CARUNA GROUP

Operating And Financial Review And Financial Statements

31 DECEMBER 2021

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Operating and Financial Review for 2021 by Caruna Networks Oy's Board

KEY FINANCIAL (IFRS) AND OPERATIONAL INDICATORS FOR THE GROUP

EUR million or as indicated	2021	2020
Net sales	499.8	475.3
Profit for the period	46.6	35.0
Corporate tax	10.7	10.7
Investments	140.1	143.2
Cash flow after investments	46.5	16.8
Customers	714,000	703,000
Network cabling rate (%)	62	59
Small-scale producers of solar power in the network area	12,000	9,400
System Average Interruption Duration Index per customer (SAIDI), minutes	74	103
Reliability of supply rate (%)	99.99	99.98

Key events during the financial period

The number of Caruna's customers was 714 (703) thousand at the end of 2021. A total of 2,800 (2,400) new connection agreements were signed, 14 (10) of which were for medium- or high-voltage connections. Customer satisfaction dropped slightly, as the cumulative NPS, which is a measure of customer satisfaction, stood at 19.1 (22.6) at the end of December.

From January to December, the total electricity supply volume in the distribution network increased to 10.1 (9.2) TWh. The increase was mainly due to a colder winter at the start of the year as well as frosts in November and December compared with the same period in the previous year. The reliability of supply rate for electricity distribution was excellent at 99.99 (99.98) per cent.

Two major storms hit Finland during the year, the most destructive of which was storm Paula, which struck the Koillismaa region in June. Storm Paula caused approximately 5,300 customers to experience power cuts at the same time.

The electricity network was modernised cost-effectively, taking into consideration the needs and distinctive characteristics of local areas. In 2021, investments of EUR 140.1 million were mainly targeted at urban areas, where the customer benefits from investments are significant due to the large number of customers. Development of the network in sparsely populated areas was continued based on age and condition.

The Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR both purchased a 20 per cent stake in Caruna from First Sentier Investors (FSI), the original owners of Caruna, on 1 March 2021. Similarly, another of Caruna's original owners, Keva, sold its 12.5 per cent stake to AMF, a Swedish pension insurance company, on 1 March 2021.

On 11 May 2021, Ontario Teachers' and KKR both acquired a 20 per cent stake in Caruna from Omers, which was also one of Caruna's original owners. Following these transactions, KKR and Ontario Teachers' both own 40 per cent of the shares in Caruna.

In June, Caruna refinanced part of a bond due to mature in 2023 with a green bond to fund projects within the green finance framework. Caruna is the first Nordic electricity distribution company to issue a euro-denominated green bond.

In September, Caruna announced price reductions averaging 2.5 per cent for Caruna Espoo Oy's customers from 1 November 2021. The average impact on prices excluding tax was 5 per cent. Caruna Oy's prices remained unchanged.

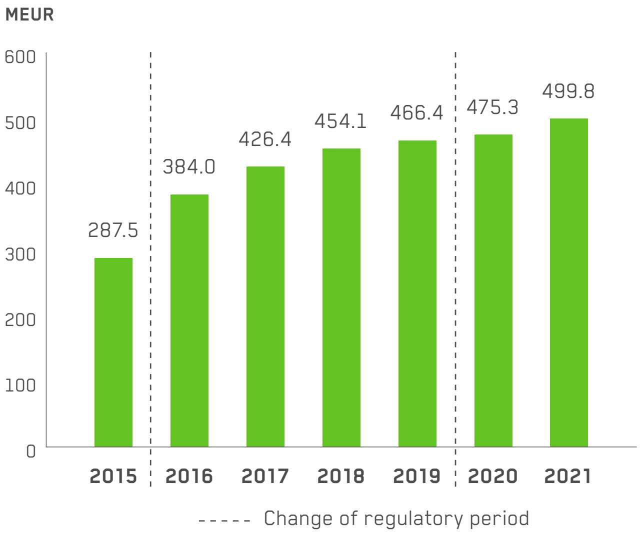
In October, Caruna revised its operating model to align more closely with the company's updated strategy. The new organisation comprises four units, namely Electricity Network Management and Operation, Customer Relations and New Businesses, Corporate Services, and Public Relations and Regulation.

In November, Caruna's CEO Tomi Yli-Kyyny announced he would be moving to a new role outside Caruna.

FINANCIAL DEVELOPMENT

In 2021, Caruna Group's net sales amounted to EUR 499.8 (475.3) million, showing an increase of 5.2 per cent year-on-year. The growth in net sales was attributed to increased electricity consumption at the beginning and end of the year due to cold weather. Higher connection fees also contributed to the increase in net sales.

GRAPH 1: NET SALES

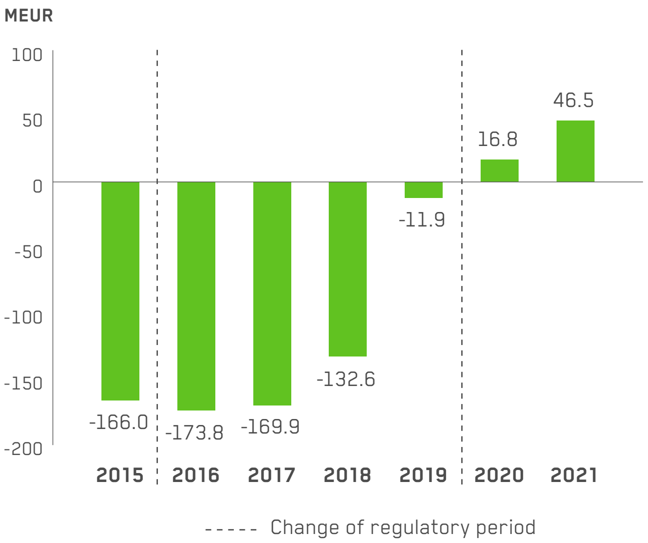


Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 93.8 (85.5) million. The colder early winter and December compared to the previous year increased transmission costs by EUR 6.2 million, and the rise in the price of electricity, especially towards the end of the year, raised the cost of purchasing loss of electricity by EUR 4.1 million. Reactors installed for reactive power offset the increase in costs by a total of EUR 2.0 million. Other operating expenses came to EUR 88.1 (89.5) million. In general, other operating expenses decreased slightly, but the Paula storm that hit the region of Koillismaa in June and the related repair and outage fees totalling approximately EUR 4.8 million had a slightly increasing effect on expenses. Depreciation, amortisation and impairment amounted to EUR 132.2 (133.5) million. This item includes EUR 8.7 (10.5) million in scrapping charges related to overhead power lines.

Consolidated operating profit amounted to EUR 192.5 (171.0) million. Net financial expenses were EUR 133.5 (125.2) million. The increase in net financial expenses is due to the costs related to the issuance of the green bond and the repayment of the old bond included in other financial expenses, totalling EUR 10.8 (2020: -) million in 2021. Profit for the period was EUR 46.6 (35.0) million.

The Group's cash flow developed favourably. For the second time in the Group's history, its cash flow after investments was positive, ending at EUR 46.5 (16.8) million.

GRAPH 2: CASH FLOW AFTER INVESTMENTS



FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	2021	2020	2019
Net sales	499.8	475.3	466.4
Operating profit	192.5	171.0	167.2
Operating profit (% of net sales)	38.5	36.0	35.8
Profit for the period	46.6	35.0	28.1
Investments	140.1	143.2	167.3
Cash flow after investments	46.5	16.8	-11.9
Interest-bearing net debt (at the end of the period)	3,318.7	3,276.5	3,286.5

Business activities

Caruna Group includes two network companies: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas. The network companies have a total of approximately 714,000 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 88,100 kilometres at the end of the reporting period.

In January, Caruna implemented 110 kV connections to the Finnish Transport Infrastructure Agency's power supply stations in Nousiainen and Hulmikko in Vehmaa on the section of railway between Turku and Uusikaupunki. Electrification will lead to substantial cost savings for every trip that uses this section of railway while reducing emissions in the section. The connections were commissioned at the turn of June–July 2021.

In spring 2021, Caruna implemented two new connections for the Southwest Finland Centre for Economic Development, Transport and the Environment to power the hybrid ferry on the route between Nauvo and Korppoo. Medium-voltage connections were constructed at the ferry terminals in both Nauvo and Korppoo to supply electricity at 20 kV to charge the electric ferries. The electric ferry will reduce the carbon dioxide emissions of the ferry traffic between Nauvo and Korppoo by approximately 70 per cent. Both medium-voltage connections were commissioned in May 2021.

In summer 2021, Caruna implemented a 110 kV connection for Thor Sigg Ab, a company operating a cultivation greenhouse in Närpiö. Construction work began at the start of May, and the connection was commissioned in the autumn when the company needed lighting for its greenhouse. The new connection enables the company to expand its production and provide it with reliable electricity distribution.

In November, Caruna and Fortum signed a connection contract for an 11-megawatt air-to-water heat pump plant in Espoo, Vermo, which will be connected to the district heating network in the Espoo, Kauniainen and Kirkkonummi area. The largest plant in Finland will replace the use of coal by 92 GWh a year in line with the Espoo Clean Heat goals. The connection will be delivered during 2022, and the connection will be implemented to the Vermo substation in the 20 kV distribution network.

Caruna ensured the readiness to deploy Datahub, a centralised information exchange system for the retail electricity market, by participating in industry-wide certifications, Datahub trial runs, and a deployment exercise. Datahub stores data from Finland's 3.8 million electricity metering points, and its data is used by around 100 electricity suppliers and 80 distribution network companies. Datahub will be launched on 21 February 2022.

Caruna's customer satisfaction decreased compared to 2020. Customer satisfaction is measured among private customers, companies, landowners, municipal customers and contractors. Customer satisfaction among Caruna's key customers (municipal and corporate customers) has, however, shown excellent improvements, and the NPS (Net Promoter Score) stood at 66.7 at the end of the review period. The cumulative NPS for all customer groups at the end of 2021 was 19.1 (22.6).

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

Company	2021	2020	2019
Caruna Oy	484	479	474
Caruna Espoo Oy	230	224	218
Total	**714**	**703**	**692**

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 the needs of the energy transition into consideration. Automation-based smart networks enable the balancing of electricity consumption and production, energy storage, and large-scale electrification of transport and industry.

COLD WEATHER INCREASED ELECTRICITY CONSUMPTION

From January to December, the total electricity supply volume in the distribution network grew to 10.1 (9.2) TWh. The increase was mainly due to a colder winter at the start of the year as well as frosts in November and December compared with the same period in the previous year. The electricity supply volume on the high-voltage distribution network was 2.7 (2.7) TWh – the same as in the previous year.

RELIABILITY OF SUPPLY REMAINED EXCELLENT DESPITE THE STORMS EARLY IN THE YEAR

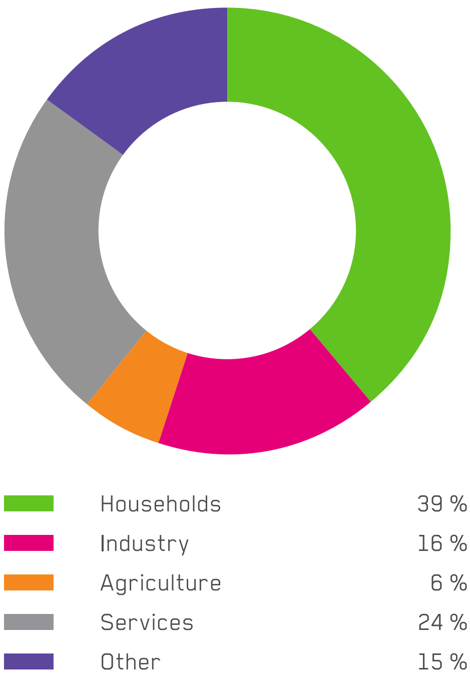
The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). The average interruption time in Caruna's electricity distribution (SAIDI) was 74 (103) minutes per customer, and the reliability of supply rate was 99.99 (99.98) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 1.4 (1.7) events.

In January, storm Toini felled three high-voltage electricity poles, and the lines between the poles fell into the sea in the Rymättylä area of Naantali. New poles were installed in April and May to replace the broken ones. Sensors were added to the power line to warn of any accumulated snow and ice. The damage to the power line did not lead to any long outages for customers.

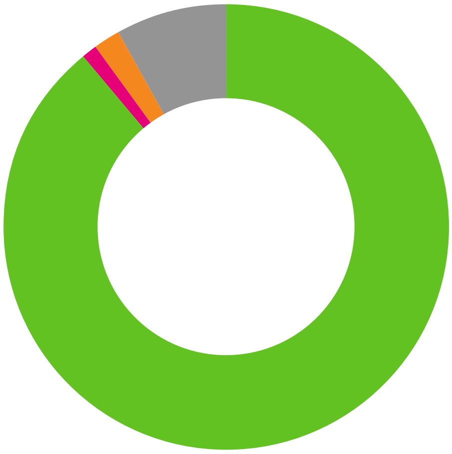
Storm Paula in June also caused electricity distribution outages. The storm was among the most significant storms in the region of Koillismaa in several years. Storm Paula caused power cuts affecting up to 5,300 customers at the same time. The fault locations were identified quickly thanks to attributes such as network automation and ring network connections.

Households are the largest customer group, accounting for 90 per cent of the total number of customers and 39 per cent of all the energy distributed. Industry and services account for 10 per cent of the number of customers and 61 per cent of the energy distributed.

GRAPH 3: CONSUMPTION BY CUSTOMER SEGMENT



GRAPH 4: NUMBER OF CUSTOMERS BY SEGMENT



	Households	90 %
	Industry	1 %
	Agriculture	2 %
	Services	8 %
	Other	0 %

ELECTRICITY NETWORK PLANNING AND IMPLEMENTATION PROCEEDED AS SCHEDULED – SEVERAL WORKSITES IN PROGRESS

In March, the City of Espoo and Caruna signed an agreement on strategic cooperation. The aim of the cooperation is to support Espoo's growth and carbon-neutrality targets with a strong electricity network that meets future energy needs, enabling clean energy solutions for Espoo residents and companies.

Construction work on a new primary substation in the Sinimäki area of Espoo began in spring 2021. The Sinimäki primary substation will distribute electricity to approximately 15,000 customers directly and another 140,000 indirectly. To meet the growing demand for electricity, an underground cable will be installed during the project to connect the primary substations in Leppävaara and Sinimäki. The total value of the project is approximately EUR 30 million. The new primary substation will be commissioned in 2022.

An extensive network improvement programme that began in 2014 in the Espoo, Hanko, Hausjärvi, Hyvinkää, Inkoo, Järvenpää, Kirkkonummi, Lohja, Loppi, Raasepori, Riihimäki, Siuntio and Tuusula areas was completed in May. The project involved converting approximately 2,000 kilometres of the old overhead line network into a weatherproof network to meet the needs of the future. The modernised electricity network will improve the reliability and capacity of electricity distribution for private customers, companies and municipal customers.

During the year, the planning of several local cable projects was launched in Central Uusimaa, Häme, Ostrobothnia and Koillismaa. The aim is to demolish the old low-voltage overhead lines in built-up areas and replace them with new underground cable network. Work will take place in several towns and municipalities. The aim is to build approximately 551 kilometres of new underground cable network in the region between 2022 and 2025.

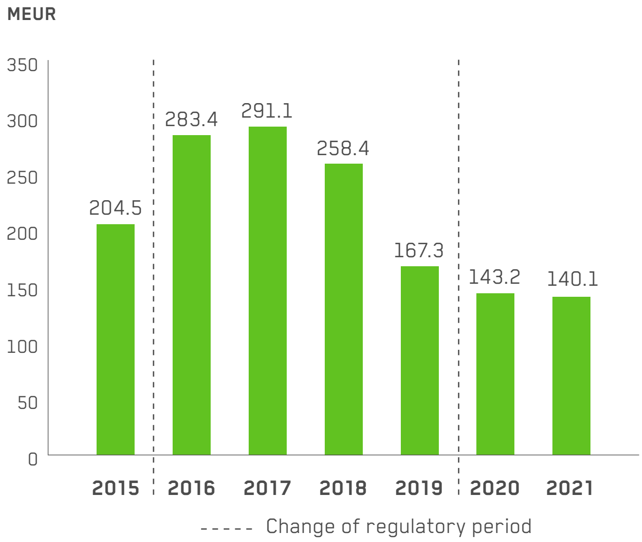
Two wide-ranging electricity network development projects were concluded in Southwestern Finland and Satakunta. The projects focused on making the trunk connections of the medium-voltage network more weatherproof. Almost 8,000 kilometres of the electricity network was modernised, dramatically improving the quality of electricity distribution for the approximately 100,000 customers in the area.

The reliability-of-supply requirements changed in 2021 when the new Electricity Market Act took effect in August. The reliability-of-supply requirements were postponed from 2028 to 2036 for companies with medium-voltage networks that had a cabling rate of less than 60 per cent at the end of 2018. The new requirements applied to Caruna Espoo Oy within Caruna Group.

Caruna Group's investments during the reporting period amounted to EUR 140.1 (143.2) million. In 2021, investments were targeted as planned at built-up areas, where the customer benefits from investments are significant due to the large number of customers. Development of the network in sparsely populated areas is continued based on age and condition.

Investments in the high-voltage network enable the implementation of the energy transition. Investments in the high-voltage network are influenced by the growth of electricity use in cities, the connection of decentralised energy production, the electrification of heat production, and the renovation of aged network components. The share of investments in the high-voltage distribution network was 19.3 (12.3) per cent.

GRAPH 5: INVESTMENTS 2015–2021



THE POPULARITY OF SOLAR ENERGY CONTINUED – NEARLY 28 PER CENT GROWTH

In January–December, 2,660 (2,800) new solar power systems (<1 MW) were connected to Caruna's electricity network. Private customers accounted for approximately 2,280 of these systems, and corporate customers accounted for the remaining 380. In Caruna's area, the average output of consumer solar power stations is 5 kW. At the end of the review period, the number of small-scale producers of solar power was approximately 12,000 (9,400).

A legislative amendment took effect on 1 January 2021, enabling housing companies to establish local energy communities, which are considered equivalent to small-scale electricity producers. Since 1 January 2021, Caruna has provided its Solar Community service to housing companies in its network areas, enabling the companies and residents to reduce their electricity invoices by making use of jointly operated solar panels. The service is free of charge for housing companies and their residents. Solar Communities can be established on Caruna's digital Virtane service, which makes it easy for housing companies to monitor their activities.

Since January 2021, Caruna has offered its customers the opportunity to use a free load control service. The service enables customers to manage their electricity consumption by making more efficient use of devices that consume electricity – for example, by scheduling consumption at night.

During 2021, Caruna also developed digital services for corporate and municipal customers and electricity contractors.

Research and development

Total research and development costs for the financial period amounted to EUR 0.2 (2020: 0.2 and 2019: 0.2) million, which is 0.20 (2020: 0.19 and 2019: 0.27) per cent of operating expenses.

Financing

Electricity distribution is a capital-intensive sector. The network improvement programme to be completed by the end of 2036 will require continuous additional financing. Caruna's debts amount to more than three billion euros, of which over two billion consist of external loans and approximately EUR 800 million is in shareholder loans.

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

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

In June, Caruna refinanced part of a bond due to mature in 2023 with a green bond. The loan taken from Transmission Finance DAC will mature in seven years. The loan amounts repaid and drawn down were EUR 300 million.

At the end of the financial period, the Group's external loans totalled EUR 2,611.2 (2,566.1) million. At the end of the financial year, 95 per cent of Caruna's external loans had fixed interest rates when interest rate swaps are taken into consideration. The average interest rate on external loans at the end of the year was 2.0 (2.1) per cent.

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

The committed credit facilities available on the balance sheet date were a capex and revolving credit limit amounting to EUR 220 (260) million, a bank overdraft limit of EUR 30 (30) million and a liquidity facility of EUR 6.7 (6.7) million.

Net financing costs recognised on the income statement for the financial period totalled EUR 133.5 (125.2) million, and the interest liabilities recognised on the balance sheet were EUR 34.6 (36.6) million.

Caruna complied with the covenant terms of all loan agreements.

In October, Standard & Poor's changed Caruna's long-term credit rating from "BBB+ and a stable outlook" to "BBB+ and a significantly weakened outlook" due to proposed changes to the regulation model.

In 2021, we also carried out an assessment of the sustainability of our operations in the areas of climate change mitigation and adaptation. According to the assessment, 99.7 per cent of Caruna's net sales and 99.1 per cent of investments are in line with the EU sustainable finance taxonomy. The assessment was carried out in accordance with the criteria for assessing the electricity distribution industry.

Personnel

Caruna Group had 308 (314) employees at the end of the year, 85 (67) of whom were employed by the Group's parent company.

	2021	2020	2019
Number of employees 31 Dec	308	314	313
Average number of employees during the year	317	323	313
Wages and salaries (EUR million)	22.2	22.0	20.6

Each Caruna employee spent an average of 3.7 (10.8) hours in training. Absences due to illness decreased slightly at an average level of 1.5 (1.7) per cent of working time.

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

Information on personnel can be found in Caruna's annual report at caruna.fi/en.

Corporate responsibility

The information can be found in Caruna's annual report 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 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 at caruna.fi/en.

FINANCIAL RISKS

The financial risks are presented in note 18 (Financial risk management) 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 42,633,454.99 (41,734,011.46).

In September, Caruna Networks Oy distributed a dividend to its shareholder as decided by an Extraordinary General Meeting. The dividend amounted to EUR 34,240 per share for a total of EUR 85,600,000.00.

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 13 April 2021. The meeting approved Caruna's financial statements for 2020, 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's Extraordinary General Meetings were held on 2 March 2021, 12 May 2021, 8 June 2021, 6 September 2021,11 November 2021 and 21 December 2021. Decisions on changes to the composition of the Board of Directors were made in March, May, June and November. In September, the Board's proposal for the payment of a dividend to the shareholders was approved. In December, the meeting decided on the changes to the remunerations of the board members.

Board of Directors

The Board convened seven times during the financial period. At the end of 2021, Caruna Networks Oy's Board of Directors consisted of Matti Ruotsala (Chair), James Adam, Andrew Furze, Jouni Grönroos, Shankar Krishnamoorthy, Kerron Lezama, Fredrik Lundeborg and Laura Tarkka.

The deputy members were Tara Davies, Katarina Romberg and Charles Thomazi.

In conjunction with the changes of ownership, there were several changes to the composition of the Board.

Board members	Time
Adam James	From 2.3.2021
Furze Andrew	From 11.11.2021
Giese Julia	12.5.-8.6.2021
Grönroos Jouni	old member, no changes
Krishnamoorthy Shankar	From 8.6.2021
Lezama Kerron	From 12.5.2021
Liddle Matthew	Until 11.5.2021
Lundeborg Fredrik	From 2.3.2021
McNicholas Michael	Until 11.5.2021
Mills Niall	Until 1.3.2021
Richardson Ellen	Until 1.3.2021
Ruotsala Matti	old member, no changes
Shamovsky Oleg	2.3.2021-11.11.2021
Tarkka Laura	old member, no changes

Deputy Board members	Time
Davies Tara	From 13.4.2021
Gawron Agnieszka	Until 11.5.2021
Grant Nicolas	Until 1.3.2021
Romberg Katarina	From 13.4.2021
Thomazi Charles	From 13.4.2021

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.

At the end of 2021, the Audit Committee consisted of Jouni Grönroos (Chair) and Shankar Krishnamoorthy, Kerron Lezama and Fredrik Lundeborg (members). There were several changes to the composition of the Audit Committee during the financial period.

Members of the Audit Committee	Time
Adam James	10.3. - 3.11.2021
Grönroos Jouni	old member, no changes
Krishnamoorthy Shankar	From 1.9.2021
Lezama Kerron	From 3.11.2021
Liddle Matthew	Until 11.5.2021
Lundeborg Fredrik	From 10.3.2021
Richardson Ellen	Until 1.3.2021
Shamovsky Oleg	10.3. - 1.9.2021

At the end of the year, the Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair) and James Adam and Andrew Furze (members). There were several changes to the composition of the Nomination and Remuneration Committee during the financial period.

Members of the Nomination and Remuneration Committee	Time
Adam James	From 10.3.2021
Furze Andrew	From 11.11.2021
Grant Nicolas	Until 10.3.2021
McNicholas Michael	Until 11.5.2021
Ruotsala Matti	old member, no changes
Shamovsky Oleg	10.3. - 11.11.2021

At the end of 2021, the Health, Safety and Environment Committee consisted of Shankar Krishnamoorthy (Chair) and Kerron Lezama and Laura Tarkka (members).

Members of the Health, Safety and Environment Committee	Time
Adam James	10.3. - 3.11.2021
Grant Nicolas	Until 10.3.2021
Krishnamoorthy Shankar	From 1.9.2021
Lezama Kerron	From 3.11.2021
Liddle Matthew	Until 11.5.2021
Lundeborg Fredrik	10.3. - 1.9.2021
Richardson Ellen	Until 10.3.2021
Shamovsky Oleg	10.3. - 1.9.2021
Tarkka Laura	old member, no changes

Management Team

On 1 October 2021, Caruna revised its operating model to align more closely with the company's updated strategy. The new organisation consists of four units: Management and Operation of the Electricity Network, headed by Elina Lehtomäki; Customer Relationships and New Businesses, headed by Kosti Rautiainen; Corporate Services, headed by Jyrki Tammivuori; and Public Relations and Regulation, headed by Noora Neilimo-Kontio.

The company's Management Team consisted of CEO Tomi Yli-Kyyny and the above-mentioned unit heads.

Head of Customer Relations Katriina Kalavainen, Head of People and Culture Tommi Saikkonen and Head of Communications and Public Affairs Anne Pirilä were on the Management Team until 30 September 2021.

Auditing

At Caruna Networks Oy's Annual General Meeting 2021, audit firm Deloitte Oy was elected as auditor. Jukka Vattulainen, Authorised Public Accountant, was the principal auditor between 1 January and 13 April 2021, and Reeta Virolainen, Authorised Public Accountant, from 13 April 2021.

Shares and ownership

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

Key events after the financial period

The additional 20 per cent surcharge on Caruna's standard compensation for power cuts (outage fee) was removed from 1 January 2022 due to changes in the Electricity Market Act and regulatory methods. Increased outage fee was paid from July 2018 to December 2021.

At its meeting in January, the Board of Directors of Caruna Networks Oy decided to participate in the joint industry Market Court appeal process coordinated by Finnish Energy concerning changes to established regulatory methods in the middle of the regulatory period. The appeal is widely supported, and a total of 71 distribution companies are involved in the appeal.

On 27 January 2022, international credit rating agency Standard & Poor's (S&P) lowered Caruna's credit rating from "BBB+ and a significantly weakened outlook" to "BBB and a stable outlook". The drop is due to the exceptional changes made to the regulation model for electricity distribution companies during the regulatory period.

Datahub, a centralised information exchange system for the retail electricity market, was launched on 21 February 2022.

Estimate of probable future developments

Caruna Oy and Caruna Espoo Oy operate as part of Caruna Group and within the framework of the electricity distribution industry in a regulated operational environment. Caruna Networks Oy will continue to operate as the parent company, offering administrative services to the other companies in the Group, along with other services to support electricity distribution, such as Caruna's electronic service platform 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. Network development will increasingly focus on the low-voltage network, leading to significantly lower annual investment levels.

The Energy Authority changed the regulatory methods of the electricity distribution network in the middle of the regulatory period in November 2021, which is estimated to have a significant impact on the determination of the reasonable return of Caruna Oy and Caruna Espoo Oy. As a consequential effect, Caruna Group's credit rating was lowered from "BBB+" to "BBB" in January 2022. The drop in credit rating may increase future financing costs and reduce the availability of financing. In the first half of 2022, the Energy Authority will also start developing the regulation model that will enter into force in 2024.

The electricity 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 battery-based 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 725,477,680.65. The company's profit for the financial period was EUR 42,633,454.99. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2021 and that the profit for the period be transferred to retained earnings.

Caruna takes care of electricity distribution and maintains, repairs and builds a weatherproof electricity network for more than 714,000 customers in South, Southwest and West Finland, the city of Joensuu and in 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		2021	2020	2019	2018	2017
Net sales	EUR million	499.8	475.3	466.4	454.1	426.4
EBITDA	EUR million	324.7	304.5	303.5	287.5	269.6
of revenue		65.0 %	64.1 %	65.1 %	63.3 %	63.2 %
Operating profit	EUR million	192.5	171.0	167.2	154.3	145.7
of revenue		38.5 %	36.0 %	35.9 %	34.0 %	34.2 %
Net income	EUR million	46.6	35.0	28.1	18.5	28.8
of revenue		9.3 %	7.4 %	6.0 %	4.1 %	6.8 %
Income tax	EUR million	10.7	10.7	12.2	10.3	6.3

Financial position		31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
Interest-bearing net debt	EUR million	3,318.7	3,276.5	3,286.5	3,269.8	3,131.2

Other data		2021	2020	2019	2018	2017
Investments	EUR million	140.1	143.2	167.3	258.4	291.1
Cash flow after investments	EUR million	46.5	16.8	-11.9	-132.6	-169.9
Dividends	EUR million	85.6	12.0	-	-	-
Number of employees at the end of period		308	314	313	289	274

Key ratios	2021	2020	2019	2018	2017
Return on equity	-47.9 %	-37.8 %	-26.5 %	-15.4 %	-20.3 %
Return on capital employed	6.0 %	5.3 %	5.3 %	5.1 %	5.1 %
Equity ratio	-2.6 %	-2.0 %	-2.4 %	-2.7 %	-3.2 %

CALCULATION OF KEY FIGURES

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

EUR 1,000	Notes	2021	2020
Net sales	4	**499,761**	**475,281**
Other operating income	5	6,761	4,196
Direct costs		-93,751	-85,478
Personnel expenses	6	-27,104	-25,950
Other operating expenses	7	-60,961	-63,569
Depreciations, amortisations and impairment charges	8	-132,222	-133,455
		-314,038	**-308,452**
Operating profit		**192,484**	**171,025**
Finance income	9	2,172	2,154
Finance costs	10	-135,669	-127,322
Finance items total		**-133,497**	**-125,168**
Profit before taxes		**58,987**	**45,857**
Income taxes	11	-12,377	-10,830
Profit for the period		**46,610**	**35,027**
Attributable to:			
Equity holders of the parent		46,610	35,027

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

EUR 1,000	Notes	2021	2020
Profit for the period		**46,610**	**35,027**
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		17,269	-9,215
Income tax effect	11	-3,454	1,843
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**13,815**	**-7,372**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement losses (gains) on defined benefit plans	22	-121	46
Income tax effect	11	24	-9
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-97**	**37**
Other comprehensive income for the period, net of tax		**13,718**	**-7,335**
Total comprehensive income for the period, net of tax		**60,328**	**27,692**
Attributable to:			
Equity holders of the parent		60,328	27,692

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR 1,000	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Goodwill	12	62,468	62,468
Intangible assets	12	1,582,279	1,586,071
Property, plant and equipment	13	2,414,739	2,403,767
Other non-current assets	15, 16	775	1,157
Derivative financial instruments	16, 17	-	1,026
Deferred tax assets	11	3,861	7,314
Total non-current assets		**4,064,122**	**4,061,803**
Current assets			
Trade receivables	16, 17, 19	127,739	111,076
Other receivables	19	4,308	3,202
Cash and cash equivalents	17, 20	60,828	60,122
Total current assets		**192,875**	**174,400**
TOTAL ASSETS		**4,256,997**	**4,236,203**

EUR 1,000	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Share capital		3	3
Invested unrestricted equity fund		171,204	171,204
Other equity funds		-15,565	-29,283
Retained earnings		-265,659	-226,669
Total equity		**-110,017**	**-84,745**
Non-current liabilities			
Interest bearing loans and borrowings	16, 17	3,379,394	3,336,654
Derivative financial instruments	16, 17	19,759	43,436
Deferred tax liabilities	11	511,096	509,394
Net employee defined benefit liabilities	22	529	364
Other non-current liabilities	16, 17, 23	303,358	303,772
Total non-current liabilities		**4,214,136**	**4,193,620**
Current liabilities			
Trade payables	16, 17, 23	45,977	35,198
Other payables	23	57,883	43,517
Provisions	21	22	-
Other current liabilities	23	48,996	48,613
Total current liabilities		**152,878**	**127,328**
Total liabilities		**4,367,014**	**4,320,948**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,256,997**	**4,236,203**

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

	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**

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR 1,000	Notes	2021	2020
Net profit for the period		**46,610**	**35,027**
Adjustments:			
Taxes		12,377	10,830
Finance costs - net		133,497	125,168
Depreciation, amortisation and impairment charges		132,222	133,455
Adjustments total		**278,096**	**269,453**
Operating profit before depreciation (EBITDA)		**324,706**	**304,480**
Non-cash flow items		-37	-120
Interest paid		-140,000	-125,946
Interest received		2,154	2,196
Taxes		-12,562	-11,139
Total		**-150,445**	**-135,009**
Funds from operations		**174,261**	**169,471**
Change in working capital:			
Change in trade and other receivables		-16,375	1,357
Change in trade and other payables		27,090	-2,690
Change in connection fee payables		-188	-580
Total change in working capital		**10,527**	**-1,913**
Net cash flows from operating activities		**184,788**	**167,558**
Capital expenditure		-139,120	-150,915
Proceeds from sales of fixed assets		812	138
Net cash flows used in investing activities		**-138,308**	**-150,777**
Loans withdrawal		430,000	75,000
Repayments of long-term liabilities		-390,000	-108,000
Repayments of leasing liabilities		-174	-170
Dividend distribution to the owners		-85,600	-12,000
Net cash used in financing activities		**-45,774**	**-45,170**
Net increase in cash and cash equivalents		706	-28,389
Cash and cash equivalents at 1 January		60,122	88,511
Cash and cash equivalents at 31 December	16	**60,828**	**60,122**

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 per cent of the shares in Caruna Networks Oy. Suomi Power Networks TopCo B.V. has a registered office in Amsterdam, The Netherlands. The consolidated financial statements of Suomi Power Networks TopCo B.V. according to IFRS are available at Suomi Power Networks TopCo B.V. headquarters in Luna Arena, Herikerbergweg 112, 1101 CM Amsterdam, The Netherlands.

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

The Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR both purchased a 20 per cent stake in Caruna from First Sentier Investors (FSI), the original owner of Caruna, on 1 March 2021. Similarly, another of Caruna's original owners, Keva, sold its 12.5 per cent stake to AMF, a Swedish pension insurance company, on 1 March 2021.

The consolidated financial statements of the Caruna Group for the year ended 31 December 2021 were approved by the Board of Directors on 16 March 2022.

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 2020, 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 2021, eg. amendments to IFRS 16, IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, do not have an effect on the consolidated financial statements.

1.2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.2.4.1BUSINESS 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 fulfillment 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 w3.1.2. 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 costs (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 fulfill 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 costs in the profit and loss statement. Finance costs recognised at amortised cost also include accrued interest expenses, trade payables and connection fee payables.

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

Financial liabilities recognised at fair value through profit and loss

In Caruna Group, financial liabilities booked through profit or loss include electricity and interest derivatives that do not fulfill 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 fulfill the terms of hedge accounting in accordance with IFRS 9.

Derecognition

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

Offsetting a financial asset and a financial liability

Caruna Group does not offset financial assets and financial liabilities.

1.2.4.14 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

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

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

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

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

1.2.4.15 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of 35-40 years in order to take into account the long-term capital expenditure plans which are driven by the security of supply requirements by the end of 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 2023. 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 2022:

Amendment to IFRS 3, IAS 16 and IAS 37 and annual improvements. The changes are not expected to have an effect on the consolidated financial statements of Caruna Group.

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

1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

1.3.2 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. Budgets for the next three years are approved by the Board of Directors. These budgets and forecast calculations cover a period of approximately 35-40 years in order to consider the long-term capital expenditure plans which are driven by the security of supply requirements by the end of 2028, set by the Ministry of Economic Affairs and Employment. The Board of Directors approve the impairment calculations. The applied discount rate of 3.97 per cent has been derived directly from the regulatory pre-tax WACC.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 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 85.6 million to shareholder by decision of the September Extraordinary General Meeting.

There has been no changes to capital management objectives, instructions or processes during 2021 or the previous year.

Standard & Poor has placed the credit rating "BBB+ on Credit watch negative" for Caruna in October 2021. In their view S&P believe the regulatory environment for distribution system operators (DSOs) in Finland has weakened as a result of significant changes to the framework in the middle of the regulatory period, leading to a cut in remuneration. S&P assesses the Finnish framework for DSOs as strong/adequate rather than strong. S&P had previously confirmed credit rating "BBB+ strong" for Caruna. Caruna's strategy has been to keep the credit rating at the targeted grade, and the credit rating BBB+ has been maintained 2021 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 2021
Caruna Oy	Electricity distribution	Finland	100
Caruna Espoo Oy	Electricity distribution	Finland	100

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

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

The Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR both purchased a 20 per cent stake in Caruna from First Sentier Investors (FSI), the original owner of Caruna, on 1 March 2021. Similarly, another of Caruna's original owners, Keva, sold its 12.5 per cent stake to AMF, a Swedish pension insurance company, on 1 March 2021.

On 11 May, Ontario Teachers' and KKR both acquired a 20 per cent stake in Caruna from OMERS, which was also one of Caruna's original owners. Following these transactions, KKR and Ontario Teachers' both own 40 per cent of the shares in Caruna.

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.

In June, Caruna refinanced part of a bond due to mature in 2023 with a green bond. The loan taken from Transmission Finance DAC will mature in seven years. The loan amounts repaid and drawn down were EUR 300 million.

TRANSACTIONS BETWEEN CARUNA GROUP AND DAC

In 2021, the interest expenses to DAC by Caruna Group amounted to EUR 46.977 (48,832) thousand. In addition to interest expenses recorded in the income statement also expenses of EUR 10,776 (-) thousand for issuing the green bond and repayment of the old bond have been recorded. During 2021 Caruna Group paid EUR 3,358 (-) thousand upfront fees to DAC. The fees have been capitalised and will be amortised according to effective interest method during the average life time of the green bond.

EUR 1,000	31 December 2021	31 December 2020
IBLA-loans w/o loan arrangement fees	2,031,219	2,026,120
Accrued interest expense	16,402	18,503
Total	**2,047,621**	**2,044,623**

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 per cent. 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

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

GEOGRAPHICAL DISTRIBUTION

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

SEGMENT INFORMATION

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

2021

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

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**

5. Other operating income

EUR 1,000	2021	2020
Customer based services and relocation of connections	2,593	2,478
Income from sale of demolished material	1,947	944
Proceeds from sale of property, plant and equipment	115	19
Rental Income	613	574
Other	1,493	181
Other operating income total	**6,761**	**4,196**

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

This includes recurring items such as relocation of connections, power cuts and re-connections, cable guidance and rental income as well as nonrecurring items such as proceeds from sale of property, plant and equipment.

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

Other items include contractual arrangements in 2021.

6. Personnel expenses

EUR 1,000	Note	2021	2020
Wages and salaries		22,202	22,028
Pension costs			
Defined contribution plans	22	3,770	3,022
Defined benefit plans	22	160	165
Social security costs		972	735
Total personnel expenses		**27,104**	**25,950**

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

The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2021-2024 already in 2020. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros and to achieve it the Board annually sets parametres that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. As a rule, the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accumulated amount of the incentive at the end of the employment. There is a detailed guide regarding the LTI program. In 2021, EUR 360 (589) thousand were paid out from the LTI program.

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

7. Other operating expenses

EUR 1,000	2021	2020
Repairs and maintenance	25,100	26,305
External services	22,082	20,142
Other	13,779	17,122
Total other operating expenses	**60,961**	**63,569**

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	2021	2020
Audit fees	160	193
Other services	90	90
Total auditor's fees	**250**	**283**

Deloitte Oy was appointed as the auditor for the 2021 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	2021	2020
Intangible rights	59	61
Way leaves	1,288	1,178
Other intangible assets	6,393	6,325
Buildings and constructions	1,653	1,676
Machinery and equipment	122,617	124,003
Right of use assets	212	212
Total depreciation	**132,222**	**133,455**

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 8 432 (10,551) thousand scrapping costs to the depreciation for the financial year 2021.

9. Finance income

EUR 1,000	2021	2020
Interest income	130	85
Interest income from interest derivatives, through OCI	2,042	2,070
Total finance income	**2,172**	**2,154**

10. Finance costs

EUR 1,000	2021	2020
Interest on debts and borrowings		
Shareholder loan	66,673	66,856
IBLA-loans (Senior-loan)	46,977	48,832
Investment loans	1,066	1,755
Capitalised borrowing costs	-192	-
Other	70	102
Total	**114,594**	**117,544**
Interest expenses on interest rate derivatives, through OCI	6,605	5,868
Interest expenses on interest rate derivatives, not qualified as hedge	-283	481
Total interest expense	**120,916**	**123,893**
Arrangement and commitment fees relating to interest-bearing loans	793	768
Other financing expenses	13,960	2,661
Total finance costs	**135,669**	**127,322**

Capitalised borrowing costs relate to construction of Sinimäki primary substation. Caruna has not drawn a separate loan for the building of the Sinimäki primary substation, therefore the amount of borrowing costs to be capitalised is the weighted avarage interest rate of all loans. During 2021 the interest rate was 3.415 per cent.

Included in other financing expenses during 2021 are expenses totalling EUR 10,776 (2020: -) thousand relating to the issue of a green bond and repayment of expenses regarding the old bond.

11. Income tax

INCOME TAX RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

EUR 1,000	2021	2020
Current income tax:		
In respect of the current year	-10,663	-10,676
In respect of the prior years	12	-
Deferred tax:		
Relating to origination and reversal of temporary differences	-1,726	-154
Total income tax expense recognised in the statement of profit or loss (tax expense -/tax income +)	**-12,377**	**-10,830**
Consolidated statement of comprehensive income		
Deferred tax related to items recognised in OCI during the year:		
Fair value remeasurement of hedging instruments entered into cash flow hedges	-3,454	1,843
Remeasurements of post employment benefit liabilities	24	-9
Income tax charged to other comprehensive income (tax expense -/tax income +)	**-3,430**	**1,834**

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

EUR 1,000	2021	2020
Profit before tax	58,987	45,857
Tax calculated at nominal Finnish tax rate 20 per cent	-11,797	-9,171
Non-deductible expenses for tax purposes	-579	-1,659
	-12,377	**-10,830**
Income tax expense reported in the statement of profit or loss	-12,377	-10,830

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 2020	Recognised in P&L	Recognised in OCI	Balance sheet 31 Dec 2021
Deferred tax receivables				
Provisions	10	1	-	11
Derivative financial instruments	7 304	-	-3 454	3 850
Total deferred tax receivables	**7 314**	**1**	**-3 454**	**3 861**
Deferred tax liabilities				
Depreciation difference	92,558	7,475	-	100 033
Measurement of assets at fair value in acquisition	414,269	-6,021	-	408 248
Other	2,567	272	-24	2 815
Total deferred tax liabilities	**509,394**	**1,726**	**-24**	**511 096**

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**

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.

12. Intangible assets

EUR 1,000	Goodwill	Intangible rights	Network license	Wayleaves	Other intangible assets	Total
Acquisition cost 1 January 2021	62,468	4,460	1,529,212	34,914	39,145	1,670,198
Transfers between items	-	-	-	1,791	2,157	3,948
Disposals	-	-	-	-382	-52	-434
Acquisition cost 31 December 2021	**62,468**	**4,460**	**1,529,212**	**36,323**	**41,250**	**1,673,712**
Accumulated depreciation 1 January 2021	-	4,058	-	7,251	10,352	21,659
Depreciation for the period	-	59	-	1,047	6,347	7,453
Write-downs	-	-	-	241	45	286
Depreciation charge on disposals and transfers between items	-	-	-	-382	-52	-434
Accumulated depreciation 31 December 2021	**-**	**4,117**	**-**	**8,157**	**16,692**	**28,965**
Net book value						
At 31 December 2021	**62,468**	**343**	**1,529,212**	**28,166**	**24,558**	**1,644,747**
At 31 December 2020	62,468	403	1,529,212	27,663	28,793	1,648,539
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**	**27,663**	**28,793**	**1,648,539**
At 31 December 2019	62,468	462	1,529,212	26,429	30,573	1,649,144

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

*) WIP= Work in progress including advance payments

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

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 2021	1,165	909	721	2,795
Additions	1	18	-	19
Disposals	-6	-	-	-6
Depreciation for the year	-74	-60	-78	-212
Cost at 31 December 2021	**1,086**	**867**	**643**	**2,596**

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	-	24
Disposals	-134	-1	-	-135
Depreciation for the year	-74	-60	-78	-212
Cost at 31 December 2020	**1,165**	**909**	**721**	**2,795**

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

2021 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 2022-2059. Of these, cash flows for 2022-2025 are based on the business plan which has been approved by the Board of Directors. Cash flow projections for 2026-2059 have been prepared by the management and they are based on the allowed regulated revenue which has been modelled for each CGU based on the best knowledge of the regulatory rules and their future development. Applied long term capital expenditure 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 per cent 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 2027 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 3,97 per cent 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 per cent and increasing the discount rate by 10 per cent. The breakeven point for the EBITDA sensitivity amounts to -5.9 per cent 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	2021	2020
Other investments at 1 January	49	49
Other investments at 31 December	**49**	**49**

Other investments include other shares owned less than 10 per cent. The shares are shown at amortised cost since no fair values are available. The shares are related to storage facilities kept for Caruna Group's own purposes for example for transformators etc.

16. Financial assets and liabilities

FINANCIAL ASSETS

EUR 1,000	2021	2020
Non-current		
Financial assets at amortised cost		
Accrued receivables	727	1,108
Financial assets at fair value through OCI		
Cross currency derivatives	-	1,026
Current		
Financial assets at amortised cost		
Trade receivables	127,739	111,076
Total financial assets	**128,466**	**113,210**

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	2021	2020
INTEREST-BEARING LIABILITIES		
Non-current liabilities		
Financial liabilities at amortised cost		
Loans	3,376,848	3,333,943
Lease liabilities	2,546	2,711
TRADE PAYABLES AND OTHER LIABILITIES		
Non-current liabilities		
Financial liabilities at fair value through OCI		
Cross-currency swaps	19,759	37,544
Financial liabilities at amortised cost		
Connection fee liabilities	303,255	303,443
Current liabilities		
Financial instruments through profit or loss		
Interest derivatives	-	481
Financial liabilities at amortised cost		
Trade payables	45,977	35,198
Lease liabilities	178	174
Total financial liabilities	**3,748,563**	**3,713,494**

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	2021	2020
Non-current interest-bearing loans and borrowings				
Shareholder loan	8.50 %	2047	773,642	773,642
IBLA-loans				
IBLA-loan 7y	1.50 %	2023	200,000	500,000
IBLA-loan 7y	0.38 %	2028	300,000	-
IBLA-loan 10y	2.04 %	2026	10,000	10,000
IBLA-loan 10y	1.69 %	2026	60,000	60,000
IBLA-loan 10y	3.18 %	2026	66,219	61,120
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	0.16 %	2025	130,000	90,000
Lease liabilities			2,546	2,711
Accrued loan arrangement fees			-8,013	-5,818
Total non-current interest-bearing loans and borrowings			**3,379,394**	**3,336,655**
Current interest-bearing loans and borrowings				
Lease liabilities			178	174
Total current interest-bearing loans and borrowings			178	174
Total interest-bearing loans and borrowings			**3,379,572**	**3,336,829**

The owners KKR (40 per cent), OTPP (40 per cent), AMF (12.5 per cent) and Elo (7.5 per cent) have given a Shareholder loan to Suomi Power Networks TopCo B.V and its subsidiaries. No repayment of Shareholder loan has been made during the current or previous year. No interest expenses were capitalised nor added to the principal Shareholder loan amount during 2021 or 2020.

During 2021, Caruna drew down EUR 130 million and repaid a total of EUR 90 million short term loans from capex and revolving credit facility. Additionally in June 2021 Caruna refinanced EUR 300 million from its EUR 500 million bond maturing in May 2023 with a 7 year green bond.

Available facilities are capex and revolving credit facility EUR 220 million, bank overdraft EUR 30 million and liquidity facility EUR 6.7 million. During the comparison year Caruna also took out in total EUR 158 million for investments from the Capex and Revolving Credit Facilities, which of EUR 108 million was repaid, during the comparison year.

The period's financing costs stated on the income statement were EUR 133.5 (125.2) million. Included in net financing expenses during 2021 are expenses totalling EUR 10.8 (2020: -) thousand relating to the issue of a green bond and repayment of expenses regarding the old bond. The accrued interest liabilities on the balance sheet were EUR 34.6 (36.6) million. Of Carunas external loans 95 per cent are with fixed interest rates. The weighted avarage interest rate on external loans at the end of the year was 2.0 (2.1) per cent. Caruna complied with the covenant terms of all loan agreements. Standard & Poor's assigned Carunas long-term credit rating of BBB+ with a negative outlook (see note 2).

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

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

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

NET DEBT

EUR 1,000	2021	2020
Cash and cash equivalents	-60,828	-60,122
Shareholder loan	773,642	773,642
Total non-current interest-bearing loans and borrowings	2,603,206	2,560,302
Lease liabilities	2,724	2,885
Total net debt	**3,318,744**	**3,276,707**
Cash and cash equivalents	-60,828	-60,122
Gross debt - fixed rate	2,899,572	2,896,829
Gross debt - floating rate	480,000	440,000
Total net debt	**3,318,744**	**3,276,707**

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

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**

CASH AND CASH EQUIVALENTS RECONCILIATION

EUR 1,000	2021	2020
Cash and cash equivalents balance at 31 December	50,200	47,600
Group's Cash Pool account balance at 31 December	10,622	12,522
Cash and cash equivalents at 31 December	60,822	60,122
Cash and cash equivalents in Group cash flow	**60,828**	**60,122**

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 2021

EUR 1,000	Note	At fair value through profit or loss	At fair value through OCI	Amortised cost	Book value	Fair value	Fair value hierarchy
Non-current financial assets							
Loan arrangement fee, Revolving credit facility	16			727	727	727	1
Current financial assets							
Trade receivables	16			127,739	127,739	127,739	2
Cash and cash equivalents	20			60,828	60,828	60,828	1
Total financial assets		**-**	**-**	**189,294**	**189,294**	**189,294**	
Non-current financial liabilities							
Interest-bearing liabilities (floating rate)	16			480,000	480,000	480,000	2
Interest-bearing liabilities (fixed rate)	16			2,888,835	2,888,835	2,888,835	2
Accrued loan arrangement fee	16			8,013	8,013	8,013	1
Lease liabilities	16			2,546	2,546	2,546	2
Derivative financial instruments (interest)	16	-	19,759		19,759	19,759	2
Connection fee liabilities	16			303,255	303,255	303,255	3
Current financial liabilities							
Lease liabilities	16			178	178	178	2
Trade payables	23			45,977	45,977	45,977	2
Total financial liabilities		**-**	**19,759**	**3,728,804**	**3,748,563**	**3,748,563**	

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**	

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 2021

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

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**

For interest rate sensitivity analysis in accordance with IFRS 7, if interest rates at 31 December 2021 on EUR-denominated borrowings had been 1 per cent higher/ lower with all other variables held constant, pre-tax profit for the year would have been EUR 0.4 (0.3) million lower / EUR 3.9 (2.9) million lower, as a result of changes in the interest flows on floating rate borrowings and hedging instruments and the change of market value of the non-hedge accounted interest rate swaps; there would not be any effect on other components of equity. The following table illustrates the sensitivity analysis.

31 December 2021

EUR million	Income statement + 1 %	- 1 %	Equity + 1 %	- 1 %
Interest-bearing liabilities	-4.4	0.3	-	-
Interest rate derivatives				
Hedge accounted	4.0	-4.1	-	-
Non-hedge accounted	-	-	-	-
Total	**-0.4**	**-3.9**	**-**	**-**

31 December 2020

EUR million	Income statement + 1 %	- 1 %	Equity + 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**	**-**	**-**

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	16,577	-	-	-	16,577
Expected loss rate	0.000 %	-	-	-	
Loss allowance	0	-	-	-	0
Households					
Gross trade receivables	17,601	1,745	544	107	19,997
Expected loss rate	0.001 %	0.001 %	0.765 %	0.571 %	
Loss allowance	0	0	4	1	5
Companies					
Gross trade receivables	38,874	1,154	218	6	40,252
Expected loss rate	0.004 %	0.999 %	16.021 %	31.117 %	
Loss allowance	2	12	35	2	50
Total loss allowance	**2**	**12**	**39**	**2**	**55**

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

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

CURRENCY RISK

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

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

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

Year ended 31 December 2021

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	-	-	-	330,000	3,054,861	3,384,861
Accrued loan arrangement fee	-	-	-	-	-8,013	-8,013
Leasing liabilities	-	59	177	945	1,543	2,724
Connection fee liabilities	-	-	-	-	303,255	303,255
Interest derivatives	-	-	-	500	19,259	19,759
Trade payables	-	45,977	-	-	-	45,977
Accrued interest expenses	-	27,824	6,800	-	-	34,624
Total	**-**	**73,860**	**6,977**	**331,445**	**3,370,905**	**3,783,187**

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**

19. Trade and other receivables

TRADE RECEIVABLES

EUR 1,000	2021	2020
Trade receivables, gross amount	77,277	72,683
Credit losses	-55	-52
Accrued sales	50,517	38,445
Total trade and other receivables	**127,739**	**111,076**

AGING ANALYSIS OF TRADE RECEIVABLES (GROSS AMOUNT)

EUR 1,000	2021	2020
Not past due	73,055	66,692
Past due 1-90 days	3,661	5,280
Past due 91-180 days	113	266
Past due more than 181 days	448	445
Total	**77,277**	**72,683**

Credit losses recorded in 2021 were EUR 503 (497) 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	2021	2020
Income tax receivables	1,554	184
Accrued income and prepaid expenses	2,754	3,018
Total trade and other receivables	**4,308**	**3,202**

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

20. Cash and cash equivalents

EUR 1,000	2021	2020
Cash at banks and on hand	60,822	60,122
Total cash and cash equivalents	**60,822**	**60,122**

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

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

21. Provisions

EUR 1,000	2021	2020
Provisions at 1 January	**-**	**124**
Increases in provisions	22	
Decreases in provisions	-	-124
Provisions at 31 December	**22**	**-**
Current provisions	22	-

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	2021	2020
Defined benefit obligation	1,828	1,724
Fair value of plan assets	-1,299	-1,360
Surplus (-)/deficit (+)	529	364
Net defined benefit liability (+)/asset (-) recognised in statement of financial position	**529**	**364**

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

EUR 1,000	2021	2020
Opening defined benefit obligation	1,724	1,816
Current service cost	72	76
Interest expense	10	7
Actuarial gains (-)/losses (+) on obligation	86	-108
Benefits paid	-64	-67
Defined benefit obligation at the end of the period	**1,828**	**1,724**

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

EUR 1,000	2021	2020
Opening fair value of plan assets	1,360	1,455
Interest income	8	6
Actuarial gains (+)/losses (-) on plan assets	-35	-62
Benefits paid	-64	-67
Contributions	30	28
Fair value of plan assets at the end of the period	**1,299**	**1,360**

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	2021	2020
Net defined benefit liability recognised in statement of financial position at beginning of period	364	361
Expense recognised in profit or loss	74	77
Remeasurements recognised in other comprehensive income	121	-46
Contributions	-30	-28
Total	**529**	**364**

Items recognised in profit or loss

EUR 1,000	2021	2020
Service cost	72	76
Net interest	2	1
Expenses recognised in profit or loss	**74**	**77**

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2021	2020
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in financial assumptions	77	-50
Actuarial gains (-)/losses (+) on defined benefit obligation arising from experience adjustments	9	-58
Actuarial gains (-)/ losses (+) on plan assets	35	62
Remeasurement in other comprehensive income	**121**	**-46**

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 2021	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 0.80%	0 %	0 %	0 %	0 %	0 %
Discount rate +0.50%	-7 %	-6 %	-9 %	-7 %	48 %
Discount rate -0.50%	7 %	6 %	10 %	8 %	-59 %
Benefit increase 2.1%/0%	0 %	0 %	0 %	0 %	0 %
Benefit increase +0.50%	5 %	0 %	17 %	7 %	17 %
Benefit increase -0.50%	-4 %	0 %	-15 %	-6 %	-16 %

Reporting Period ending 31 December 2020	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 0.60%	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 %

23. Trade and other current payables

EUR 1,000	2021	2020
Trade payables		
Accounts payables trade	19,189	16,786
Accrued trade payables	26,788	18,412
Total trade payables	**45,977**	**35,198**
Other non-current liabilities		
Accrued expenses	102	329
Total other non-current liabilities	**102**	**329**
Other liabilities		
Electricity tax liability	34,550	19,660
VAT liability	22,231	22,179
Other payables	1,102	1,678
Total other liabilities	**57,883**	**43,517**
Accrued expenses		
Employee benefit expenses	7,681	6,657
Interest expenses	34,624	36,660
Income tax liability	-	540
Other accrued expenses	6,691	4,756
Total accrued expenses	**48,996**	**48,613**
Total	**152,958**	**127,657**

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	2021	2020
Within one year	247	214
After one year but no more than five years	1,038	872
More than five years	272	229
Total	**1,557**	**1,315**

CAPITAL COMMITMENTS

EUR 1,000	2021	2020
Property, plant and equipment	217,635	231,749
Total	**217,635**	**231,749**

OTHER PURCHASE COMMITMENTS

EUR 1,000	2021	2020
Purchase of electricity	9,560	8,116
Total	**9,560**	**8,116**

CONTINGENT LIABILITIES

EUR 1,000	2021	2020
Loans, for which shares have been pledged and mortgages given		
Loans from financial institutions	2,611,219	2,566,120
Floating charges	11,040,000	11,100,000
Real estate mortgages	20,692	21,841
Guarantees on behalf of Group companies	**4,135**	**4,065**

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 60,822 (60,122) thousand have been pledged as security for loans from financial institutions.

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

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

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

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

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	2021	2020
Cash flow hedge reserve	-15,400	-29,215
Other comprehensive income	-165	-68
Total other funds	**-15,565**	**-29,283**

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 42,633,454.99 (41,734,011.46). The Board of Directors proposes to the annual general meeting that no dividend be paid for 2021 and that the profit be transferred to retained earnings.

An extraordinary general meeting was held 6 September 2021, where The Board of Directors proposal, that a cash dividend of EUR 34,240 per share, EUR 85,6 million in total, was approved. The dividend was paid in September 2021.

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	2021	2020
Board members	278	278
CEO	648	425
Management team	1,637	1,225
Total	**2,562**	**1,928**

The salaries and short term employee benefits for Board members, CEO and Management team in 2021 were EUR 2,562 (1,928) thousand. Remunerations have been paid to independent domestic Board members.

Caruna's Management team consists at the end of the reporting period of 5 members. The composition of the management team changed 1 October 2021. The new organisations consist of four units: Electricity Network Management and Operations, headed by Elina Lehtomäki, Customer Relationships and New Business, headed by Kosti Rautiainen, Corporate services and transformation, headed by Jyrki Tammivuori and People, Public Relations and Regulation, headed by Noora Neilimo-Kontio. The company's Management Team consists of CEO Tomi Yli-Kyyny and the four unit heads. Until 30 September 2021 the Management Team consisted of CEO Tomi Yli-kyyny, Co and Deputy CEO Jyrki Tammivuori, Head of Electrical Network 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 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 per cent of the annual salary, to the Caruna Personnel Fund established in 2015.

The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2021-2024 during 2020. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros and to achieve it the Board annually sets parametres that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. As a rule, the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accumulated amount of the incentive at the end of the employment. There is a detailed guide regarding the LTI program. In 2021, EUR 360 (589) 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 2021 the shareholder loan was EUR 773,642 (773,642) thousand from the owners OTTP, KKR, AMF and Elo through Suomi Power Networks TopCo BV and its subsidiaries. The outstanding amount of the accrued interest on the shareholder loan was EUR 16,805 (16,805) thousand.

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

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

27. Events after the reporting period

The additional 20 per cent surcharge on Caruna's standard compensation for power cuts (outage fee) was removed from 1 January 2022 due to changes in the Electricity Market Act and regulatory methods. Increased outage fee was paid from July 2018 to December 2021.

At its meeting in January, the Board of Directors of Caruna Networks Oy decided to participate in the joint industry Market Court appeal process coordinated by Finnish Energy concerning changes to established regulatory methods in the middle of the regulatory period. The appeal is widely supported, and a total of 71 distribution companies are involved in the appeal.

On 27 January 2022, international credit rating agency Standard & Poor's (S&P) lowered Caruna's credit rating from "BBB and a significantly weakened outlook" to "BBB and a stable outlook". The drop is due to the exceptional changes made to the regulation model for electricity distribution companies during the regulatory period.

Datahub, a centralised information exchange system for the retail electricity market, was launched on 21 February 2022.

Parent company financial statements (FAS)

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 January 2021 - 31 December 2021	1 January 2020 - 31 December 2020
Net sales	3	**21,478,592.17**	**21,695,602.98**
Other operating income	4	8,838.10	-
Personnel expenses	5	-9,597,139.31	-8,263,043.89
Other operating expenses	6	-13,505,705.24	-14,212,426.42
Operating loss		**-1,615,414.28**	**-779,867.33**
Finance income and costs	7	-102,060,439.24	-95,747,292.42
Profit before appropriations and taxes		**-103,675,853.52**	**-96,527,159.75**
Appropriations	8	156,900,000.00	148,800,000.00
Income taxes	9	-10,590,691.49	-10,538,828.79
Profit for the period		**42,633,454.99**	**41,734,011.46**

PARENT COMPANY BALANCE SHEET

EUR	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets	10		
Investments		2,962,000,000.00	2,957,000,000.00
Total non-current assets		**2,962,000,000.00**	**2,957,000,000.00**
Current assets			
Non-current receivables	11	1,101,647,023.66	1,046,557,242.64
Current receivables	12	187,369,086.84	167,635,551.62
Cash and cash equivalents	13	10,622,131.75	12,522,146.31
Total current assets		**1,299,638,242.25**	**1,226,714,940.57**
TOTAL ASSETS		**4,261,638,242.25**	**4,183,714,940.57**
EQUITY AND LIABILITIES			
Equity	14		
Share capital		2,500.00	2,500.00
Invested distributable equity fund		171,203,600.47	171,203,600.47
Hedging reserves		-19,249,152.36	-36,517,985.82
Retained earnings (cumulative profit)		511,640,625.19	555,506,613.73
Profit for the financial year		42,633,454.99	41,734,011.46
Total equity		**706,231,028.29**	**731,928,739.84**
Liabilities			
Non-current liabilities	15	3,404,619,669.97	3,383,197,143.10
Current liabilities	16	150,787,543.99	68,589,057.63
Total liabilities		**3,555,407,213.96**	**3,451,786,200.73**
TOTAL EQUITY AND LIABILITIES		**4,261,638,242.25**	**4,183,714,940.57**

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 January 2021 - 31 December 2021	1 January 2020 - 31 December 2020
Cash flows from operating activities		
Profit before appropriations and taxes	-103,675,853.52	-96,527,159.75
Finance income and costs	102,060,439.24	95,747,292.42
Adjustments to operating profit:		
Other non-cash adjustments	-	-81,275.17
Changes in working capital		
Increase (-)/decrease (+) in trade an other current receivables	1,029,516.43	-2,130,620.81
Increase (+)/decrease (-) in current liabilities	1,579,332.15	742,102.84
Changes in working capital total	**2,608,848.58**	**-1,388,517.97**
Interest and other finance costs paid	-139,916,533.20	-125,848,460.85
Interest received	33,793,376.34	31,623,090.13
Income taxes paid	-12,551,507.07	-10,907,678.27
Cash flows from operating activities	**-117,681,229.63**	**-107,382,709.46**
Cash flows from investments		
Repayments of loan receivables	60,000,000.00	124,103,258.00
Change in cash pool account	71,881,215.07	-24,409,307.04
Cash flows from investments	**131,881,215.07**	**99,693,950.96**
Cash flows from financing activities		
Proceeds from long-term liabilities	430,000,000.00	75,000,000.00
Repayments of long-term liabilities	-390,000,000.00	-108,000,000.00
Dividends paid	-85,600,000.00	-12,000,000.00
Group contribution paid	29,500,000.00	23,600,000.00
Cash flows from financing activities	**-16,100,000.00**	**-21,400,000.00**
Net increase in cash and cash equivalents	**-1,900,014.56**	**-29,088,758.50**
Cash and cash equivalents as at 1 Jan	12,522,146.31	41,610,904.81
Cash and cash equivalents as at 31 Dec	10,622,131.75	12,522,146.31

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 in-puts 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 costs is recognised.

When hedge accounting is discontinued, any cumulative gain or loss previously recognised in hedge re-serve is reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item does no longer exist (i.e. the loan is repaid prematurely) any related cumulative gain or loss on the hedging 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 per cent of the shares in Caruna Networks Oy.

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

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

The Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR both purchased a 20 per cent stake in Caruna from First Sentier Investors (FSI), the original owner of Caruna, on 1 March 2021. Similarly, another of Caruna's original owners, Keva, sold its 12.5 per cent stake to AMF, a Swedish pension insurance company, on 1 March 2021.

On 11 May, Ontario Teachers' and KKR both acquired a 20 per cent stake in Caruna from OMERS, which was also one of Caruna's original owners. Following these transactions, KKR and Ontario Teachers' both own 40 per cent of the shares in Caruna.

3. Net sales by geographical markets

EUR	2021	2020
Sales to group companies, Finland	21,333,590.77	21,085,164.65
Sales to others, Finland	145,001.40	610,438.33
Total	**21,478,592.17**	**21,695,602.98**

4. Other operating income

EUR	2021	2020
Other operating income	8,838.10	-
Total	**8,838.10**	**-**

5. Personnel and other personnel related expenses

PERSONNEL EXPENSES

EUR	2021	2020
Wages and salaries	-7,932,592.51	-6,964,226.47
Indirect personnel expenses		
Pensions	-1,353,607.74	-1,094,595.60
Other personnel expenses	-310,939.06	-204,221.82
Total	**-9,597,139.31**	**-8,263,043.89**

NUMBER OF PERSONNEL

	2021	2020
Average number of personnel during the financial year	72	69

SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS TO MANAGEMENT

EUR	2021	2020
To board members, CEO and management team	-2,562,410.00	-1,927,814.00

6. Other operating expenses

EUR	2021	2020
External services	-13,064,332.09	-12,603,028.01
Other expenses	-441,373.15	-1,609,398.41
Total	**-13,505,705.24**	**-14,212,426.42**

AUDITOR'S FEES, DELOITTE OY, AUDIT FIRM

EUR	2021	2020
Audit fees	-40,000.00	-68,357.84
Other fees	-90,000.00	-90,000.00
Total	**-130,000.00**	**-158,357.84**

7. Finance income and costs

EUR	2021	2020
Other interest and finance income		
From group companies	31,684,168.04	29,476,999.14
From others	2,042,277.62	2,069,864.59
Total finance income	**33,726,445.66**	**31,546,863.73**
Interest expenses and other finance costs		
To group companies		
Shareholder loan interest expenses	-66,672,861.74	-66,855,527.10
To others		
Senior loan interest and finance costs	-50,399,205.89	-52,393,267.01
Interest swap expenses	-6,321,681.48	-6,349,133.43
Other interest and finance costs	-12,393,135.79	-1,696,228.61
Total finance costs	**-135,786,884.90**	**-127,294,156.15**
Total	**-102,060,439.24**	**-95,747,292.42**

Other interest and finance costs include cost of EUR 10,776,000.00 related to repayment of old bond and draw-down of a new green bond.

8. Appropriations

EUR	2021	2020
Group contributions received	156,900,000.00	148,800,000.00

9. Income taxes

EUR	2021	2020
Income taxes from group contributions	31,380,000.00	29,760,000.00
Income taxes from ordinary activities	-41,970,691.49	-40,298,828.79
Total taxes	**-10,590,691.49**	**-10,538,828.79**

10. Assets

INVESTMENTS

EUR	Investments in group companies 2021	Investments in group companies 2020
Acquisition cost 1 Jan	**2,957,000,000.00**	**2,957,000,000.00**
Additions	5,000,000.00	-
Acquisition cost 31 Dec	**2,962,000,000.00**	**2,957,000,000.00**
Carrying amount 31 Dec	2,962,000,000.00	2,957,000,000.00
Total assets	**2,962,000,000.00**	**2,957,000,000.00**

Loan receivables of EUR 5 million from Caruna Oy were converted in to subsidiary shares in 2021. The transaction did not have any cash flow impact.

11. Non-current receivables

EUR	2021	2020
Receivables from group companies		
Loan receivables		
Other loan receivables	1,093,473,408.00	1,039,173,408.00
Receivables from group companies total	**1,093,473,408.00**	**1,039,173,408.00**
Receivables from others		
Interest and currency derivatives	-	1,025,622.66
Prepayments and accrued income		
Other prepayments and accrued income	8,173,615.66	6,358,211.98
Non-current receivables total	**1,101,647,023.66**	**1,046,557,242.64**

12. Current receivables

EUR	2021	2020
Trade receivables	-	142,910.00
Prepayments and accrued income		
Accrued interest income, swaps	333,414.27	307,737.76
Prepaid insurance premiums	13,602.78	72,508.26
Other prepaid expenses	878,205.32	1,317,308.00
Income tax receivables	1,424,986.75	-
Other prepaid expenses and accrued income	665,751.36	583,694.37
Prepayments and accrued income total	**3,315,960.48**	**2,281,248.39**
Receivables from group companies		
Trade receivables	653,986.00	1,124,641.26
Cash pool account	20,316,057.04	9,006,281.29
Prepayments and accrued income		
Other interest interest income	6,183,083.32	6,280,470.68
Prepayments and accrued income total	6,183,083.32	6,280,470.68
Group contributions	156,900,000.00	148,800,000.00
Receivables from group companies total	**184,053,126.36**	**165,211,393.23**
Total current receivables	**187,369,086.84**	**167,635,551.62**

Receivables from group companies includes cash pool account of EUR 20 316 057,04 (9,006,281.29). The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

13. Cash and cash equivalents

EUR	2021	2020
OP Corporate Bank Plc	10,622,131.75	12,522,146.31

14. Equity

EUR	2021	2020
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	-36,517,985.82	-27,303,315.52
Change in hedging reserves	17,268,833.46	-9,214,670.30
Hedging reserves 31 Dec	-19,249,152.36	-36,517,985.82
Total restricted equity	**-19,246,652.36**	**-36,515,485.82**
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	597,240,625.19	567,506,613.73
Dividends paid	-85,600,000.00	-12,000,000.00
Retained earnings 31 Dec	511,640,625.19	555,506,613.73
Profit/Loss for the period	42,633,454.99	41,734,011.46
Total unrestricted equity	**725,477,680.65**	**768,444,225.66**
Total equity	**706,231,028.29**	**731,928,739.84**

DISTRIBUTABLE UNRESTRICTED EQUITY

EUR	2021	2020
Retained earnings	511,640,625.19	555,506,613.73
Profit for the period	42,633,454.99	41,734,011.46
Invested distributable equity fund	171,203,600.47	171,203,600.47
Hedging reserve	-19,249,152.36	-36,517,985.82
Total	**706,228,528.29**	**731,926,239.84**

15. Non-current liabilities

EUR	2021	2020
Loans from the group companies	773,641,586.65	773,641,586.65
Loans from financial institutions	2,611,219,318.38	2,566,119,713.14
Interest and currency derivatives	19,758,764.94	43,435,843.31
Total non-current liabilities	**3,404,619,669.97**	**3,383,197,143.10**

In June, Caruna Networks Oy refinanced part of a bond due to mature in 2023 with a green bond. The loan taken from Transmission Finance DAC will mature in seven years. The loan amounts repaid and drawn down were EUR 300 million.

MATURITY OF NON-CURRENT LIABILITIES

EUR	2021
2022	-
2023	200,000,000.00
2024	16,250,000.00
2025	113,750,000.00
2026 and later	3,074,619,669.97
Total	**3,404,619,669.97**

16. Current liabilities

EUR	2021	2020
Trade payables	1,452,704.32	1,126,781.22
Other current liabilities	5,746,681.21	5,391,665.57
Accrued expenses		
Accrued employee expenses	3,477,963.46	2,520,802.00
Accrued interest expenses, other	17,818,476.62	19,854,484.40
Income tax liabilities	-	535,828.83
Other accrued expenses	35,000.00	-
Accrued expenses total	**21,331,440.08**	**22,911,115.23**
Liabilities to group companies		
Trade payables	7,656.12	101,424.17
Cash pool account	105,443,847.79	22,252,856.97
Accrued expenses		
Accrued shareholder loan interest expenses	16,805,214.47	16,805,214.47
Liabilities to group companies total	**122,256,718.38**	**39,159,495.61**
Total Current liabilities	**150,787,543.99**	**68,589,057.63**
Non-interest bearing liabilities	65,102,461.14	89,772,043.97
Interest bearing liabilities	3,490,304,752.82	3,362,014,156.76
Total	**3,555,407,213.96**	**3,451,786,200.73**

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

EUR	2021	2020
Derivative liabilities recognised at fair value through OCI	Level 2	Level 2
Interest rate swaps	19,447,435.87	38,024,908.00
Cross currency swaps	311,330.07	5,410,935.31
Total	**19,758,765.94**	**43,435,843.31**

18.Maturity of interest rate and cross currency swaps liabilities

EUR	2021	2020
On demand	-	-
Less than 3 months	-	-
4 to 12 months	-	-
1 to 5 years	500,340.94	-
> 5 years	19,258,425.00	43,435,843.31
Total	**19,758,765.94**	**43,435,843.31**

19. Commitments and contingent liabilities

EUR	2021	2020
Loans, for which shares and other assets have been pledged		
Loans from financial institutions (senior-loan)	2,611,219,318.38	2,566,119,713.14
Book value of pledged subsidiary shares	2,962,000,000.00	2,957,000,000.00
Floating charges	6,600,000,000.00	6,660,000,000.00
Loans receivables	1,093,473,408.00	1,039,173,408.00
Cashpool receivables	20,316,057.04	9,006,281.29
Mortgages	20,691,853.39	21,841,811.19
Guarantees on behalf of group companies	4,134,610.00	4,064,890.00

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

Company’s bank accounts, EUR 10,622,131.75 (2020: 12,522,146.31) have been pledged as security for loans from financial institutions.

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

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

20. Holdings in other companies

	Caruna Oy	Caruna Espoo Oy
Ownership, %	100	100
Registered office	Espoo	Espoo
Share capital, EUR	2,000,000.00	4,000,000.00
Equity, EUR	14,919,543.22	20,749,491.15
Profit/Loss for the period	-2,956,813.27	67,176.27

21. Formulas for key figures

OPERATING PROFIT-%

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

RETURN ON EQUITY-%

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

EQUITY RATIO-%

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

Signatures to the financial statements and operating and financial review

Espoo, 16 March 2022

Matti Ruotsala
Chairman of the Board

James Adam
Member of the Board

Andrew Furze
Member of the Board

Jouni Grönroos
Member of the Board

Shankar Krishnamoorthy
Member of the Board

Kerron Lezama
Member of the Board

Fredrik Lundeborg
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, 16 March 2022

Deloitte Oy
Audit Firm

Reeta Virolainen
APA

List of ledgers, types of vouchers and their archiving methods

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

Positive energy.

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