCED ELECTRICITY CONSUMPTION

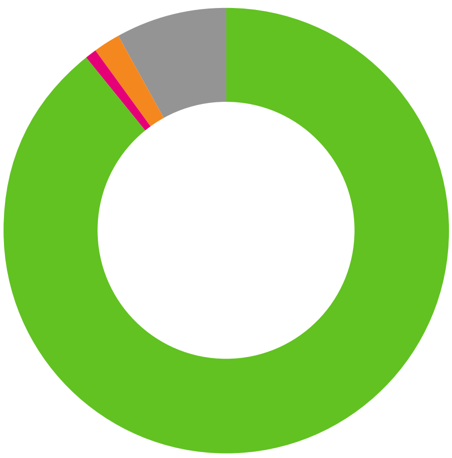
From January to December, the total electricity supply volume on the distribution network decreased to 9.2 (9.6) TWh. The decrease was due to lower consumption as temperatures were higher than in the preceding year. In 2020, the average temperature in Finland was a record-breaking 4.8°C. The coronavirus epidemic had a minor impact on consumption in Caruna's network areas. The electricity supply volume on the high-voltage distribution network was 2.7 (2.8) TWh – almost the same as in the previous year.

Households are the largest customer group, accounting for 89.5% of the total number of customers and 38.1% of all the energy transferred. Industry and services account for 8.4% of the number of customers and 40.7% of the energy transferred.

GRAPH 1: CONSUMPTION BY CUSTOMER SEGMENT

Households	38.1%
Industry	17.2%
Agriculture	5.8%
Services	23.5%
Other	15.5%

GRAPH 2: NUMBER OF CUSTOMERS BY SEGMENT



Households	89.5%
Industry	0.6%
Agriculture	2.2%
Services	7.8%
Other	0.0%

NETWORK RELIABILITY WAS GOOD DESPITE OF HARSH WEATHER CONDITIONS – NETWORK UPGRADES ACCELERATE FAULT REPAIRS

The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). The average interruption time in Caruna's electricity distribution (SAIDI) was 103 (79) minutes per customer between January and December, and the reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 1.7 (1.4) events.

The largest number of interruptions was caused by Storm Aila in September. Storm Aila affected the power supply to approximately 80,000 customers, and approximately 20,000 customers suffered power outages simultaneously. In February, Storm Elina caused power cuts affecting up to 10,200 customers at the same time. According to the Finnish Meteorological Institute, there were 44 stormy days in 2020. This contrasts starkly with the average number of stormy days in the period from 2006 to 2019, which was 27 per year.

Caruna has rapidly upgraded its electricity network to make it weatherproof, and this significantly reduced the number and duration of faults in comparison with previous storms. In addition, the electricity network is now highly automated, enabling electricity to be restored more quickly. In Caruna's area in Southwest Finland, which was most severely affected by Storm Aila, approximately two-thirds of the backbone network is already underground, protected from the weather.

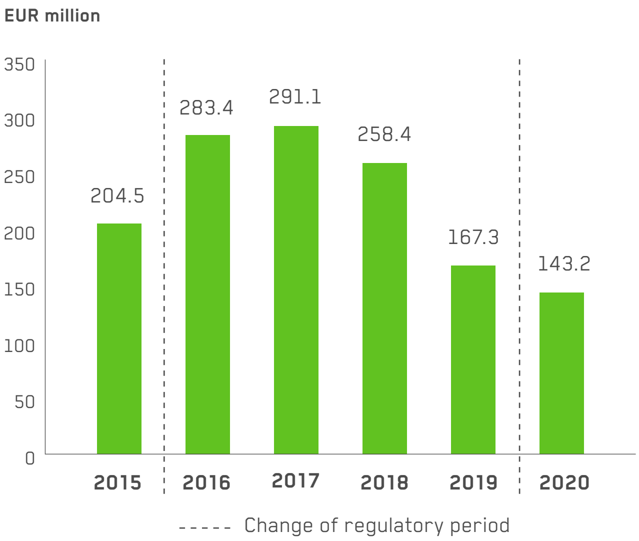
IN THE FUTURE, NETWORK DEVELOPMENT PROJECTS WILL PAY BETTER CONSIDERATION TO THE NEEDS OF LOCAL AREAS

In 2020, Caruna made improvements to its procedures for designing, building and renovating the electricity network. In the future, network development projects will pay better consideration to the needs and distinctive characteristics of local areas. The reliability of electricity distribution will be improved through cabling, clearing trees for power line corridors, increasing the amount of network automation, and piloting electricity storage.

Fortum and Caruna have worked together on a pilot project in Inkoo to develop a battery system to store electricity and improve the reliability of electricity distribution and the quality of supply. The battery system, which was commissioned in August, is the largest battery connected to Finland's distribution network.

In 2020, the electricity network was upgraded most in Caruna Oy's area. A total of 3,600 kilometres of the electricity network was placed underground to protect it from the weather, and 3,200 kilometres of this was in Caruna Oy's area. Caruna's investments amounted to EUR 143.2 (167.3) million.

GRAPH 3. INVESTMENTS 2015–2020



An extensive network improvement programme, which began in 2014 and involved modernising the electricity network in 20 municipalities in Ostrobothnia and Koillismaa, was completed in June. The project called for approximately 1,600 kilometres of medium-voltage electricity network to be placed underground to protect it from the weather.

Planning of the Local Cable Project in Espoo, Kauniainen and Kirkkonummi began at the end of 2020. Over the four-year term of the agreement, 500 kilometres of overhead lines will be replaced by underground cables. Construction will begin in autumn 2021.

Approximately 180 kilometres of overhead lines in Raasepori and Hanko were replaced by underground cables that are protected from the weather. Caruna intends to build approximately 750 kilometres of weatherproof electricity network infrastructure in the Raasepori and Hanko area by 2023. The project began in 2018.

A significant power line overhaul was completed on the high-voltage distribution network when the power line between Kyröskoski and Paununperä was upgraded in the Hämeenkyrö and Ikaalinen areas. A total of 33 kilometres of the power line was overhauled, and this will improve the quality of electricity supplied to high-voltage customers in the area.

SOLAR POWER REMAINED POPULAR – NEW ENERGY ADVICE SERVICE FOR CUSTOMERS

Approximately 2,800 (2,500) new solar power systems (<2 MVA) were connected to Caruna's electricity network in 2020. Private customers accounted for approximately 2,500 of these number, and corporate customers accounted for the remaining 300.

By the end of the period, the number of small-scale producers of solar power was approximately 9,400 (6,600). This target was supported by an electronic service platform, which was launched in February under the Virtane brand. The service enables customers to compare the prices of solar panels, electric vehicle charging services and electricity contracts There are currently nearly 50 solar panel partners and more than 40 charging solution partners involved in the platform.

Caruna launched new services for its customers in 2020. For example, a new, proactive energy advice service analyses the electricity consumption of homes and holiday houses. Customers receive a warning if more electricity is consumed in the property than before.

A service enabling customers to monitor the progress of their electricity connection orders was launched on the digital Caruna+ self-service channel. The order monitoring service provides customers with up-to-date information on the construction of the electricity connection and the various stages involved in the process automatically.

JOINT CONSTRUCTION CONTINUED WITH TELIA AND ELISA

Telia and Caruna continued their cooperation on joint construction which began in 2019. Caruna is responsible for designing and building both the electricity and the fibre optic network, and Valokuitunen, a company established by Telia in the spring, sells fibre optic subscriptions.

In 2020, Telia and Caruna began a new joint construction project in Pöytyä and completed pilot projects in Hyvinkää, Raisio, and Vahto in Rusko. In addition, Caruna's joint construction service expanded when Caruna began working with Elisa in Sauvo.

Caruna's electricity network asset management system was awarded the internationally recognised ISO 55001:2014 quality certificate again in May. The certificate signifies the high quality Caruna has achieved in electricity network development and maintenance, network operations and other operative activities.

Research and development

Total research and development expenditure for the financial period amounted to EUR 0.2 (2019: 0.2 and 2018: 0.1) million, which is 0.19 (2019: 0.27 and 2018: 0.10) 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, Caruna arranges highly diversified funding from several capital markets.

During the financial period, Caruna drew a capex facility and working capital loan in a total amount of EUR 75 million, and repaid EUR 108 million of the sum.

At the end of the financial period, the Group's external loans were in total EUR 2,566.1 (2,604.8) million. On the balance sheet date, 96.5 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% (2.1%).

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

The committed credit facilities available on the balance sheet date were a capex and revolving credit limit amounting to EUR 260 (227) million, a bank overdraft limit of EUR 30 (30) million and a liquidity facility of EUR 6.7 (6.7) million.

Net financing costs recognised on the income statement for the financial period were in total EUR 125.2 (131.0) million, and the interest liabilities recognised on the balance sheet were EUR 36.6 (36.7) 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 314 (313) employees at the end of the year, 67 (65) of whom were employed by the Group's parent company.

	2020	2019	2018
Number of employees 31 Dec	314	313	289
Average number of employees during the year	323	313	289
Wages and salaries (EUR million)	22.0	20.6	19.2

In 2020, Caruna's efforts to enhance its corporate culture focused on integrating the group's values into its business activities in greater depth. The Expert as a Cultural Influencer programme, which began in November, encourages Caruna's experts to develop their roles as builders of the corporate culture.

Caruna was awarded its second 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.

Each Caruna employee spent an average of 10.8 (18.0) hours in training. Absences due to illness decreased at an average level of 1.7 (2.3) 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 invested in developing its culture of safety and in training in 2020.

Among other things, a group of Caruna employees received training to become safety coaches with the goal of coaching other Caruna employees. Caruna's employees conducted almost 400 safety observation rounds on worksites, and our partners' project managers and contractors conducted nearly 3,500 site inspections.

Two Caruna Academy training programmes were conducted last year to enhance the skills of contractors. Nine people were trained to work on electricity network worksites, and they found employment in contractor companies. The Project Academy provided with contractor employees with project management training.

In 2020, Caruna's partner Kuusakoski Oy processed approximately 99 (95) per cent of the scrap material created by Caruna's network projects. In 2020, approximately 55 (235) pole-mounted transformers were removed from groundwater areas. The target was to replace all of the pole-mounted transformers in groundwater areas with park transformers by the end of 2020, but it was not possible to demolish the transformers as planned due to unfavourable frost conditions.

Caruna regularly monitors the operations of its contractual partners and ensures that they meet the applicable requirements. Seven contractual suppliers were audited in 2020. Three of these were network material suppliers, two were ICT suppliers, and one was a new service provider in the customer service support service. In addition to supplier audits, we audited the capability of our project supervision partner to operate according to the new agreement.

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.

Statement on changes in shareholders' equity

Caruna Networks Oy's share capital is EUR 2,500, and the invested unrestricted equity fund contains EUR 171,203,600.47. The company has no subordinated loans as defined in the Limited Liability Companies Act. Caruna Networks Oy's profit for the financial period amounted to EUR 41,734,011.46 (51,135,211.16).

In September, Caruna Networks Oy distributed a dividend to its shareholders as decided by an extraordinary general meeting. The dividend amounted to EUR 4,800 per share for a total of EUR 12 million.

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 2020. The meeting approved Caruna's financial statements for 2019, adopted the consolidated income statement and balance sheet, and discharged the members of the Board of Directors and the CEO from liability. The meeting did not decide to pay a dividend.

Caruna Networks Oy held extraordinary general meetings on 1 August 2020, 21 September 2020 and 5 November 2020. Changes to the composition of the Board of Directors were decided in August and November. In September, the Board's proposal for the payment of a dividend to the shareholders was approved.

Board of Directors

The Board convened 12 times during the financial period. The Board members were Matti Ruotsala (Chair), Jouni Grönroos, John Guccione (until 1 August 2020), Gregor Kurth (until 27 March 2020), Michael McNicholas (as of 1 August 2020), Matthew Liddle, Niall Mills, Ellen Richardson (as of 27 March 2020) and Laura Tarkka. The deputy members were Ellen Richardson (until 27 March 2020), Nicolas Grant, Agnieszka Gawron (as of 5 November 2020) and Ines Grund (until 5 November 2020).

Niall Mills, Ellen Richardson and Nicolas Grant resigned from the Board on 1 March 2021. The extraordinary general meeting held on 2 March 2021 and James Adam, Oleg Shamovsky and Fredrik Lundeborg were elected as new members of the Board.

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 (until 11 March 2020), Matthew Liddle and Ellen Richardson (as of 11 March 2020).

The Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair), John Guccione (until 21 August 2020), Niall Mills (until 21 August 2020), Nicolas Grant (as of 21 August 2020) and Michael McNicholas (as of 21 August 2020).

The Health, Safety and Environment Committee consisted of Nick Grant (Chair), Gregor Kurth (until 11 March 2020), Matthew Liddle, Laura Tarkka and Ellen Richardson (as of 11 March 2020).

Management Team

The Management Team consisted of CEO Tomi Yli-Kyyny, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Unit Kosti Rautiainen, Head of Customer Relations Katriina Kalavainen, Head of HR Tommi Saikkonen, Head of Communications and Public Affairs Anne Pirilä, Head of Development and Innovation Elina Lehtomäki and Head of Strategy and Regulation Noora Neilimo-Kontio (as of 12 March).

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

In January 2021, Storm Toini had the greatest impact on electricity distribution to Caruna's customers in Southwest Finland. Approximately 7,700 suffered power cuts at the same time.

In January 2021, the Government presented a draft bill for amending the Electricity Market Act. Caruna has made advance preparations for the amendments and will continue its detailed analysis of the impacts on Caruna's companies.

Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR acquired each a 20% holding in Caruna from First Sentier Investors (FSI) on 1 March 2021. In a separate transaction that also completed 1 March, AMF acquired Keva's 12.5% holding in Caruna.

Separately, Ontario Teachers' and KKR have signed binding documentation to acquire a further 40% holding in Caruna from OMERS, which will increase their ownership to 40% each. This later transaction is expected to close during the second quarter of 2021, pending regulatory approvals.

Niall Mills, Ellen Richardson and Nicolas Grant resigned from the Board on 1 March 2021. The extraordinary general meeting held on 2 March 2021 elected James Adam, Oleg Shamovsky and Fredrik Lundeborg as new members of the Board.

Estimate of likely 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 significantly lower annual investments.

According to a draft bill proposed by the Finnish Government in January 2021, the reliability of supply requirements will be postponed from 2028 to 2036 for companies with medium-voltage networks that had a cabling rate of less than 60% at the end of 2018. Caruna Oy fulfils this criterion within Caruna Group.

The maximum annual increase in the post-tax price of electricity distribution is proposed to be lowered from the present 15 per cent to eight per cent.

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.

As a pioneer, Caruna aims to promote the increase of renewable energy production and the electrification of transport in order to achieve Finland's carbon neutrality goals by 2035. The electricity network will be developed into a reliable platform on which these solutions can be rapidly and efficiently deployed.

Board of Directors' proposal for dividend distribution

Caruna Networks Oy's distributable assets total EUR 731,926,239.84. The company's profit for the financial period was EUR 41,734,011.46. The Board of Directors proposes to the annual general meeting that no dividend will be paid for 2020 and that the profit for the period be transferred to retained earnings.

Caruna takes care of electricity distribution and is maintaining, overhauling and building a weatherproof electricity network for over 700,000 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

KEY FIGURES

Income Statement		2020	2019	2018	2017	2016
Net sales	EUR million	475.3	466.4	454.1	426.4	384.0
EBITDA	EUR million	304.5	303.5	287.5	269.6	232.3
of revenue	%	64.1%	65.1%	63.3%	63.2%	60.5%
Operating profit	EUR million	171.0	167.2	154.3	145.7	119.4
of revenue	%	36.0%	35.9%	34.0%	34.2%	31.1%
Net income	EUR million	35.0	28.1	18.5	28.8	-31.6
of revenue	%	7.4%	6.0%	4.1%	6.8%	-8.2%
Income tax	EUR million	10.7	12.2	10.3	6.3	0.5

Financial position		31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Interest-bearing net debt	EUR million	3,276.5	3,286.5	3,269.8	3,131.2	2,973.1

Other data		2020	2019	2018	2017	2016
Investments	EUR million	143.2	167.3	258.4	291.1	283.4
Cash flow after investments	EUR million	16.8	-11.9	-132.6	-169.9	-173.8
Dividends	EUR million	12.0	-	-	-	-
Number of employees at the end of period		314	313	289	274	275

Key ratios		2020	2019	2018	2017	2016
Return on equity	%	-37.8%	-26.5%	-15.4%	-20.3%	N/A
Return on capital employed	%	5.3%	5.3%	5.1%	5.1%	4.4%
Equity ratio	%	-2.0%	-2.4%	-2.7%	-3.2%	-4.0%

CALCULATION OF KEY FIGURES

Key figure		Calculation
EBITDA	=	Operating profit + depreciation, amortisation and impairments
Operating profit %	=	$\frac{\text{Operating profit x 100}}{\text{Net sales}}$
Cash flow after investments	=	Net cash flows from operating activities - Investments
Return on equity-%	=	$\frac{\text{(Profit/Loss before taxes - taxes) x 100}}{\text{Equity (average for the period)}}$
Return on capital employed-%	=	$\frac{\text{(Profit before taxes + interest and other financial expenses) x 100}}{\text{(Total assets - total non-interest bearing liabilities) (average on beginning and end of the reporting period)}}$
Equity ratio-%	=	$\frac{\text{"Equity x 100}}{\text{Total assets"}}$

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

EUR 1,000	Notes	2020	2019
Net sales	4	**475,281**	**466,360**
Other operating income	5	4,196	6,703
Direct costs		-85,478	-87,232
Personnel expenses	6	-25,950	-25,058
Other operating expenses	7	-63,569	-57,238
Depreciations, amortisations and impairment charges	8	-133,455	-136,322
		-308,452	**-305,850**
Operating profit		**171,025**	**167,213**
Finance income	9	2,154	3,956
Finance costs	10	-127,322	-134,979
Finance items total		**-125,168**	**-131,023**
Profit before taxes		**45,857**	**36,190**
Income taxes	11	-10,830	-8,050
Profit for the period		**35,027**	**28,140**
Attributable to:			
Equity holders of the parent		35,027	28,140

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

EUR 1,000	Notes	2020	2019
Profit for the period		**35,027**	**28,140**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net movement on cash flow hedges		-9,215	-19,840
Income tax effect	11	1,843	3,968
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-7,372**	**-15,872**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement losses (gains) on defined benefit plans	22	46	-391
Income tax effect	11	-9	78
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**37**	**-313**
Other comprehensive income for the period, net of tax		**-7,335**	**-16,185**
Total comprehensive income for the period, net of tax		**27,692**	**11,955**
Attributable to:			
Equity holders of the parent		27,692	11,955

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR 1,000	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Goodwill	12	62,468	62,468
Intangible assets	12	1,586,071	1,586,677
Property, plant and equipment	13	2,403,767	2,393,599
Other non-current assets	15, 16	1,157	1,537
Derivative financial instruments	16, 17	1,026	231
Deferred tax assets	11	7,314	5,549
Total non-current assets		**4,061,803**	**4,050,061**
Current assets			
Trade receivables	16, 17, 19	111,076	113,956
Other receivables	19	3,202	1,587
Cash and cash equivalents	17, 20	60,122	88,511
Total current assets		**174,400**	**204,054**
TOTAL ASSETS		**4,236,203**	**4,254,115**

EUR 1,000	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Share capital		3	3
Invested unrestricted equity fund		171,204	171,204
Other equity funds		-29,283	-21,948
Retained earnings		-226,669	-249,696
Total equity		**-84,745**	**-100,437**
Non-current liabilities			
Interest bearing loans and borrowings	16, 17	3,336,654	3,374,970
Derivative financial instruments	16, 17	43,436	27,303
Deferred tax liabilities	11	509,394	509,309
Net employee defined benefit liabilities	22	364	361
Other non-current liabilities	16, 17, 23	303,772	304,375
Total non-current liabilities		**4,193,620**	**4,216,318**
Current liabilities			
Trade payables	16, 17, 23	35,198	43,490
Other payables	23	43,517	45,079
Provisions	21	-	124
Other current liabilities	23	48,613	49,541
Total current liabilities		**127,328**	**138,234**
Total liabilities		**4,320,948**	**4,354,552**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,236,203**	**4,254,115**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Attributable to the equity holders of the parent					
				Other equity components		
EUR 1,000	**Share capital (Note 25)**	**Invested unrestricted equity fund (Note 25)**	**Retained earnings**	**Cash flow hedge reserve**	**Other comprehensive income**	**Total**
As at 1 January 2020	3	171,204	-249,695	-21,843	-105	-100,437
Profit for the period	-	-	35,027	-	-	35,027
Other comprehensive income	-	-	-	-7,372	37	-7,335
Total comprehensive income	-	-	35,027	-7,372	37	27,692
Dividends distributed	-	-	-12,000	-	-	-12,000
At 31 December 2020	**3**	**171,204**	**-226,668**	**-29,215**	**-68**	**-84,745**

	Attributable to the equity holders of the parent					
				Other equity components		
EUR 1,000	**Share capital (Note 25)**	**Invested unrestricted equity fund (Note 25)**	**Retained earnings**	**Cash flow hedge reserve**	**Other comprehensive income**	**Total**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR 1,000	Notes	2020	2019
Net profit for the period		**35,027**	**28,140**
Adjustments			
Taxes		10,830	8,050
Finance costs - net		125,168	131,023
Depreciation, amortisation and impairment charges		133,455	136,322
Adjustments total		**269,453**	**275,395**
Operating profit before depreciation (EBITDA)		**304,480**	**303,535**
Non-cash flow items		-120	-402
Interest paid		-125,946	-139,893
Interest received		2,196	3,992
Taxes		-11,139	-10,809
Total		**-135,009**	**-147,112**
Funds from operations		**169,471**	**156,423**
Change in working capital			
Change in trade and other receivables		1,357	-2,824
Change in trade and other payables		-2,690	3,677
Change in connection fee payables		-580	-276
Total change in working capital		**-1,913**	**577**
Net cash flows from operating activities		**167,558**	**157,000**
Capital expenditure		-150,915	-170,915
Proceeds from sales of fixed assets		138	2,062
Net cash flows used in investing activities		**-150,777**	**-168,853**
Loans withdrawal		75,000	258,000
Repayments of long-term liabilities		-108,000	-215,000
Repayments of leasing liabilities		-170	-171
Dividend distribution to the owners		-12,000	-
Net cash used in financing activities		**-45,170**	**42,829**
Net increase in cash and cash equivalents		-28,389	30,976
Cash and cash equivalents at 1 January		88,511	57,535
Cash and cash equivalents at 31 December	16	**60,122**	**88,511**

Notes to the consolidated financial statements (IFRS)

1. Accounting policies applied to the consolidated financial statements

1.1 CORPORATE INFORMATION

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

Caruna Networks Oy is consolidated in Suomi Power Networks TopCo B.V. and its Dutch subsidiary Suomi Power BV owns 100% of the shares in Caruna Networks Oy. Suomi Power Networks TopCo B.V. has a registered office in Amsterdam, The Netherlands. The consolidated financial statements of Suomi Power Networks TopCo B.V. according to IFRS are available at Suomi Power Networks TopCo B.V. headquarters in Luna Arena, Herikerbergweg 112, 1101 CM Amsterdam, The Netherlands. The shareholders of Caruna Networks Oy through Suomi Power Networks TopCo B.V. are mutual pension insurance companies Keva (12,5%) and Elo (7,5%), and international infrastructure investors First Sentier Investors (40%) and OMERS Infrastructure (40%).

The consolidated financial statements of the Caruna Group for the year ended 31 December 2020 were approved by the Board of Directors on 10 March 2021.

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

1.2 ACCOUNTING POLICIES

1.2.1 BASIS OF PREPARATION

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

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

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

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

1.2.2 BASIS OF CONSOLIDATION

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

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

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

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

- the size of Caruna Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by Caruna Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that Caruna Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

1.2.3 NEW STANDARDS AND INTERPRETATIONS

The consolidated financial statements of the Caruna Group have been prepared according to the same accounting principles as in 2019, except the amended standards and interpretations. These 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.

Other amendments and interpretations to IFRS standards or IFRIC interpretations effective from 1 January 2020, eg. amendments to IFRS 3, IFRS 7, IFRS 9, IAS 39 and IAS 8, do not have an effect on the consolidated financial statements.

1.2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.2.4.1 BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

1.2.4.2 CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

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

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

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

1.2.4.3 RESEARCH AND DEVELOPMENT COSTS

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

1.2.4.4 REVENUE RECOGNITION

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

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

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

Sale of distribution of electricity

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

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

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

I. DISTRIBUTION SALES

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

II. CONNECTION FEES

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

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

II. RENTAL INCOME

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

III. CUSTOMER BASED SERVICES

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

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

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

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

1.2.4.6 INCOME TAXES

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

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

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

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

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

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

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

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

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

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

1.2.4.7 FOREIGN CURRENCIES
Transactions in foreign currencies are initially recorded by Caruna Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. The gains or losses from translation are recorded in the profit or loss statement. Exchange rate gains and losses from operations are recorded to corresponding items above 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.

1.2.4.8 PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment comprise mainly electricity distribution networks, machinery, equipment and buildings.

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

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

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

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

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

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

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

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

1.2.4.9 BORROWING COSTS

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

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

1.2.4.10 INTANGIBLE ASSETS

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

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

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

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

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

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 live and are not amortised.

Goodwill

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

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

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

1.2.4.11 LEASES

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

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

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

Identified asset

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

Lease term

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

Measurement and discount rate

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

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

Recognition exemptions

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

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

Sale and leaseback agreements

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

Caruna as a lessor

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

1.2.4.12 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

1.2.4.13 FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

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

Financial assets measured at amortised cost

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

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

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

Financial assets at fair value through profit or loss

Derivative instruments held for trading purposes are classified as financial assets at fair value through profit or loss when they are not defined as effective hedging instruments in accordance with IFRS 9. Financial assets at fair value through profit or loss are measured in the balance sheet at fair value, and the net change of the fair value is presented in the statement of profit or loss as finance expenses (negative net change of fair value) or finance 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 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 finance expenses in the profit and loss statement. Finance 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.

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

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

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

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

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

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

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

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

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

1.2.4.15 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of 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 1.2.4.1.

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

Other intangible assets

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

1.2.4.16 CASH AND SHORT-TERM DEPOSITS

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

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

1.2.4.17 CASH DIVIDEND TO EQUITY HOLDERS OF THE PARENT

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

1.2.4.18 PROVISIONS

General

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

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

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

1.2.4.19 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

1.2.5 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 affect on Caruna Group consolidated financial statements.

Other interpretations and annual improvements
Improvements to the following standards, effective from 1 January 2021: Amendment to IFRS 9, IAS 39 and IFRS 7: Interest rate Benchmark. IFRS 4 Insurance Contracts, and IFRS 16 Leases. The changes are not expected to have an effect on the consolidated financial statements of Caruna Group.

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

1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

1.3.1 FAIR VALUES OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT ACQUIRED IN A BUSINESS COMBINATION

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

1.3.2 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. Budgets for the next 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 5.35% 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.

1.3.3 DEFERRED TAXES

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

1.3.4 BASIS OF CONSOLIDATION

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

2. Capital management

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

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

The primary objective of the Group's capital management is to ensure efficient financing for operations and investments in the long run. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current or previous financial period. More information regarding covenants are presented in the note 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. During the financial year, Caruna Networks Oy distributed a dividend of EUR 12 million to shareholder by decision of the September Extraordinary General Meeting.

There has been no changes to capital management objectives, instructions or processes during 2020 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 2020 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 2020
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 2020 or 2019.

TRANSACTIONS BETWEEN CARUNA GROUP AND DAC

In 2020, the interest expenses to DAC by Caruna Group amounted to EUR 48,872 (2019: 48,873) thousand. Interest expenses have been recorded in the income statement. During 2020 or 2019 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 December 2020	31 December 2019
IBLA-loans w/o loan arrangement fees	2,026,120	2,031,761
Accrued interest expense	18,503	18,517
Total	**2,044,623**	**2,050,278**

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

2020

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Other and internal	Total
Electricity distribution				
Distribution network	346,962	78,686	-66	425,582
High-voltage network	27,808	3,055	-	30,863
Total	**374,770**	**81,741**	**-66**	**456,445**
Connection fees				
Distribution network	10,342	4,147	-	14,489
High-voltage network	3,737	-	-	3,737
Total	**14,079**	**4,147**	**-**	**18,226**
Profit for construction of optical fibre network	-	-	610	610
Total Net sales	**388,849**	**85,888**	**544**	**475,281**

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**

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.

Caruna and Valokuitunen, a company set up by Telia in spring 2020, launched a new optical fibre co-construction project in Pötyä and finished optical fibre pilot projects in Hyvinkää, Raisio and Ruskos' Vahto. Due to that optical fibre construction is still in the pilot phase, it doesn't require reporting as a separate segment.

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

Caruna has not divided its operations in different segments, since according to IFRS 8 the economic characteristics of the nature of products, services, production processes, class of customers, distribution of electricity, and the regulations of distribution of electricity are similar. Therefore net sales is not reported by segments.

5. Other operating income

EUR 1,000	2020	2019
Customer based services and relocation of connections	2,478	2,331
Income from sale of demolished material	944	1,884
Proceeds from sale of property, plant and equipment	19	1,759
Rental Income	574	612
Other	181	117
Other operating income total	**4,196**	**6,703**

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

Income from sale of demolished material consists of sales from dismantled electricity network material to recycling and further processing. The gain on the sale of Caruna Oy's 110 kV transmission line network to Pori Energia Sähköverkot Oy in 2019 is included in Gains on the sale of property, plant and equipment. There were no similar income from sale in 2020.

6. Personnel expenses

EUR 1,000	Note	2020	2019
Wages and salaries		22,028	20,593
Pension costs			
Defined contribution plans	22	3,022	3,434
Defined benefit plans	22	165	316
Social security costs		735	715
Total personnel expenses		**25,950**	**25,058**

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 parametres that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. As a rule, the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accumulated amount of the incentive at the end of the employment. There is a detailed guide regarding the LTI program. In 2020, EUR 589 (393) 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	2020	2019
Repairs and maintenance	26,305	20,379
External services	20,142	19,535
Other	17,122	15,592
Unrealised loss of non-hedge accounted electricity derivatives	-	1,732
Total other operating expenses	**63,569**	**57,238**

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	2020	2019
Audit fees	193	198
Other services	90	96
Total auditor's fees	**283**	**294**

Deloitte Oy was appointed as the auditor for the 2020 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	2020	2019
Intangible rights	61	60
Way leaves	1,178	1,325
Other intangible assets	6,325	6,725
Buildings and constructions	1,676	1,709
Machinery and equipment	124,003	126,284
Right of use assets	212	220
Total depreciation	**133,455**	**136,322**

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 10,551 (14,405) thousand scrapping costs to the depreciation for the financial year 2020.

9. Finance income

EUR 1,000	2020	2019
Interest income	85	122
Interest income from interest derivatives, through OCI	2,070	2,906
Interest income from interest derivatives, non-hedge accounted	-	928
Total finance income	**2,154**	**3,956**

10. Finance costs

EUR 1,000	2020	2019
Interest on debts and borrowings		
Shareholder loan	66,856	75,052
IBLA-loans (Senior-loan)	48,832	48,873
Investment loans	1,755	1,641
Other	102	90
Total	**117,544**	**125,657**
Interest expenses on interest rate derivatives, through OCI	5,868	5,260
Interest expenses on interest rate derivatives, not qualified as hedge	481	917
Total interest expense	**123,893**	**131,834**
Arrangement and commitment fees relating to interest-bearing loans	768	841
Other financing expenses	2,661	2,304
Total finance costs	**127,322**	**134,979**

11. Income tax

INCOME TAX RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

EUR 1,000	2020	2019
Current income tax		
In respect of the current year	-10,676	-12,218
Deferred tax		
Relating to origination and reversal of temporary differences	-154	4,168
Total income tax expense recognised in the statement of profit or loss (tax expense -/tax income +)	**-10,830**	**-8,050**
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	1,843	3,968
Remeasurements of post employment benefit liabilities	-9	78
Income tax charged to other comprehensive income (tax expense -/tax income +)	**1,834**	**4,046**

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

EUR 1,000	2020	2019
Profit before tax	45,857	36,190
Tax calculated at nominal Finnish tax rate 20%	-9,171	-7,238
Non-deductible expenses for tax purposes	-1,659	-812
	-10,830	**-8,050**
Income tax expense reported in the statement of profit or loss	-10,830	-8,050

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 2019	Recognised in P&L	Recognised in OCI	Balance sheet 31 Dec 2020
Deferred tax receivables				
Provisions	16	-6	-	10
Derivative financial instruments	5,460	-	1,844	7,304
Expensed acquisition related cost	73	-73	-	0
Total deferred tax receivables	**5,549**	**-79**	**1,844**	**7,314**
Deferred tax liabilities				
Depreciation difference	86,802	5,756	-	92,558
Measurement of assets at fair value in acquisition	420,291	-6,022	-	414,269
Other	2,216	342	9	2,567
Total deferred tax liabilities	**509,309**	**76**	**9**	**509,394**

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**

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 2020	62,468	4,460	1,529,212	32,800	34,601	1,663,540
Transfers between items	-	-	-	2,412	4,546	6,958
Disposals	-	-	-	-298	-2	-300
Acquisition cost 31 December 2020	**62,468**	**4,460**	**1,529,212**	**34,914**	**39,145**	**1,670,198**
Accumulated depreciation 1 January 2020	-	3,998	-	6,371	4,027	14,396
Depreciation for the period	-	59	-	1,001	6,325	7,386
Write-downs	-	-	-	176	1	178
Depreciation charge on disposals and transfers between items	-	-	-	-298	-2	-300
Accumulated depreciation 31 December 2020	**-**	**4,058**	**-**	**7,251**	**10,352**	**21,659**
Net book value						
At 31 December 2020	**62,468**	**403**	**1,529,212**	**24,649**	**28,793**	**1,648,539**
At 31 December 2019	62,468	462	1,529,212	26,429	30,573	1,649,144
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	-	59	-	924	6,722	7,705
Write-downs	-	1	-	401	3	405
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

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 2020	7,460	27,876	2,649,501	3,338	91,318	2,779,493
Additions	-	-	-		143,246	143,246
Transfers between items	69	23	163,340	-	-170,389	-6,958
Disposals	-	-	-21,377	-110	-	-21,487
Acquisition cost 31 December 2020	**7,528**	**27,899**	**2,791,465**	**3,228**	**64,175**	**2,894,295**
Accumulated depreciation 1 January 2020	-	6,265	379,409	220	-	385,894
Depreciation charge for the year	-	1,676	113,629	212	-	115,517
Write-downs		-	10,374			10,374
Depreciation charge on disposals and transfers between items	-	-	-21,257	-	-	-21,257
Accumulated depreciation 31 December 2020	**-**	**7,940**	**482,155**	**432**	**-**	**490,528**
Net book value						
At 31 December 2020	**7,528**	**19,958**	**2,309,309**	**2,796**	**64,175**	**2,403,767**
At 31 December 2019	7,460	21,611	2,270,092	3,118	91,318	2,393,599

*) WIP= Work in progress including advance payments

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	Right of use assets **)	WIP *)	Total
Acquisition cost 1 January 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	-	-	-37,563
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	-	1,703	112,290	220	-	114,213
Write-downs		6	13,994			14,000
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	-	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.

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 2020	1,369	950	799	3,118
Additions	4	20	0	24
Disposals	-134	-1	-	-135
Depreciation for the year	-74	-60	-78	-212
Cost at 31 December 2020	**1,165**	**909**	**721**	**2,795**

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

2020 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 2021-2045. Of these, cash flows for 2021-2024 are based on the 4 year business plan which has been approved by the Board of Directors. Cash flow projections for 2025-2045 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.

The development of direct and fixed costs for the business is adjusted with the estimated inflation and consumption growth. 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 2032 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 5.35% 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 -5.9% for 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	2020	2019
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 transformators etc.

16. Financial assets and liabilities

FINANCIAL ASSETS

EUR 1,000	2020	2019
Non-current		
Financial assets at amortised cost		
Accrued receivables	1,108	1,488
Financial assets at fair value through OCI		
Cross currency derivatives	1,026	231
Current		
Financial assets at amortised cost		
Trade receivables	111,076	113,956
Total financial assets	**113,210**	**115,675**

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

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

FINANCIAL LIABILITIES

EUR 1,000	2020	2019
INTEREST-BEARING LIABILITIES		
Non-current liabilities		
Financial liabilities at amortised cost		
Loans	3,333,943	3,371,980
Lease liabilities	2,711	2,990
TRADE PAYABLES AND OTHER LIABILITIES		
Non-current liabilities		
Financial liabilities at fair value through OCI		
Cross-currency swaps	37,544	27,303
Financial liabilities at amortised cost		
Connection fee liabilities	303,443	304,024
Current liabilities		
Financial instruments through profit or loss		
Interest derivatives	481	-
Financial liabilities at amortised cost		
Trade payables	35,198	43,490
Lease liabilities	174	176
Total financial liabilities	**3,713,494**	**3,749,963**

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

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

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

INTEREST-BEARING LOANS AND BORROWINGS

EUR 1,000	Interest rate %	Maturity	2020	2019
Non-current interest-bearing loans and borrowings				
Shareholder loan	8.50%	2047	773,642	773,642
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	61,120	66,761
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	100,000
NIB loan, 15y	1.56%	2033	150,000	150,000
Facility loans				
RCF loan	0.17%	2025	90,000	123,000
Lease liabililities		-	2,711	2,990
Accrued loan arrangement fees			-5,818	-6,423
Total non-current interest-bearing loans and borrowings			**3,336,655**	**3,374,970**
Current interest-bearing loans and borrowings				
Lease liabilities			174	176
Total current interest-bearing loans and borrowings			174	176
Total interest-bearing loans and borrowings			**3,336,829**	**3,375,145**

The owners First Sentier Investors (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 2020, Caruna Networks Oy repaid the Shareholder loan by EUR 0 (130) million. No interest expenses were capitalised nor added to the principal Shareholder loan amount during 2020 or 2019.

During 2020, Caruna raised EUR 75 million and repaid a total of EUR 108 million short term loans from capex and revolving credit facility. Available facilities are capex and revolving credit facility EUR 260 million, bank overdraft EUR 30 million and liquidity facility EUR 6,7 million. During the comparison year Caruna raised a EUR 100 million loan from the Nordic Investment Bank (NIB) with an avarage maturity of 11 years for the loan. Caruna also took out in total EUR 158 million for investments from the Capex and Revolving Credit Facilities, which of EUR 85 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 227 million; a bank overdraft facility, EUR 30 million; and a liquidity facility, EUR 6,7 million.

The periods financing costs stated on the income statement were EUR 125.2 (131.0) million, and the amount interest loans stated on the balance sheet were EUR 36.6 (36.7) million. Of Carunas external loans 96.5 percent are with fixed interest rates. The avarage interest rate on external loans at the end of the year was 2.1 (2.1)%. Caruna complied with the covenant terms of all loan agreements. Standard & Poor's assigned Carunas 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	**2020**	**2019**
Cash and cash equivalents	-60,122	-88,511
Shareholder loan	773,642	773,642
Total non-current interest-bearing loans and borrowings	2,560,302	2,598,338
Lease liabililities	2,885	3,165
Total net debt	**3,276,707**	**3,286,634**
Cash and cash equivalents	-60,122	-88,511
Gross debt - fixed rate	2,896,829	2,852,145
Gross debt - floating rate	440,000	523,000
Total net debt	**3,276,707**	**3,286,634**

EUR 1,000	Net debt 1 January 2020	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 December 2020
Cash and cash equivalents	-88,511	28,389	-	-	-60,122
Shareholder loan	773,642	-	-	-	773,642
IBLA-loans	2,025,338	-	-5,641	605	2,020,302
Loan facilities	573,000	-33,000	-	-	540,000
Lease liabilities	3,165	-170	-	-110	2,885
Total	**3,286,634**	**-4,781**	**-5,641**	**495**	**3,276,707**

EUR 1,000	Net debt 1 January 2019	Cash flow	Exchange rate differences	Other non-payment changes	Net debt 31 December 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	**3,273,014**	**12,024**	**1,259**	**337**	**3,286,634**

CASH AND CASH EQUIVALENTS RECONCILIATION

EUR 1,000	2020	2019
Cash and cash equivalents balance at 31 December	47,600	46,900
Group's Cash Pool account balance at 31 December	12,522	41,611
Cash and cash equivalents at 31 December	60,122	88,511
Cash and cash equivalents in Group cash flow	**60,122**	**88,511**

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 2020

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			1,108	1,108	1,108	1
Cross currency derivatives	16		1,026		1,026	1,026	2
Current financial assets							
Trade receivables	16			111,076	111,076	111,076	2
Cash and cash equivalents	20			60,122	60,122	60,122	1
Total financial assets		**-**	**1,026**	**172,306**	**173,332**	**173,332**	
Non-current financial liabilities							
Interest-bearing liabilities (floating rate)	16			440,000	440,000	440,000	2
Interest-bearing liabilities (fixed rate)	16			2,888,126	2,888,126	2,888,126	2
Accrued loan arrangement fee	16			5,818	5,818	5,818	1
Lease liabilities	16			2,711	2,711	2,711	2
Derivative financial instruments (interest)	16	481	37,544		38,025	38,025	2
Connection fee liabilities	16			303,443	303,443	303,443	3
Current financial liabilities							
Lease liabilities	16			174	174	174	2
Trade payables	23			35,198	35,198	35,198	2
Total financial liabilities		**481**	**37,544**	**3,675,470**	**3,713,495**	**3,713,495**	

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**	

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

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

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

Fair value hierarchy disclosures for each class of financial instruments:

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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.

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 2020

EUR 1,000	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, non-hedge accounting	-	-481	-481
Interest rate derivatives, cash flow hedges and fair value hedges	-	-37,544	-37,544
Cross currency derivatives, cash flow hedges and fair value hedges	1,026	-5,411	-4,385
Total	**1,026**	**-43,436**	**-42,410**

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	**231**	**-27,303**	**-27,072**

For interest rate sensitivity analysis in accordance with IFRS 7, if interest rates at 31 December 2020 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 0.4 (3.2) million lower / EUR 2.9 (0.5) 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 2020

	Income statement		Equity	
MEUR	+ 1%	- 1%	+ 1%	- 1%
Interest-bearing liabilities	-3.7	1.8	-	-
Interest rate derivatives				
Hedge accounted	3.4	-4.7	-	-
Non-hedge accounted	-	-	-	-
Total	**-0.3**	**-2.9**	**-**	**-**

31 December 2019

	Income statement		Equity	
MEUR	+ 1%	- 1%	+ 1%	- 1%
Interest-bearing liabilities	-5.8	2.1	-	-
Interest rate derivatives				
Hedge accounted	2.6	-1.6	-	-
Non-hedge accounted	-	-	-	-
Total	**-3.2**	**0.5**	**-**	**-**

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	15,659	-	-	-	15,659
Expected loss rate %	0.000%	-	-	-	
Loss allowance	0	-	-	-	0
Households					
Gross trade receivables	14,429	3,256	439	241	18,365
Expected loss rate %	0.001%	0.001%	0.765%	0.571%	
Loss allowance	0	0	3	1	5
Companies					
Gross trade receivables	36,574	1,478	143	25	38,220
Expected loss rate %	0.004%	0.999%	16.021%	31.117%	
Loss allowance	1	15	23	8	47
Total loss allowance	**2**	**15**	**26**	**9**	**52**

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 2020

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	-	-	-	590,000	2,749,762	3,339,762
Accrued loan arrangement fee	-	-	-	-	-5,818	-5,818
Leasing liabilities	-	59	177	945	1,704	2,885
Connection fee liabilities	-	-	-	-	303,443	303,443
Interest derivatives	-	-	-	-	43,436	43,436
Trade payables	-	35,198	-	-	-	35,198
Accrued interest expenses	-	30,391	6,269	-	-	36,660
Total	**-**	**65,648**	**6,446**	**590,945**	**3,092,527**	**3,755,566**

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**

19. Trade and other receivables

TRADE RECEIVABLES

EUR 1,000	2020	2019
Trade receivables, gross amount	72,683	76,654
Credit losses	-52	-79
Accrued sales	38,445	37,380
Total trade and other receivables	**111,076**	**113,956**

AGING ANALYSIS OF TRADE RECEIVABLES (GROSS AMOUNT)

EUR 1,000	2020	2019
Not past due	66,692	68,132
Past due 1-90 days	5,280	8,090
Past due 91-180 days	266	185
Past due more than 181 days	445	247
Total	**72,683**	**76,654**

Credit losses recorded in 2020 were EUR 497 (323) thousand. Trade receivables overdue more than 180 days are generally considered to be credit-impaired and reservations are made in group companie's bookkeeping for the full amount, adjusted for expected recovery rates.

OTHER RECEIVABLES

EUR 1,000	2020	2019
Income tax receivables	184	91
Accrued income and prepaid expenses	3,018	1,497
Total trade and other receivables	**3,202**	**1,587**

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

20. Cash and cash equivalents

EUR 1,000	2020	2019
Cash at banks and on hand	60,122	88,511
Total cash and cash equivalents	**60,122**	**88,511**

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

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

21. Provisions

EUR 1,000	2020	2019
Provisions at 1 January	**124**	**215**
Increases in provisions	-	99
Decreases in provisions	-124	-190
Provisions at 31 December	**0**	**124**
Current provisions	-	124

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	2020	2019
Defined benefit obligation	1,724	1,816
Fair value of plan assets	-1,360	-1,455
Surplus (-)/deficit (+)	364	361
Net defined benefit liability (+)/asset (-) recognised in statement of financial position	**364**	**361**

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

EUR 1,000	2020	2019
Opening defined benefit obligation	1,816	1,210
Current service cost	76	16
Interest expense	7	20
Actuarial gains (-)/losses (+) on obligation	-108	636
Benefits paid	-67	-66
Defined benefit obligation at the end of the period	**1,724**	**1,816**

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

EUR 1,000	2020	2019
Opening fair value of plan assets	1,455	1,015
Interest income	6	17
Actuarial gains (+)/losses (-) on plan assets	-62	245
Benefits paid	-67	-66
Contributions	28	244
Fair value of plan assets at the end of the period	**1,360**	**1,455**

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	2020	2019
Net defined benefit liability recognised in statement of financial position at beginning of period	361	195
Expense recognised in profit or loss	77	19
Remeasurements recognised in other comprehensive income	-46	391
Contributions	-28	-244
Total	**364**	**361**

Items recognised in profit or loss

EUR 1,000	2020	2019
Service cost	76	16
Net interest	1	3
Expenses recognised in profit or loss	**77**	**19**

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2020	2019
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in financial assumptions	-50	216
Actuarial gains (-)/losses (+) on defined benefit obligation arising from experience adjustments	-58	420
Actuarial gains (-)/ losses (+) on plan assets	62	-245
Remeasurement in other comprehensive income	**-46**	**391**

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 2020	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%	-9%	-8%	66%
Discount rate -0.50%	7%	7%	10%	9%	-82%
Benefit increase 1.4%/0%	0%	0%	0%	0%	0%
Benefit increase +0.50%	5%	0%	22%	8%	23%
Benefit increase -0.50%	-4%	0%	-20%	-7%	-21%

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%

23. Trade and other current payables

EUR 1,000	2020	2019
Trade payables		
Accounts payables trade	16,786	26,216
Accrued trade payables	18,412	17,274
Total trade payables	**35,198**	**43,490**
Other non-current liabilities		
Accrued expenses	329	351
Total other non-current liabilities	**329**	**351**
Other liabilities		
Electricity tax liability	19,660	20,170
VAT liability	22,179	22,673
Other payables	1,678	2,237
Total other liabilities	**43,517**	**45,079**
Accrued expenses		
Employee benefit expenses	6,657	7,081
Interest expenses	36,660	36,733
Income tax liability	540	910
Other accrued expenses	4,756	4,816
Total accrued expenses	**48,613**	**49,540**
Total	**127,657**	**138,461**

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	2020	2019
Within one year	214	218
After one year but no more than five years	872	885
More than five years	229	232
Total	**1,315**	**1,335**

CAPITAL COMMITMENTS

EUR 1,000	2020	2019
Property, plant and equipment	231,749	292,246
Total	**231,749**	**292,246**

OTHER PURCHASE COMMITMENTS

EUR 1,000	2020	2019
Purchase of electricity	8,116	9,937
Total	**8,116**	**9,937**

CONTINGENT LIABILITIES

EUR 1,000	2020	2019
Loans, for which shares have been pledged and mortgages given		
Loans from financial institutions	2,566,120	2,604,762
Floating charges	11,100,000	11,100,000
Real estate mortgages	21,841	22,989
Guarantees on behalf of Group companies	**4,065**	**20,085**

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 60,122 (88,511) thousand have been pledged as security for loans from financial institutions.

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

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

Caruna Group has pledged its receivables based on the Electricity Hedging Agreement. At the balance sheet date the amount was EUR zero.
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	2020	2019
Cash flow hedge reserve	-29,215	-21,843
Other comprehensive income	-68	-105
Total other funds	**-29,283**	**-21,948**

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 41,734,011.46 (51,135,211.16). The Board of Directors proposes to the annual general meeting that no dividend be paid for 2020 and that the profit be transferred to retained earnings.

An extraordinary general meeting was held 21 September 2020, where The Board of Directors proposal, that a cash dividend of EUR 4,800 per share, totaling EUR 12 million for financial year 2019, was approved. The dividend was paid 25 September 2020.

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	2020	2019
Board members	278	239
CEO	425	489
Management team	1,225	1,397
Total	**1,928**	**2,125**

The salaries and short term employee benefits for Board members, CEO and Management team in 2020 were EUR 1,928 (2,125) thousand. Remunerations have been paid to independent domestic Board members.

Caruna's Management team consists at the end of the reporting period of 8 members. To the management board belongs CEO Tomi Yli-kyyny, Co and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Kosti Rautiainen, Head f Customer Relations Katriina Kalavainen, Head of HR Tommi Saikkonen, Head of Communications and Public Affairs Anne Pirilä, Head of Development and Innovation Elina Lehtomäki and Head of Regulation and Strategy Noora Neilimo-Kontio.

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 parametres that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. As a rule, the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accummulated amount of the incentive at the end of the employment. There is a detailed guide regarding the LTI program. In 2020, EUR 589 (393) thousand were paid out from the LTI program.

RETIREMENT ARRANGEMENTS

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

TERMINATION BENEFITS

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

BUSINESS TRANSACTIONS

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

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

LOANS

At the end of 2020 the shareholder loan was EUR 773,642 (773,642) thousand from the owners First Sentier Investors, 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 (16,805) thousand.

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

Loans are specified in the Note 16 Financial assets and liabilities.

27. Events after the reporting period

In January 2021, Storm Toini had the greatest impact on electricity distribution to Caruna's customers in Southwest Finland. Approximately 7,700 suffered power cuts at the same time.

In January 2021, the Government presented a draft bill for amending the Electricity Market Act. Caruna has made advance preparations for the amendments and will continue its detailed analysis of the impacts on Caruna's companies.

Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR acquired each a 20% holding in Caruna from First Sentier Investors (FSI). In a separate transaction that was completed on 1 March 2021, AMF acquired Keva's 12.5% holding in Caruna.

Separately, Ontario Teachers' and KKR have signed binding documentation to acquire a further 40% holding in Caruna from OMERS, which will increase their ownership to 40% each. This later transaction is expected to close during the second quarter of 2021, pending regulatory approvals.

Niall Mills, Ellen Richardson and Nicolas Grant resigned from the Board on 1 March 2021. The extraordinary general meeting held on 2 March 2021 elected James Adam, Oleg Shamovsky and Fredrik Lundeborg as new members of the Board

Parent company financial statements (FAS)

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 January 2020–31 December 2020	1 January 2019–31 December 2019
Net sales	3	**21,695,602.98**	**19,077,141.04**
Personnel expenses	4	-8,263,043.89	-7,617,102.67
Other operating expenses	5	-14,212,426.42	-13,377,076.05
Operating loss		**-779,867.33**	**-1,917,037.68**
Finance income and costs	6	-95,747,292.42	-101,935,072.85
Profit before appropriations and taxes		**-96,527,159.75**	**-103,852,110.53**
Appropriations	7	148,800,000.00	167,000,000.00
Income taxes	8	-10,538,828.79	-12,012,678.31
Profit for the period		**41,734,011.46**	**51,135,211.16**

PARENT COMPANY BALANCE SHEET

EUR	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets	9		
Investments		2,957,000,000.00	2,957,000,000.00
Total non-current assets		**2,957,000,000.00**	**2,957,000,000.00**
Current assets			
Non-current receivables	10	1,046,557,242.64	1,027,503,762.65
Current receivables	11	167,635,551.62	203,278,348.81
Cash and cash equivalents	12	12,522,146.31	41,610,904.81
Total current assets		**1,226,714,940.57**	**1,272,393,016.27**
TOTAL ASSETS		**4,183,714,940.57**	**4,229,393,016.27**
EQUITY AND LIABILITIES			
Equity	13		
Share capital		2,500.00	2,500.00
Invested distributable equity fund		171,203,600.47	171,203,600.47
Hedging reserves		-36,517,985.82	-27,303,315.52
Retained earnings (cumulative profit)		555,506,613.73	516,371,402.57
Profit for the financial year		41,734,011.46	51,135,211.16
Total equity		**731,928,739.84**	**711,409,398.68**
Liabilities			
Non-current liabilities	14	3,383,197,143.10	3,405,706,518.69
Current liabilities	15	68,589,057.63	112,277,098.90
Total liabilities		**3,451,786,200.73**	**3,517,983,617.59**
TOTAL EQUITY AND LIABILITIES		**4,183,714,940.57**	**4,229,393,016.27**

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 January 2020–31 December 2020	1 January 2019–31 December 2019
Cash flows from operating activities		
Profit before appropriations and taxes	-96,527,159.75	-103,852,110.53
Finance income and costs	95,747,292.42	101,935,072.85
Adjustments to operating profit:		
Other non-cash adjustments	-81,275.17	77,809.73
Changes in working capital		
Increase (-)/decrease (+) in trade an other current receivables	-2,130,620.81	887,122.40
Increase (+)/decrease (-) in current liabilities	742,102.84	1,224,605.12
Changes in working capital total	**-1,388,517.97**	**2,111,727.52**
Interest and other finance costs paid	-125,848,460.85	-139,803,821.97
Interest received	31,623,090.13	32,654,180.38
Income taxes paid	-10,907,678.27	-11,279,080.70
Cash flows from operating activities	**-107,382,709.46**	**-118,156,222.72**
Cash flows from investments		
Repayments of loan receivables	124,103,258.00	40,000,000,00
Change in cash pool account	-24,409,307.04	35,231,719.05
Cash flows from investments	**99,693,950.96**	**75,231,719.05**
Cash flows from financing activities		
Proceeds from long-term liabilities	75,000,000.00	258,000,000.00
Repayments of long-term liabilities	-108,000,000.00	-215,000,000.00
Dividends paid	-12,000,000.00	-
Group contribution paid	23,600,000.00	29,100,000.00
Cash flows from financing activities	**-21,400,000.00**	**72,100,000.00**
Net increase in cash and cash equivalents	**-29,088,758.50**	**29,175,496.33**
Cash and cash equivalents as at 1 Jan	41,610,904.81	12,435,408.47
Cash and cash equivalents as at 31 Dec	12,522,146.31	41,610,904.81

Notes to the parent company financial statements (FAS)

1. Accounting principles

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

1.1 NET SALES

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

1.2 FOREIGN CURRENCY ITEMS AND DERIVATIVE INSTRUMENTS

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. Foreign currency receivables and liabilities are converted into euros using the exchange rates prevailing on the balance sheet date. Exchange rate differences arising from operations are recorded to adjust 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 finance income and costs in the profit and loss statement.

1.2.1 FINANCIAL INSTRUMENTS – RECOGNITION

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, 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 finance income or finance cost 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 Sentier Investors (40%) and OMERS Infrastructure (40%).

3. Net sales by geographical markets

EUR	2020	2019
Sales to group companies, Finland	21,085,164.65	19,077,141.04
Sales to others, Finland	610,438.33	-
Total	**21,695,602.98**	**19,077,141.04**

4. Personnel and other personnel related expenses

PERSONNEL EXPENSES

EUR	2020	2019
Wages and salaries	-6,964,226.47	-6,312,828.36
Indirect personnel expenses		
Pensions	-1,094,595.60	-1,090,352.52
Other personnel expenses	-204,221.82	-213,921.79
Total	**-8,263,043.89**	**-7,617,102.67**

NUMBER OF PERSONNEL

	2020	2019
Average number of personnel during the financial year	69	64

SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS TO MANAGEMENT

EUR	2020	2019
To board members, CEO and management team	-1,927,814.00	-2,124,617.00

5. Other operating expenses

EUR	2020	2019
Rents	-	-80,383.90
External services	-12,603,028.01	-11,793,896.36
Other expenses	-1,609,398.41	-1,502,795.79
Total	**-14,212,426.42**	**-13,377,076.05**

AUDITOR'S FEES, DELOITTE OY, AUDIT FIRM

EUR	2020	2019
Audit fees	-68,357.84	-56,000.00
Other fees	-90,000.00	-96,450.00
Total	**-158,357.84**	**-152,450.00**

6. Finance income and costs

EUR	2020	2019
Other interest and finance income		
From group companies	29,476,999.14	29,368,738.44
From others	2,069,864.59	3,833,649.17
Total finance income	**31,546,863.73**	**33,202,387.61**
Interest expenses and other finance costs		
To group companies		
Shareholder loan interest expenses	-66,855,527.10	-75,052,445.07
To others		
Senior loan interest and finance costs	-52,393,267.01	-52,394,029.23
Interest swap expenses	-6,349,133.43	-6,177,113.52
Other interest and finance costs	-1,696,228.61	-1,513,872.64
Total finance costs	**-127,294,156.15**	**-135,137,460.46**
Total	**-95,747,292.42**	**-101,935,072.85**

7. Appropriations

EUR	2020	2019
Group contributions received	148,800,000.00	167,000,000.00

8.Income taxes

EUR	2020	2019
Income taxes from group contributions	29,760,000.00	33,400,000.00
Income taxes from ordinary activities	-40,298,828.79	-45,412,678.31
Total taxes	**-10,538,828.79**	**-12,012,678.31**

9. Assets

INVESTMENTS

EUR	Investments in group companies 2020	Investments in group companies 2019
Acquisition cost 1 Jan	**2,957,000,000.00**	**2,947,000,000.00**
Additions	-	10,000,000.00
Acquisition cost 31 Dec	**2,957,000,000.00**	**2,957,000,000.00**
Carrying amount 31 Dec	2,957,000,000.00	2,957,000,000.00
Total assets	**2,957,000,000.00**	**2,957,000,000.00**

Loan receivables from Caruna Oy were converted in to subsidiary shares in 2019. The transaction did not have any cash flow impact.

10. Non-current receivables

EUR	2020	2019
Receivables from group companies		
Loan receivables		
Other loan receivables	1,039,173,408.00	1,019,876,666.00
Receivables from group companies total	**1,039,173,408.00**	**1,019,876,666.00**
Receivables from others		
Interest and currency derivatives	1,025,622.66	230,968.07
Prepayments and accrued income		
Other prepayments and accrued income	6,358,211.98	7,396,128.58
Non-current receivables total	**1,046,557,242.64**	**1,027,503,762.65**

11. Current receivables

EUR	2020	2019
Trade receivables	142,910.00	274,225.64
Prepayments and accrued income		
Accrued interest income, swaps	307,737.76	336,144.74
Prepaid insurance premiums	72,508.26	12,815.28
Other prepaid expenses	1,317,308.00	391,057.20
Other prepaid expenses and accrued income	583,694.37	244,268.79
Prepayments and accrued income total	**2,281,248.39**	**984,286.01**
Receivables from group companies		
Trade receivables	1,124,641.26	188,074.17
Cash pool account	9,006,281.29	28,503,472.89
Prepayments and accrued income		
Other interest interest income	6,280,470.68	6,328,290.10
Prepayments and accrued income total	6,280,470.68	6,328,290.10
Group contributions	148,800,000.00	167,000,000.00
Receivables from group companies total	**165,211,393.23**	**202,019,837.16**
Total current receivables	**167,635,551.62**	**203,278,348.81**

Receivables from group companies includes cash pool account of EUR 9,006,281.29 (28,503,472.89). The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

12.Cash and cash equivalents

EUR	2020	2019
OP Corporate Bank Plc	12,522,146.31	41,610,904.81

13. Equity

EUR	2020	2019
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	-27,303,315.52	-7,462,902.13
Change in hedging reserves	-9,214,670.30	-19,840,413.39
Hedging reserves 31 Dec	-36,517,985.82	-27,303,315.52
Total restricted equity	**-36,515,485.82**	**-27,300,815.52**
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	567,506,613.73	516,371,402.57
Dividends paid	-12,000,000.00	-
Retained earnings 31 Dec	555,506,613.73	516,371,402.57
Profit/Loss for the period	41,734,011.46	51,135,211.16
Total unrestricted equity	**768,444,225.66**	**738,710,214.20**
Total equity	**731,928,739.84**	**711,409,398.68**

DISTRIBUTABLE UNRESTRICTED EQUITY

EUR	2020	2019
Retained earnings	555,506,613.73	516,371,402.57
Profit for the period	41,734,011.46	51,135,211.16
Invested distributable equity fund	171,203,600.47	171,203,600.47
Hedging reserve	-36,517,985.82	-27,303,315.52
Total	**731,926,239.84**	**711,406,898.68**

14. Non-current liabilities

EUR	2020	2019
Loans from the group companies	773,641,586.65	773,641,586.65
Loans from financial institutions	2,566,119,713.14	2,604,761,616.52
Interest and currency derivatives	43,435,843.31	27,303,315.52
Total non-current liabilities	**3,383,197,143.10**	**3,405,706,518.69**

MATURITY OF NON-CURRENT LIABILITIES

EUR	2020
2021	-
2022	-
2023	500,000,000.00
2024	-
2025 and later	2,883,197,143.10
Total	**3,383,197,143.10**

15. Current liabilities

EUR	2020	2019
Trade payables	1,126,781.22	1,171,299.06
Other current liabilities	5,391,665.57	4,793,778.45
Accrued expenses		
Accrued employee expenses	2,520,802.00	2,343,651.90
Accrued interest expenses, other	19,854,484.40	19,928,005.22
Income tax liabilities	535,828.83	904,678.31
Other accrued expenses	-	132,275.17
Accrued expenses total	**22,911,115.23**	**23,308,610.60**
Liabilities to group companies		
Trade payables	101,424.17	38,840.71
Cash pool account	22,252,856.97	66,159,355.61
Accrued expenses		
Accrued shareholder loan interest expenses	16,805,214.47	16,805,214.47
Liabilities to group companies total	**39,159,495.61**	**83,003,410.79**
Total Current liabilities	**68,589,057.63**	**112,277,098.90**
Non-interest bearing liabilities	89,772,043.97	73,421,058.81
Interest bearing liabilities	3,362,014,156.76	3,444,562,558.78
Total	**3,451,786,200.73**	**3,517,983,617.59**

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

EUR	2020	2019
Derivative liabilities recoqnised at fair value through OCI	Level 2	Level 2
Interest rate swaps	38,024,908.00	27,303,315.52
Cross currency swaps	5,410,935.31	-
Total	**43,435,843.31**	**27,303,315.52**

17. Maturity of interest rate and cross currency swaps liabilities

EUR	2020	2019
On demand	-	-
Less than 3 months	-	-
4 to 12 months	-	-
1 to 5 years	-	-
> 5 years	43,435,843.31	27,303,315.52
Total	**43,435,843.31**	**27,303,315.52**

18. Commitments and contingent liabilities

EUR	2020	2019
Loans, for which shares and other assets have been pledged		
Loans from financial institutions (senior-loan)	2,566,119,713.14	2,604,761,616.52
Bookvalue of pledged subsidiary shares	2,957,000,000.00	2,957,000,000.00
Floating charges	6,660,000,000.00	6,660,000,000.00
Loans receivables	1,039,173,408.00	1,019,876,666.00
Cashpool receivables	9,006,281.29	28,503,472.89
Mortgages	21,841,811.19	22,988,530.94
Guarantees on behalf of group companies	4,064,890.00	20,085,290.00

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 12,522,146.31 (2019: 41,610,904.81) 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.

19. 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	12,876,356.49	20,682,314.88
Profit/Loss for the period	-7,115,684.62	198,369.15

20. Formulas for key figures

OPERATING PROFIT-%

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

RETURN ON EQUITY-%

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

EQUITY RATIO-%

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

Signatures to the financial statements and operating and financial review

Espoo, 10 March 2021

Matti Ruotsala
Chairman of the Board

James Adam
Member of the Board

Jouni Grönroos
Member of the Board

Matthew Liddle
Member of the Board

Fredrik Lundeborg
Member of the Board

Michael McNicholas
Member of the Board

Oleg Shamovsky
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, _____ March 2021

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

Positive energy.

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