

Caruna Group

1 JANUARY TO 30 JUNE

2019

HALF-YEAR REPORT



Positive energy.

caruna



# Building a weatherproof electricity distribution network progresses on schedule and improves the reliability of electricity distribution to customers

MEUR or as indicated	H1-2019	H1-2018	2018
Net sales	240.6	230.5	454.1
Profit/loss from the reporting period	10.9	-6.8	18.5
Corporate tax	6.3	4.3	10.3
Investments	80.3	127.8	258.4
Cash flow after investments	2.9	-45.6	-132.6
Customers	686,000	676,000	683,000
Network cabling rate, %	56	48	52
Small-scale producers of solar power in the network area	5,200	3,100	4,100
System Average Interruption Duration Index per customer (SAIDI), minutes	52	51	103
System Average Interruption Frequency Index (SAIFI), events	0,78	0,88	1,9
Reliability of supply rate, %	99.99	99.98	99.98

## Key events during the reporting period

Electricity network improvement projects in Caruna's network areas progressed as planned to ensure the statutory reliability of supply targets are reached by the end of 2028. Between January and June, approximately 1,750 kilometres of electricity network was placed underground to protect it from the weather. Investments improved the reliability of supply for over 13,000 customers. The cabling rate of the entire network rose to 56 per cent.

In January, Caruna initiated cooperation with Telia to install a fibre-optic network in the ground along with weatherproof electric cables. The planning work for the first joint construction sites in Rusko and Raisio in Southwest Finland was started in the spring, and the construction of the networks began in late summer. The joint construction of electricity and fibre-optic networks is the first joint project of this scale in Finland.

The reliability of supply rate was 99.99 (99.98) per cent at the end of June. The highest number of supply

interruptions was caused by the storm known as Aapeli in January, during which the highest number of customers simultaneously affected by an interruption of supply was 28,900. The investments to improve the reliability of supply have reduced both the number of electrical faults and the time taken to rectify them. During the storm known as Tapani in 2011, there were more than 200,000 Caruna customers simultaneously without electricity and the day after the storm, there were still more than 100,000 customers without electricity.

The total volume of supplied electricity between January and June decreased slightly due to a warm beginning of the year: 5.0 (5.2) TWh in the distribution network and 1.4 (1.5) TWh in the high voltage distribution network.

A total of 1,100 (745) new solar power systems were connected to Caruna's electricity network between January and June. By the end of the period, the number of small-scale producers was 5,200 (3,100). To support this target, Caruna launched a digital service in May called Caruna Markkinapaikka that helps customers compare product and price information and select the solar panel provider that suits them best. Caruna does not charge an electricity distribution fee for electricity fed into the network from small-scale producers.

In May, the Energy Authority issued a conditional decision concerning Caruna Oy, which operates mainly in rural areas, on extending the under income recovery period. It enables Caruna Oy to spread out network construction costs over a longer period and balance the customer pricing during the years to come.

In June, Caruna and the Finnish post, Posti, announced continuing their cooperation in observing the condition of secondary substations and distribution cabinets in connection with post delivery. The cooperation was piloted in 2018. Postal carriers supply photos and observations on a total of 5,000 secondary substations and distribution cabinets in Caruna's network area on an as-needed basis. Posti's data generation service provides Caruna information on the safety and maintenance needs of the network on a more real-time basis.

Caruna has applied the IFRS 16 Leases standard since 1 January 2019. The adoption of the standard has not had significant impact on Caruna's consolidated financial statements. More information about the transition and its impact on the result of the period is presented in Note 2.

## Financial development

Caruna's net sales in the first half of 2019 amounted to EUR 240.6 (230.5) million, showing an increase of 4 per cent compared to the same period last year. The increase in net sales was mainly due to Caruna Oy's price changes that took effect on 1 July 2018.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 47.9 (51.1)

million. The decrease in costs, EUR 3.2 million, was mainly due to decline in the electricity supply volume.

Other operating expenses including salaries were EUR 39.6 (42.5) million, which is EUR 2.9 million lower than in the comparison period.

Depreciations, amortisations and impairment charges amounted to EUR 70.6 (65.0) million. Depreciations, amortisations and impairment charges include EUR 10.1 (7.5) million from the scrapping of overhead lines.

Operating profit amounted to EUR 84.3 (77.7) million. Net finance costs were EUR 66.5 (66.1) million. Profit from the reporting period was EUR 10.9 (H1 2018: loss of 6.8) million.

## FINANCIAL KEY FIGURES (IFRS)

MEUR or as indicated	H1 2019	H1 2018	2018
Net sales	240.6	230.5	454.1
Operating profit	84.3	77.7	154.3
Operating profit (% of sales)	35.0	33.7	34.0
Profit/loss from the reporting period	10.9	-6.8	18.5
Investments	80.3	127.8	258.4
Cash flow after investments	2.9	-45.6	-132.6
Interest-bearing net debt (at the end of the period)	3,270.9	3,181.8	3,269.8

## Business activities

Caruna Group includes two network companies operating under different circumstances: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas. These network companies have a total of 686,000 customers in South, Southwest and West Finland, the city of Joensuu and in the regions of Koillismaa and Satakunta.

Digitalisation, the increase of decentralised energy production and electric transportation require a strong and smart network to ensure electricity supply is as reliable as possible under all conditions. Electricity network improvement projects in Caruna's network areas progressed as planned, and modernising the network was continued to ensure the security of supply targets are reached by the end of 2028.

Between January and June, approximately 1,750 kilometres of electricity network was placed underground to protect it from the weather. The total length of Caruna's electricity network was nearly 90,000 kilometres at the end of the reporting period with a cabling rate of 56 (48) per cent. The operational reliability of the network was also improved through other actions, such as helicopter-aided clearing of trees from power-line corridors.

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

Caruna initiated cooperation with Telia to install a fibre-optic network in the ground along with weatherproof electric cables. The planning work for the first joint construction sites in Rusko and Raisio in Southwest Finland was started in the spring, and the construction of the networks began in late summer. The joint construction of electricity and fibre-optic networks is the first joint project of this scale in Finland. As each base station of the 5G network requires a fibre-optic connection, building the fibre network is a precondition also for developing wireless connections. Reliable and fast network connections also contribute to attracting investments to municipalities.

Caruna and ABB signed a four-year innovation cooperation agreement. The cooperation focuses on developing and testing a new type of protection technology in the Noormarkku network area in Pori. The system interprets and reacts automatically to exceptions in the electricity network and displays the safety status of the network in real time. This enables faster fault isolation and avoiding power cuts and helps to better ensure the safety of the network.

Caruna Group's investments during the reporting period amounted to EUR 80.3 (127.8) million.

## More than 5,000 small-scale producers of solar power

By the end of June, about 1,100 (745) new solar power systems were connected to Caruna's electricity network. By the end of the period, the number of small-scale producers was about 5,200 (3,100).

There are currently over 20 solar power partners participating in Caruna Markkinapaikka. For a service provider, Markkinapaikka offers established contact channels in Caruna's network areas. One of the targets for 2019 is to include charging solutions for electric cars in the service.

## Warm weather decreased electricity consumption

The total volume of supplied electricity between January and June decreased slightly: 5.0 (5.2) TWh in the distribution

network and 1.4 (1.5) TWh in the high voltage distribution network. The decrease was mainly due to warmer winter and spring compared with the same period in the previous year.

## Reliability of supply remained at an excellent level

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 52 (51) minutes per customer between January and June, and the reliability of electricity supply was 99.99 (99.98) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 0.78 (0.88) events.

The highest number of supply interruptions was caused by the storm known as Aapeli in January, during which the highest number of customers simultaneously affected by an interruption of supply was 28,900 in West Finland. Fault locations were identified quickly, and thanks to network automation and ring network connections particularly, electricity was restored to most customers quickly.

## Notable improvement in customer satisfaction

Caruna's customer base has grown steadily in recent years. The number of customers reached 686 (676) thousand at the end of June, and 3,800 (4,153) new connection contracts were signed.

Caruna works hard to continuously improve its customer satisfaction score, measuring it monthly by the Net Promoter Score index (NPS) based on the opinions of private customers, small and medium-sized customer companies, large customers, land-owners, municipal customers and contractors.

Caruna's cumulative NPS score improved, reaching 18.1 (1.8) at the end of June. A reduction in waiting times for customer service from 1 min 32 seconds to 49 seconds and improvement in customer experience in service interactions contributed to this score. In all customer interactions, the customers' experience of the ease of getting service improved and was 4.3 (3.6).

### Customer volumes at the end of this period (thousand customers):

Company	6/2019	2018	6/2018	2017	2016
Caruna Oy	472	471	468	467	463
Caruna Espoo Oy	214	212	208	205	201
<b>Total</b>	<b>686</b>	<b>683</b>	<b>676</b>	<b>672</b>	<b>664</b>

Caruna launched and developed new services between January and June. The first version of the Caruna+ mobile app was launched in the spring. Caruna+ provides a new customer communication channel and enables customers to easily manage all things related to Caruna. Excellent user experience and content that makes customers' daily lives easier were the starting points for service design.

Developing the functionalities of the 'My site' online service continued, one of the focus areas being payment solutions offered to customers. In addition, a digital turnkey service for builders was launched, helping new home builders to easily get an electricity connection.

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

## Financing

Electricity distribution is a capital-intensive sector. The network improvement programme to be completed by 2029 requires continuous additional financing. Caruna's debts amount to approximately three billion euros, of which over two billion consist of external loans and approximately EUR 900 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.

Caruna paid back a capex and revolving credit facility loan amounting to EUR 50 million taken out at the end of 2018.

The credit facilities available are a capex and revolving credit facility amounting to EUR 350 million, a bank overdraft limit of EUR 30 million and a liquidity facility of EUR 6.7 million. Additionally, an investment loan of EUR 100 million from the EIB is currently undrawn. The plan is to disburse the loan during H2 2019.

The reporting period's net finance costs stated on the income statement were EUR 66.5 (66.1) million and accrued interest expenses on the balance sheet were EUR 36.7 (39.7) million. Of Caruna's loans, 100 per cent have fixed interest rates. The average interest rate on external loans at the end of the year was 2.2 per cent (2.2 per cent).

Caruna complied with the covenant terms of all loan agreements.

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

## Personnel

Caruna's project to renew annual performance management and development review process moved forward in February with the deployment of the Onni system. Onni enables giving and requesting feedback, a feature which was well received. Developing the system's development and successor planning was continued.

According to the employee surveys conducted in March and June, the employee engagement index rose to the highest score ever recorded, landing at 73.

The number of employees at the end of June, summer interns included, was 330 (298).

## Corporate responsibility

The Zero Accidents Forum awarded Caruna the classification of "Level I – at the world's forefront" for the fourth time. Contractor safety and the improvement of safety culture throughout the entire supply chain are a central part of Caruna's overall safety. The supply chain's comparable cumulative 12-month injury frequency (LWIF)\* was 4.6 at the end of June.

Two oil spills into the environment exceeding 100 kg occurred in Caruna's electricity network. The environment was duly cleaned up and the sufficiency of the measures was ensured through soil samples. In 2016, the company launched a programme to replace pole-mounted transformers installed in groundwater areas with pad-mounted secondary substations, equipped with oil collectors that prevent oil spills into the environment. The programme will be completed by the end of the year.

Kuusakoski Oy processes approximately 95 per cent of Caruna's dismantled network materials. Between January and June, over 7 million kilogrammes of old electricity network was dismantled for recycling. The largest items in the dismantled network were poles, cables and various iron structures.

\*The LWIF is an indicator that reflects the ratio of occupational accidents to contractors or subcontractors, as well as trainees and temporary staff, while working for Caruna or within Caruna's worksites, leading to a disability lasting a minimum of one working day, in relation to working hours (incidents/million working hours).

## Risks

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

## STRATEGIC RISKS

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

## OPERATIONAL RISKS

The most significant risks to operations are related to abnormal weather conditions, supplier risk and safety. For example, abnormal weather conditions may affect the reliability of the supply and distribution network. The key means of preventing interruptions are to replace overhead lines with underground cables, manage the forests near overhead lines and develop remote network control. The operational risks are described in more detail in Caruna's annual report.

## FINANCIAL RISKS

The financial risks are presented in note 18 (management of financial risks) to the consolidated financial statements for 2018.

## Governance

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

## Annual General Meeting

Caruna Networks Oy's Annual General Meeting was held on 27 March 2019. The AGM approved Caruna's financial statements for 2018, confirmed the consolidated income statement and balance sheet and discharged the members of the Board of Directors and the CEO from liability. A decision was made not to pay dividends.

## Board of Directors

The Board members were Matti Ruotsala (Chair, starting 27 March 2019) and Juha Laaksonen (Chair, until 27 March 2019), Jouni Grönroos, John Guccione, Gregor Kurth, Matthew Liddle and Niall Mills. The deputy members were Ellen Richardson, Delphine Voeltzel (until 27 March 2019), Nicolas Grant (starting 27 March 2019) and Ines Grund (starting 27 March 2019).

## Management Team

The Management Team consists of CEO Tomi Yli-Kyyry, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Unit Kosti Rautiainen, Head of Customer Relations Katriina Kalavainen, Head of Governance, Compliance and Risks Harri Pynnä, Head of HR Tommi Saikkonen, Head of Communications and Public Affairs Anne Pirilä and Head of Development and Innovation Elina Lehtomäki.

## Auditing

The Half-year Report is not audited.

## Shares and ownership

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

## Key events after the financial period

In an extraordinary general meeting on 1 August 2019, Laura Tarkka, M.Sc (Engineering), CEFA, was appointed as member of Caruna Networks Oy's Board of Directors as of 1 August 2019. She is the CEO of the hotel chain Kämp Collections Hotels.

Head of Governance, Compliance and Risks Harri Pynnä resigned from Caruna Management Team on 31 July 2019. He will act as a Senior Adviser to CEO until his retirement 31 December 2019.

*Caruna takes care of electricity distribution and is maintaining, overhauling and building a weatherproof electricity network for more than 680,000 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 producers. [www.caruna.fi](http://www.caruna.fi), Twitter @CarunaSuomi*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS 1 JAN-30 JUN 2019 (IFRS)

MEUR, cumulative	Note	Jan-Jun 2019	Jan-Jun 2018	Change	Jan-Dec 2018
<b>NET SALES</b>	2	<b>240.6</b>	<b>230.5</b>	<b>10.1</b>	<b>454.1</b>
Other operating income		1.7	5.8	-4.1	7.4
Direct costs		-47.9	-51.1	3.2	-92.5
Personnel expenses		-13.2	-12.2	-1.0	-22.9
Other operating expenses		-26.4	-30.3	4.0	-58.5
Depreciation and amortisation		-70.6	-65.0	-5.6	-133.1
<b>OPERATING PROFIT</b>		<b>84.3</b>	<b>77.7</b>	<b>6.6</b>	<b>154.3</b>
Finance income		2.6	3.2	-0.7	6.2
Finance costs		-69.0	-69.3	0.3	-139.9
<b>Net financing items total</b>		<b>-66.5</b>	<b>-66.1</b>	<b>-0.4</b>	<b>-133.7</b>
Profit before taxes		17.8	11.6	6.2	20.6
Income taxes		-6.9	-18.4	11.5	-2.1
<b>Profit/loss for the period</b>		<b>10.9</b>	<b>-6.8</b>	<b>17.7</b>	<b>18.5</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 1 JAN-30 JUN 2019 (IFRS)

MEUR, cumulative	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
<b>Profit/loss for the period</b>	<b>10.9</b>	<b>-6.8</b>	<b>18.5</b>
<b>Other comprehensive income:</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement of cash flow hedges	-22.1	-1.7	-4.0
Income tax effect	4.4	0.3	0.8
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-17.7</b>	<b>-1.4</b>	<b>-3.2</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-17.7</b>	<b>-1.4</b>	<b>-3.2</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-6.8</b>	<b>-8.2</b>	<b>15.3</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

MEUR	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	3	62.5	62.5	62.5
Intangible assets	3	1,584.3	1,582.7	1,586.9
Property, plant and equipment	3	2,375.1	2,301.2	2,359.4
Derivative financial assets	7	-	1.2	-
Other long-term assets		1.7	-	1.9
Deferred tax assets		6.0	2.6	1.6
<b>Total non-current assets</b>		<b>4,029.6</b>	<b>3,950.2</b>	<b>4,012.3</b>
<b>Current assets</b>				
Trade and other receivables	5	80.2	74.3	113.4
Derivative financial instruments	7	0.5	2.1	1.8
Cash and cash equivalents	6	10.4	-	57.5
<b>Total current assets</b>		<b>91.1</b>	<b>76.4</b>	<b>172.7</b>
<b>Total assets</b>		<b>4,120.7</b>	<b>4,026.6</b>	<b>4,185.0</b>
<b>EQUITY</b>				
Share capital		0.0	0.0	0.0
Invested distributable funds		171.2	171.2	171.2
Profit/loss for the period		10.9	-6.8	18.5
Retained earnings		-277.8	-296.4	-296.4
Other equity fund		-23.4	-3.9	-5.8
<b>Total equity</b>		<b>-119.1</b>	<b>-135.9</b>	<b>-112.4</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	8	3,281.3	3,176.1	3,327.3
Derivative financial instruments	7	30.2	17.5	8.5
Deferred tax liabilities		514.2	537.5	513.6
Provisions		0.1	0.2	0.2
Other non-current liabilities		304.3	304.6	304.5
<b>Total non-current liabilities</b>		<b>4,130.1</b>	<b>4,035.9</b>	<b>4,154.0</b>
<b>Current liabilities</b>				
Derivative financial instruments	7	0.0	0.1	3.2
Trade payables		35.3	51.0	53.4
Other current liabilities		25.1	25.2	37.3
Other payables		49.3	50.3	49.4
<b>Total current liabilities</b>		<b>109.7</b>	<b>126.6</b>	<b>143.4</b>
<b>Total liabilities</b>		<b>4,239.8</b>	<b>4,162.5</b>	<b>4,297.4</b>
<b>Total equity and liabilities</b>		<b>4,120.7</b>	<b>4,026.6</b>	<b>4,185.0</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

MEUR	Attributable to the equity holders of the parent						Total
	Share capital	Invested restricted equity fund	Retained Earnings	Other Equity Components			
				Cash flow hedge reserve	Other comprehensive income		
As at 1 January 2019	0.0	171.2	-277.8	-6.0	0.2	-112.4	
Profit for the period			10.9			10.9	
Other comprehensive income				-17.7		-17.7	
Total Comprehensive income			10.9	-17.7		-6.8	
<b>At 30 June 2019</b>	<b>0.0</b>	<b>171.2</b>	<b>-266.9</b>	<b>-23.6</b>	<b>0.2</b>	<b>-119.1</b>	

MEUR	Attributable to the equity holders of the parent						Total
	Share capital	Invested restricted equity fund	Retained Earnings	Other Equity Components			
				Cash flow hedge reserve	Other comprehensive income		
As at 1 January 2018	0.0	171.2	-296.4	-2.8	0.3	-127.7	
Loss for the period			-6.8			-6.8	
Other comprehensive income				-1.4		-1.4	
Total Comprehensive income			-6.8	-1.4		-8.2	
<b>At 30 June 2018</b>	<b>0.0</b>	<b>171.2</b>	<b>-303.2</b>	<b>-4.2</b>	<b>0.3</b>	<b>-135.9</b>	

## CONSOLIDATED CASH FLOW STATEMENT (IFRS)

MEUR	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
<b>Cash flow from operating activities</b>			
Profit / loss for the period	10.9	-6.8	18.5
Adjustments:			
Income tax expenses	6.9	18.4	2.1
Finance costs-net	66.5	66.1	133.7
Depreciation, amortisation and impairment charges	70.6	65.0	133.1
<b>Operating profit before depreciations (EBITDA)</b>	<b>154.9</b>	<b>142.7</b>	<b>287.5</b>
Non-cash flow items	1.1	-1.7	-1.0
Interest received	2.2	3.2	6.2
Interest paid	-74.3	-78.4	-155.8
Taxes	-3.5	-2.2	-10.6
<b>Funds from operations</b>	<b>80.4</b>	<b>63.6</b>	<b>126.3</b>
Change in net working capital	5.5	16.1	3.6
<b>Total net cash from operating activities</b>	<b>85.9</b>	<b>79.7</b>	<b>130.0</b>
<b>Cash flow from investing activities</b>			
Capital expenditures	-83.2	-125.4	-262.4
Proceeds from sales of fixed assets	0.1	0.1	0.1
<b>Total net cash used in investing activities</b>	<b>-83.1</b>	<b>-125.3</b>	<b>-262.3</b>
Cash flow before financing activities	2.8	-45.6	-132.3
<b>Cash flow from financing activities</b>			
Proceeds from long-term liabilities	-	20.0	220.0
Payments of long-term liabilities	-50.0	-20.0	-70.0
<b>Total net cash used in financing activities</b>	<b>-50.0</b>	<b>0.0</b>	<b>150.0</b>
<b>Total net increase(+)/ decrease(-) in cash and cash equivalents</b>	<b>-47.2</b>	<b>-45.6</b>	<b>17.7</b>
<b>Cash and cash equivalents in the beginning of the period</b>	<b>57.5</b>	<b>39.9</b>	<b>39.9</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>10.4</b>	<b>-5.7</b>	<b>57.5</b>

# Notes to Caruna Half-year Report

## 1 Basis of preparation

This consolidated condensed Half-year Report has been prepared in accordance with the International Financial Reporting Standards (IFRS), including the International Accounting Standards (IAS) and the IFRIC and SIC interpretations, as adopted by the European Union. The requirements set out in IAS 34 Interim Financial Reporting have been met, as appropriate, in preparing this Half-year Report. The report should be read together with the 2018 consolidated financial statements. This Half-year Report is unaudited.

## 2 Accounting policies

The applied accounting policies are consistent with the policies applied to the 2018 consolidated financial statements, with the exception of new standard interpretations and amendments 2019. Caruna has applied the new IFRS 16 Leases standard and IFRIC 23 Uncertainty over income tax treatment starting from 1 January 2019. The standards are applied with a simplified approach and thus no comparison information has been adjusted to comply. Amendments to other standards or interpretations does not have a significant impact on the consolidated financial statements.

### 2.1 AMENDMENTS TO THE ACCOUNTING POLICIES

#### 2.1.1 IFRS 16 Leases

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

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

The assets and liabilities are recognised based on the present value of future lease payments.

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

Interest expenses are recorded in the income statement as financing expenses using the effective interest method.

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

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

For the majority of leases Caruna applies the exemptions allowed in IFRS 16 regarding low-value underlying assets. Lease expenses related to such lease agreements are recognised in the profit or loss statement as lease expenses. At the moment of transition Caruna recorded in the balance sheet right-of-use assets and respectively lease liabilities to the amount of 3.2 million euros. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2,27 per cent

Commitments for leases and lease liabilities at the date of transition is presented below:

<b>Operating lease commitments at 31 December 2018</b>	<b>2,8</b>
Exempted from recognition	-1,3
Discounting effect	1,7
Other changes	0,0
<b>Lease liabilities 1 January 2019</b>	<b>3,2</b>

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

#### 2.1.2 IFRIC 23 Uncertainty over income tax treatment

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

#### 2.1.3 Outage fee

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



### 3 Critical estimates and assessments in the financial statements

The preparation of a half-yearly report requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The realised items may differ from the estimates. The management estimates made in preparing this half-yearly report and concerning the Group's accounting policies and key uncertainties are the same as those applied to the 2018 consolidated financial statements.

# Notes to the Group's Half-year Report (IFRS)

## 2. NET SALES

MEUR	Caruna Oy			Caruna Espoo Oy			Other and internal			Total		
	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
<b>Electricity distribution</b>												
Distribution network	176.9	166.2	327.9	41.1	41.2	78.7	-	-	-0.1	218.0	207.4	406.5
High-voltage network	15.4	15.8	29.0	1.7	1.4	2.6			-	17.1	17.2	31.6
<b>Total</b>	<b>192.3</b>	<b>182.1</b>	<b>356.9</b>	<b>42.8</b>	<b>42.6</b>	<b>81.3</b>	<b>-</b>	<b>-</b>	<b>-0.1</b>	<b>235.1</b>	<b>224.6</b>	<b>438.2</b>
<b>Connection fees</b>												
Distribution network	3.9	4.2	10.4	1.4	1.4	3.2			-	5.3	5.6	13.5
High-voltage network	-	-	1.9	0.3	0.2	0.5			-	0.3	0.2	2.4
<b>Total</b>	<b>3.9</b>	<b>4.2</b>	<b>12.2</b>	<b>1.6</b>	<b>1.6</b>	<b>3.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.5</b>	<b>5.8</b>	<b>15.9</b>
<b>Total Net sales</b>	<b>196.3</b>	<b>186.3</b>	<b>369.2</b>	<b>44.4</b>	<b>44.3</b>	<b>85.0</b>	<b>-</b>	<b>-</b>	<b>-0.1</b>	<b>240.6</b>	<b>230.5</b>	<b>454.1</b>

## 3. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

MEUR	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Net book value at the beginning of the period	4,008.8	3,883.6	3,883.6
Right of use assets (IFRS 16)	3.4	-	-
Depreciation and amortisation	-70.6	-65.0	-133.1
Additions	80.3	127.8	258.4
Disposals (incl. accumulated depreciation)	0.0	0.0	-0.1
<b>Net book value at the end of the period</b>	<b>4,021.9</b>	<b>3,946.4</b>	<b>4,008.8</b>

## 4. OWN SHARES

The Group does not hold any shares of the parent company.

## 5. TRADE RECEIVABLES AND OTHER RECEIVABLES

MEUR	30 Jun 2019	30 Jun 2018	31 Dec 2018
Trade receivables	78.1	71.4	111.2
Accrued income and prepaid expenses	2.1	2.6	1.3
Other receivables	0.0	0.3	0.8
<b>Total</b>	<b>80.2</b>	<b>74.3</b>	<b>113.4</b>

## 6. CASH AND CASH EQUIVALENTS RECONCILIATION

MEUR	30 Jun 2019	30 Jun 2018	31 Dec 2018
Cash and cash equivalents balance	10.4	0.0	57.5
Group's Cash Pool account balance *)	-	-5.7	-
<b>Cash and cash equivalents</b>	<b>10.4</b>	<b>-5.7</b>	<b>57.5</b>
Cash and cash equivalents in Group cash flow	10.4	-5.7	57.5

\*) Presented in the balance sheet on a line "Other current liabilities"

## 7. FINANCIAL RISK MANAGEMENT

Caruna has not made any changes in policies regarding risk management during the reporting period. Aspects of Caruna's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for 2018.

<b>Electricity derivatives, MEUR</b>	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>	<b>31 Dec 2018</b>
Electricity derivatives, non-hedge accounting			
Positive fair value	0.5	3.3	1.8
Negative fair value	0.0	-0.1	-0.1
<b>Net fair value</b>	<b>0.5</b>	<b>3.2</b>	<b>1.7</b>

<b>Interest rate- and currency derivatives, MEUR</b>	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>	<b>31 Dec 2018</b>
Interest rate- and currency derivatives, non- hedge accounting			
Positive fair value	-	-	-
Negative fair value	-	-10.1	-3.1
<b>Net fair value</b>	<b>0.0</b>	<b>-10.1</b>	<b>-3.1</b>
Interest rate- and currency derivatives, cash flow and fair value hedges			
Positive fair value	-	-	-
Negative fair value	-30.2	-7.4	-8.5
<b>Net fair value</b>	<b>-30.2</b>	<b>-7.4</b>	<b>-8.5</b>



## Fair values of financial assets and liabilities and fair value hierarchy as at 30 June 2019

Balance sheet item	At fair value through profit or loss	At fair value through OCI	Amortised cost	Book value	Fair value	Fair value hierarchy
<b>Non-current financial assets</b>						
Loan arrangement fee, Revolving credit facility			1.7	1.7	1.7	1
<b>Current financial assets</b>						
Derivative financial instruments (electricity)	0.5		-	0.5	0.5	2
Trade receivables			78.1	78.1	78.1	2
Cash and cash equivalents			10.4	10.4	10.4	1
<b>Total financial assets</b>	<b>0.5</b>	<b>-</b>	<b>90.2</b>	<b>90.7</b>	<b>90.7</b>	
<b>Non-current financial liabilities</b>						
Interest-bearing liabilities (floating rate)			350.0	350.0	350.0	2
Interest-bearing liabilities (fixed rate)			2,934.5	2,934.5	2,934.5	2
Accrued loan arrangement fee			-6.7	-6.7	-6.7	1
Derivative financial instruments (interest)	-	30.2	-	30.2	30.2	2
Connection fee liabilities			304.2	304.2	304.2	3
<b>Current financial liabilities</b>						
Derivative financial instruments (electricity)			-	-	-	2
Derivative financial instruments (interest)			-	-	-	2
Trade payables			35.3	35.3	35.3	2
<b>Total financial liabilities</b>	<b>-</b>	<b>30.2</b>	<b>3,617.3</b>	<b>3,647.5</b>	<b>3,647.5</b>	

Financial instruments that are measured at fair value in the balance sheet are presented according to the fair value measurement hierarchy:

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

## 8. INTEREST BEARING LOANS AND BORROWINGS

MEUR	30 Jun 2019	30 Jun 2018	31 Dec 2018
Shareholder loan	903.6	933.6	903.6
IBLA-loans	2,030.9	2,029.3	2,030.5
Capex-loans	350.0	220.0	400.0
IFRS 16 lease liability	3.5	-	-
Loan arrangement fees	-6.7	-6.8	-6.8
<b>Total</b>	<b>3,281.3</b>	<b>3,176.1</b>	<b>3,327.3</b>

## 9. CAPITAL COMMITMENTS

MEUR	30 Jun 2019	30 Jun 2018	31 Dec 2018
Tangible assets	313.3	321.5	288.9
<b>Total</b>	<b>313.3</b>	<b>321.5</b>	<b>288.9</b>

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