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1 JANUARY TO 30 JUNE 2018

Caruna Group Half Yearly Report

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Caruna continued to invest into weatherproof networks to improve the reliability of supply

Summary for the period from 1 January to 30 June 2018
(1 January to 30 June 2017)

+ Net sales EUR 230.5 (217.5) million
+ Operating profit (EBIT) EUR 77.7 (82.6) million
+ Net loss for the period EUR -6.8 (net profit EUR 1.7) million
+ Investments EUR 127.8 (135.9) million
+ Cash flow after investments EUR -45.6 (-68.0) million
+ Customer base 676 (669) thousand
+ 78% (68%) of customers covered by a weatherproof network
+ Level of cabling increased to 48% (43%)
+ Small-scale producers of solar and wind power in the network area exceeded 3,100 (1,736)
+ More than 700 electricity network builders took part in Caruna Card training aimed at promoting occupational safety and quality

Key events in H1 2018

Caruna continued to build a weatherproof smart electricity network in all network areas from January to June. Caruna laid down some 2,100 kilometres of underground cable, and the investments made during the first half of the year improved the reliability of supply for over 15,000 customers. When overhead lines were dismantled and replaced with underground cables roughly 1,000 ha of land was released to the land owners for agriculture and forestry purposes.

The reliability of supply rate was 99.98 (99.98) percent at the end of June. The highest number of supply interruptions occurred in the Koillismaa region due to heavy snowfall during winter. Customers experiencing interruptions lasting longer than three minutes were 66,500 (approximately 10% of customers) in total, while the highest number of customers simultaneously affected by an interruption of supply was 4,600.

From January to June, the total volume of supplied electricity increased to 5.2 (5.1) TWh in the distribution network, and to 1.5 (1.4) TWh in the regional network.

Caruna made three new Management team appointments during the first six months of the year. Anne Pirilä started as Head of Communications and Public Affairs on 5 February 2018, and Kosti Rautiainen as Head of Caruna's Electrical Network Unit on 18 March 2018. Caruna announced the launch of a new unit for Development and Innovation, to start on 1 September 2018. Elina Lehtomäki is in charge of the new unit and stepped into her new role as Head of Development and Innovation and member of the Management Team on 15 June 2018. Management Team member, CFO Jyrki Tammivuori was appointed the deputy CEO at the beginning of January.

In April, Caruna Oy notified the customers of changes in electricity distribution prices from 1 July 2018. On average, the effect of these changes will be 6.5 percent of the total electricity distribution fee, including tax. Prices for Caruna Espoo Oy were announced to remain unchanged.

In April, the Zero Accident Forum run by the Finnish Institute of Occupational Health granted Caruna the highest possible level in occupational safety for the year 2017. Caruna was awarded the classification of "Level I – at the world's forefront" for the third time in consecutive years.

A total of 745 (593) new solar power systems were connected to Caruna's electricity network between January and June. By the end of this period, the small-scale production units of solar and wind power in the network area exceeded 3,100 (1,736). The aim is to connect 20,000 solar power producers to Caruna's distribution network by 2020. To support this target, Caruna launched a solar energy campaign in May: customers can receive a discount on solar energy systems they purchase from Caruna's solar energy partners.

In June, Caruna Networks Oy signed a loan agreement of EUR 150 million with the Nordic Investment Bank (NIB), intended to finance the company's extensive investment programme to build more weatherproof electricity network. None of this loan was taken out during the reporting period but it will be taken in whole during the second half of the year.

On 1 January 2018, Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy were merged into Caruna Networks Oy. The mergers did not impact Caruna's customers or personnel in any way.

Caruna started to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The adoption of these standards 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 amounted to EUR 230.5 (217.5) million, showing a growth of 6.0 percent compared to the same period last year. The growth in net sales was mainly due to growth in volume, particularly during the cold period in March, and to the end of the temporary customer discount on fixed basic fees on 1 March 2017.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 51.1 (47.1) million. The increase of EUR 4.0 million in costs came mainly from the growth of supplied electricity volumes.

Operating expenses were EUR 42.5 (36.7) million, which is EUR 5,8 million higher than the amount from the comparison period. Episodes of heavy snowfall during the first months of the year, in particular, resulted in an increase in fault repair and maintenance costs. The repair costs of medium voltage network were also higher than those during the comparison period.

Depreciation and amortisation was EUR 65.0 (53.7) million. The depreciation and amortisation values include EUR 7.5 (0) million from the scrapping of overhead lines.

Operating profit was EUR 77.7 (82.6) million and the losses from the reporting period were EUR 6.8 (profit 1.7) million.

FINANCIAL KEY FIGURES (IFRS)

EUR MILLION OR AS INDICATED	H1 2018	H1 2017	2017
Net sales	230.5	217.5	426.4
Operating profit	77.7	82.6	145.7
Operating profit, –% of sales	33.7	38.0	34.2
Profit/loss from the reporting period	-6.8	1.7	28.8
Taxes paid	2.2	0.1	7.1
Cash flow after investments	-45.6	-68.0	-169.9
Interest-bearing net debt (at the end of the reporting period)	3,181.8	3,035.9	3,131.2

Business activities

Caruna continued to build the weatherproof and smart electricity network in all its network areas during the first half of the year. Caruna installed some 2,100 kilometres of underground cabling from January to June. The weatherproof network now covers 78 percent of customers. The cabling rate of the entire network rose to 48 percent by the end of the reporting period. The electricity network was made more weatherproof also by other measures, such as clearing powerline corridors. Caruna owns approximately 85,000 kilometres of network in its operating area in South, Southwest and West Finland, the city of Joensuu and in the regions of Koillismaa and Satakunta.

Underground cabling boosts the reliability of electricity supply, and the investments made during the first half of this year improved the reliability of supply for over 15,000 customers. Also, hundreds of transformers, cable cabinets, and other network components required for a secure and reliable electricity distribution were installed. Due to these measures taken roughly 1,000 ha of land areas were released to the land owners for agriculture and forestry purposes.

During the reporting period, Caruna's reliability of supply projects were still focused on rural areas. Caruna started new projects, e.g. in Lieto, Kustavi, Merikarvia and Ylikiiminki, and carried out extensive helicopter-aided clearing work of powerline corridors in Espoo, also to improve the reliability of supply.

The next stage of the weatherproof network building project is to install low voltage network cables underground in urban areas. The aim is to lay down electricity, streetlight and fibre networks simultaneously, to ensure that the installation projects cause minimal disturbance to customers and all necessary renovations will be completed at the same time.

A strong and smart underground electricity network helps Caruna get ready to serve, among others, an increasing number of solar energy producers.

SMALL-SCALE PRODUCTION OF VARIOUS FORMS OF RENEWABLE ENERGY GREW EVEN MORE POPULAR

A total of 745 (593) new solar power systems and two new wind power production units were connected to Caruna's electricity network between January and June, and the number of connected small-scale producers exceeded 3,100 (1,736) by the end of this period. The aim is to connect 20,000 solar power producers to Caruna's distribution network by 2020. To support this target, Caruna launched a solar energy campaign in May: customers can receive a discount on solar energy systems they purchase from Caruna's solar energy partners. Caruna is the first electricity distributor to provide a self-sustaining Mökkivoimala solution, developed by Solarvoima Oy and intended to function as an alternative to a fixed connection.

ELECTRICITY SUPPLY VOLUMES GREW SLIGHTLY

The total volume of supplied electricity during the reporting period increased slightly: 5.2 (5.1) TWh in the distribution network and 1.5 (1.4) TWh in the regional network. This growth was explained by colder temperatures in March compared to the previous year.

RELIABILITY OF SUPPLY AS STABLE AS BEFORE

The reliability of electricity supply is measured by means of an index which indicates the average duration of interruptions for each customer (SAIDI). During the first six months of the year, Caruna's SAIDI score was 51 (43) minutes. The heavy snowfall in the Koillismaa region was the main reason for supply interruptions during the first months of the year. At the most, 66,500 (approximately 10% of customers) customers experienced interruptions lasting longer than three minutes, while the highest number of customers simultaneously affected by an interruption of supply was 4,600. At the beginning of the year, Caruna's reliability of supply rate remained at 99.98 (99.98) percent.

PRICE CHANGES FROM 1 JULY 2018 FOR CARUNA OY

In April, Caruna Oy announced changes in electricity distribution prices from 1 July 2018. For individual customers, the effect of these changes will depend of the type of their house and their energy use, but on average, it will be 6.5 percent of the total electricity distribution fee, including tax. Caruna Espoo Oy's prices will remain unchanged.

Price changes are necessary to fund the network improvement projects needed to boost the reliability of supply, and the investments made into network improvement projects aim to ensure that Caruna can reach the security of supply targets set by the Electricity Market Act by 2029. The Act stipulates that during disturbances the electricity network companies must be able to resume supply of power to customers within 6 hours in urban areas and within 36 hours in rural areas.

INTRODUCING A KEY ACCOUNT MANAGEMENT MODEL

Caruna's customer base has grown steadily during the past years. The number of customers reached 676 (669) thousand at the end of June, and 4,153 (2,282) new connection contracts were signed.

CUSTOMER VOLUMES AT THE END OF THIS PERIOD (THOUSAND CUSTOMERS):

COMPANY	Jun 2018	2017	2016	2015
Caruna Oy	468	467	463	459
Caruna Espoo Oy	208	205	201	196
Total	676	672	664	655

Caruna works hard to continuously improve its customer satisfaction, measuring it monthly by the Net Promoter Score index (NPS) based on the opinions of small and medium-sized customer companies, large customers, land-owners, municipality customers and contractors. Heavy snowfall in the first months of the year and strong winds in June caused power outages which reduced the customer satisfaction figures somewhat. The price increases announced in April also had a negative impact on customer satisfaction, and Caruna's cumulative NPS score was 1.6 (–2.2) percent at the end of June.

In order to make customer service more comprehensive Caruna launched some new services and related functions during January and June. One of the new services was the 'My site' online service where customers can monitor their electricity consumption, view their invoicing data and compare different products. Caruna has also been working on a personalised service offering together with customers.

Over the spring, Caruna developed a key account management model for corporate and municipality customers to ensure even better service to key customers. Caruna's key account managers are responsible for the introduction of the key account management model region by region, and the first ones started in their new roles during the spring.

Investments

Caruna Group's performance-based investments during the period amounted to a total of EUR 127.8 (135.9) million, with the majority of the investments targeted to network improvement projects. Caruna installed a total of more than 2,100 (2,579) kilometres of small- and medium-voltage underground cable network. A large part of the investments into laying the medium-voltage network cables underground took place in Caruna's distribution areas in Southern and Southwest Finland.

Financing

Electricity distribution is an extremely capital-intensive sector, and Caruna's network improvement programme, due to be completed by 2029, requires continuous additional financing. Caruna's debts amount to approximately three billion euros, of which roughly two billion consist of external loans and one billion of shareholder loans.

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

During the first half of 2018, Caruna signed a loan agreement for EUR 150 million with the Nordic Investment Bank (NIB). The average maturity of the loan is 10 years, and Caruna is planning to take out the entire loan during the second half of this year. Caruna also took out an investment credit loan of EUR 20 million, which will be repaid at the beginning of the second half of the year.

Caruna's available facility limits consist of a capex facility, EUR 380 million; a revolving credit facility, EUR 60 million; a bank overdraft facility, EUR 30 million; and a liquidity facility, EUR 20 million.

The period's financing costs stated on the income statement were EUR 66.1 (64.4) million, and the amount interest loans stated on the balance sheet was EUR 39,7 (38,8) million. Of Caruna's loans, 97 percent are fixed-rate interest. The avarage lending rate at the end of the reporting period was 2.2% (2.4%).

Caruna complied with the covenant terms of all loan agreements.

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

Personnel

Caruna started to renew the annual performance management and development review process during the first months of the year. As the first measure, personal goals for both all units and every staff member were published in the intranet, with the aim of enhancing and encouraging transparency. This also allowed Caruna to ensure that the goals of the units and those of staff members are in line with the Caruna's goals.

Caruna recruited two people from outside the company to join the Management Team at the beginning of the year: Head of Communications and Public Affairs, and Head of the Electrical Network Unit. In June, Caruna appointed a Head of Development and Innovation to lead the new Development and Innovation unit that was launched in September.

Caruna organised an online-based "idea factory" for all employees during the spring. The purpose of this tool was to collect thoughts and ideas about the changes in the Caruna's operating environment and about new ways to operate in the rapidly evolving energy sector. Caruna's employees came up with over 200 ideas in two months.

The employee engagement index score of Caruna's personnel improved during the first months of the year. It is now 72, which exceeds the target level.

The number of personnel was 298 (283) at the end of June.

Corporate responsibility

THE INJURY FREQUENCY OF CARUNA'S SUPPLY CHAIN IS GRADUALLY DECREASING

Caruna is committed to "zero accidents", which means that safety comes first in all operations. The Zero Accidents Forum awarded Caruna the classification of "Level I – at the world's forefront" for the third time last May.

Contractor safety and the improvement of safety culture throughout the entire supply chain are some of Caruna's main goals this year. The injury frequency (LWIF*) score of Caurna's supply chain is decreasing gradually: in 2017, it was 9.5, but at the end of June, the comparable cumulative 12-month injury frequency score was 6.2. The injury frequency score of Caruna's own personnel was 0.

Over 700 subcontractors took part in "Caruna card" training during the first months of 2018. The training covers both occupational safety and quality. Caruna also carried out safety assessments on main contractor employees and subcontractors working at the sites, allowing the company to provide each main contractor with development suggestions on how to improve safety.

"Safety Walks" are safety inspections on work sites and offices. Caruna's Management Team members, supervisors and project managers have personal Safety Walk goals. By the end of June, a record-breaking 375 safety inspections had been made.

OVER 97% OF SECONDARY SUBSTATIONS AND CABLES RECYCLED

Caruna strives to utilise energy and materials as efficiently as possible, and to recycle and re-use used materials more efficiently than before.

At the moment, Caruna recycles some 64 percent of network materials that have been processed further by Kuusakoski Oy, while over 97 percent of secondary substations and cables are recycled and re-used. Between January and June, Caruna dismantled over six million kilos of old network materials.

Caruna had no significant oil leaks (over 100 kilos) from its network into the environment. In 2016, Caruna launched a programme to replace pole-mounted transformers installed in groundwater areas by pad-mounted secondary substations, equipped with oil collectors that prevent oil leaks into the environment. The renovation programme is proceeding as planned.

**The Lost Workday Injury Frequency, 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).*

RESPONSIBILITY ASSESSMENT FOR KEY CONTRACTUAL SUPPLIERS

Caruna added a new obligation in supply agreements, based on the General Data Protection Regulation (GDPR) that came into force in May.

By the end of June, six of Caruna's invitations to tender exceeded the threshold value specified in the act on public procurement for special sectors.

Caruna's contractual suppliers are audited according to an annual auditing plan. The group carried out four auditing processes by the end of June, but only discovered minor deviations, and the corresponding corrective actions are currently underway.

Caruna is commissioning a responsibility assessment for all key contractual suppliers during 2018. The assessment looks at commitment to the principles of sustainable development, social responsibility, corporate social responsibility, management of occupational health and safety risks and environmental responsibility.

Risks

Risk management is part of Caruna's internal control system, helping to identify, manage and monitor the business risks facing the Group. Caruna has taken out appropriate insurance policies that provide comprehensive cover for all operations. The Half Yearly report includes a description of the key financial and operative risks.

FINANCIAL RISKS

INTEREST RATE RISK

Changes in the market rate affect the Group's net interest rates, as well as the fair value of interest-bearing receivables, liabilities and derivative financial instruments. The aim of hedging the interest rate risk exposure is to reduce the effect of changes in interest rates on the income statement, balance sheet and cash flow, while also taking into account the market value of the net debt position.

Caruna has hedged against interest rate risks by opting mainly for loans with fixed interest rates.

LIQUIDITY RISK

In addition to income financing, Caruna Networks Oy utilises binding credit limits and other credit facilities to balance liquidity.

CREDIT RISK

The Group's policies determine credit rating requirements for customers and derivative financial instrument counterparties, as well as the investment transaction principles. A customer's supply or connection contract can require a collateral or advance payment to cover any contractual amounts that remain outstanding. Collaterals hedge against possible credit losses, and the accumulation of credit losses is closely monitored.

PRICE RISK

In previous years, price risks related to grid loss electricity purchases have been hedged by means of electricity derivatives. In 2017, following a re-evaluation of the impact of price risks related to grid loss electricity purchases, Caruna decided that new electricity derivatives will no longer be signed and, where necessary, the risk will be hedged by signing physical electricity purchase agreements.

OPERATIVE RISKS

EXCEPTIONAL WEATHER CONDITIONS

The most significant operational risks relate to exceptional weather conditions, such as storms, heavy snowfall and severe frost, which can affect the Caruna's reliability of supply in transmission and distribution networks. The key method of preventing interruptions is to replace overhead lines with underground cables, forests management near overhead lines and development of remote network control. Network structures are also being developed in such a way that, in a disturbance, the damaged part can be isolated from the rest of the network and the range of the distribution interruption reduced. Careful prior planning enables adequate preparation, which is essential in case of a disturbance.

REGULATORY ENVIRONMENT

The Energy Authority monitors the operations of electricity network companies and ensures that the pricing of electricity distribution remains reasonable. Regulatory procedures enable electricity network companies to improve the reliability of supply by investing in the electricity networks. The Finnish regulatory environment can be considered stable. The current regulation period commenced at the beginning of 2016, providing an 8-year perspective. In the long term, operational risks often emerge as a result of changes in regulations, but also, in the short term, from differing interpretations of regulations and decisions.

SUPPLIER RISK

Caruna Group's contractual suppliers may, due to liquidation or other reasons, become unable to deliver commissioned network projects and services.

Caruna's purchase model aims to ensure it has a favourable and sound position for competition in each of its network areas. A systematic management model for contractors and services allows the Group to become aware of any contractor-specific problems promptly, making it possible to step in and take necessary corrective actions without delay.

Governance

Caruna Group's Annual General Meeting appoints the members of the Board of Directors for a continuous term of office commencing at the Annual General Meeting and ending at the next Annual General Meeting. When appointing members for its Board of Directors, Caruna takes into account current and future business needs and seeks 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, and the members' personal qualities constitute another essential element.

ANNUAL GENERAL MEETING

Caruna Networks Oy's Annual General Meeting was held on 26 March 2018. The AGM approved Caruna's financial statements for 2017, confirmed the consolidated income statement and balance sheet and discharged the members of the Board of Directors and the CEO from liability.

BOARD OF DIRECTORS

Up to the Annual General Meeting on 26 March 2018, Caruna's Board members were Chairman Juha Laaksonen and members Kenton Bradbury, Jouni Grönroos, John Guccione, Gregor Kurth and Niall Mills. Tomas Pedraza and Delphine Voeltzel were deputy members.

On 26 March 2018 the Annual General Meeting elected Juha Laaksonen as the Chairman and members Kenton Bradbury, Jouni Grönroos, John Guccione, Gregor Kurth and Niall Mills, as well as Ellen Richardson and Delphine Voeltzel as deputy members.

MANAGEMENT TEAM

The Management Team consists of CEO Tomi Yli-Kyyny, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Unit Kosti Rautiainen (from 18 March 2018), 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 (from 5 February 2018) and Head of Development and Innovation Elina Lehtomäki (from 15 June 2018).

Audit

The Half Yearly Report is not audited.

Shares and ownership

Caruna Networks Oy has 2,500 shares, each of which 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.

Key events after the reporting period

Caruna Oy increased its electricity distribution prices from 1 July 2018. Caruna has systematically improved its weatherproof network. Caruna is committed to reliability of supply to its customers; as of 1 July 2018 Caruna will credit its customers in case of a power cut an additional outage fee of 20 percent, on top of the statutory standard outage fee.

On 5 July 2018, Caruna took out EUR 50 million of the loan agreed with the Nordic Investment Bank (NIB) in June, to be used for network improvement projects.

Caruna's Development and Innovation unit started to operate on 1 September 2018. This unit aims to ensure a better response to the customers' needs by developing and streamlining Caruna's current business operations and introducing entirely new products and services.

Caruna distributes electricity and maintains, repairs and builds a weatherproof electricity network for its 670,000 customers in South, Southwest and West Finland, as well as in the city of Joensuu, the sub-region of Koillismaa and Satakunta. In order to guarantee a reliable electricity supply to its customers under all circumstances, Caruna supervises its network 24/7. A weatherproof smart electricity network also provides a well-functioning energy system for the future when digital services increase, the traffic is electrified, and the consumer becomes a producer of energy.

Caruna employs 290 persons and contracts approximately 2,000 workers for network improvement projects all over Finland.

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Caruna Group

The Half Yearly Report is not audited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS 1 JAN–30 JUN 2018 (IFRS)

EUR million, cumulative	Note	ACT Jan–Jun 2018	ACT Jan–Jun 2017	Change	ACT Jan–Dec 2017
Net sales	2	230.5	217.5	13.0	426.4
Other operating income		5.8	2.5	3.3	6.0
Direct costs		-51.1	-47.1	-4.0	-88.1
Personnel expenses		-12.2	-11.1	-1.1	-20.4
Other operating expenses		-30.3	-25.5	-4.8	-54.3
Depreciation and amortisation		-65.0	-53.7	-11.3	-123.9
Operating profit		77.7	82.6	-4.9	145.7
Finance income		3.2	3.2	0.0	6.4
Finance costs		-69.3	-67.6	-1.7	-135.6
Profit before taxes		11.6	18.2	-6.6	16.5
Income taxes		-18.4	-16.5	-1.9	12.3
Profit/loss for the period		-6.8	1.7	-8.5	28.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 1 JAN–30 JUN 2018 (IFRS)

EUR million, cumulative	ACT Jan–Jun 2018	ACT Jan–Jun 2017	ACT Jan–Dec 2017
Profit/loss for the period	**-6.8**	**1.7**	**28.8**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement of cash flow hedges	-1.7	1.4	0.0
Income tax effect	0.3	-0.3	0.0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-1.4**	**1.1**	**0.0**
Other comprehensive income for the period, net of tax	-1.4	**1.1**	**0.0**
Total comprehensive income for the period, net of tax	**-8.2**	**2.8**	**28.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR million	Note	ACT Jun 30, 2018	ACT Jun 30, 2017	ACT Dec 31, 2017
ASSETS				
Non-current assets				
Goodwill	3	62.5	62.5	62.5
Intangible assets	3	1,582.7	1,575.4	1,585.9
Property plant and equipment	3	2,301.2	2,160.9	2,235.2
Derivative financial assets	7	1.2	0.4	0.9
Deferred tax assets		2.6	0.1	0.1
Total non-current assets		3,950.2	3,799.3	3,884.6
Current assets				
Trade and other receivables	5	74.3	90.2	109.8
Derivative financial instruments	7	2.1	0.6	0.2
Cash and cash equivalents	6	–	51.8	42.9
Total current assets		76.4	142.6	152.9
Total assets		4,026.6	3,941.9	4,037.5
EQUITY				
Share capital		0.0	0.0	0.0
Invested distributable funds		171.2	171.2	171.2
Profit/loss for the period		-6.8	1.7	28.8
Retained earnings		-296.4	-325.1	-325.2
Other equity fund		-3.9	-1.4	-2.5
Total equity		-135.9	-153.6	-127.7
LIABILITIES				
Non-current liabilities				
Interest bearing loans and borrowings	8	3,176.1	3,087.7	3,174.1
Derivative financial instruments	7	17.5	27.7	24.7
Deferred tax liabilities		537.5	548.9	521.2
Provisions		0.2	0.2	0.2
Other non-current liabilities		304.6	306.4	304.6
Total non-current liabilities		4,035.9	3,970.9	4,024.8
Current liabilities				
Derivative financial instruments	7	0.1	0.7	0.0
Trade payables		51.0	42.3	55.3
Other current liabilities		25.2	20.9	35.5
Other payables		50.3	60.7	49.6
Total current liabilities		126.6	124.6	140.4
Total liabilities		4,162.5	4,095.5	4,165.2
Total equity and liabilities		4,026.6	3,941.9	4,037.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Attributable to the equity holders of the parent					
				Other Equity Components		
EUR million	Share capital	Invested restricted equity fund	Retained Earnings	Cash flow hedge reserve	Other comprehensive income	Total
As at 1 January 2018	0,0	171,2	-296,4	-2,8	0,3	-127,7
Profit for the period			-6,8			-6,8
Other comprehensive income				-1,4		-1,4
Total Comprhenesive income			-6,8	-1,4		-8,2
At 30 June 2018	0,0	171,2	-303,2	-4,2	0,3	-135,9

	Attributable to the equity holders of the parent					
				Other Equity Components		
EUR million	Share capital	Invested restricted equity fund	Retained Earnings	Cash flow hedge reser-ve	Other compre-hensive income	Total
As at 1 January 2017	0.0	171.2	-325.1	-2.8	0.3	-156.4
Profit for the period			1.7			1.7
Other comprehensive income				1.1		1.1
Total Comprhenesive income			1.7	1.1		2.8
At 30 June 2017	0.0	171.2	-323.4	-1.7	0.3	-153.6

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR million	ACT Jan-Jun 2018	ACT Jan-Jun 2017	ACT Jan-Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period	-6.8	1.7	28.8
Adjustments:			
Income tax expenses	18.4	16.5	-12.3
Finance costs-net	66.1	64.4	129.2
Depreciation, amortisation and impairment charges	65.0	53.7	123.9
Operating profit before depreciations (EBITDA)	**142.7**	**136.3**	**269.6**
Non-cash flow items	-1.7	-0.6	-1.5
Interest received	3.2	4.1	6.9
Interest paid	-78.4	-77.6	-148.8
Taxes	-2.2	-0.1	-7.1
Funds from operations	**63.6**	**62.1**	**119.1**
Change in net working capital	16.1	8.7	4.0
Total net cash from operating activities	**79.7**	**70.8**	**123.1**
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditures	-125.4	-139.0	-293.5
Proceeds from sales of fixed assets	0.1	0.2	0.5
Total net cash used in investing activities	**-125.3**	**-138.8**	**-293.0**
Cash flow before financing activities	**-45.6**	**-68.0**	**-169.9**
Cash flow from financing activities			
Proceeds from long-term liabilities	20.0	230.0	400.0
Payments of long-term liabilities	-20.0	-170.0	-250.0
Total net cash used in financing activities	0.0	**60.0**	**150.0**
Total net increase(+) / decrease(-) in cash and cash equivalents	**-45.6**	**-8.0**	**-19.9**
Cash and cash equivalents in the beginning of the period	**39.9**	**59.8**	**59.8**
Cash and cash equivalents at the end of the period	**-5.7**	**51,8**	**39,9**

Notes to Caruna Half-Yearly Report

1 Basis of preparation

This consolidated condensed half-yearly 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-yearly report. The report should be read together with the 2017 consolidated financial statements. This half-yearly report is not audited.

2 Accounting policies

The applied accounting policies are consistent with the policies applied to the 2017 consolidated financial statements, with the exception of two new IFRS standards:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The effects of adopting these new standards on Caruna's consolidated financial statements are described below.

2.1 EFFECTS OF THE TRANSITION TO IFRS 9 FINANCIAL INSTRUMENTS

Caruna has been applying the IFRS 9 Financial Instruments accounting standard since 1 January 2018. The standard contains new rules concerning the classification, measurement and hedge accounting of financial assets and financial liabilities. Caruna has applied the new standards prospectively, in other words, the 2017 comparison information has not been adjusted.

a) Hedge accounting

Caruna's interest and currency derivatives that have been covered by hedge accounting under IAS 39 standard will remain subject to the hedge accounting rules specified in IFRS 9 standard. The interest derivatives Caruna executed in June 2018 are 100% effective in the hedge accounting under IFRS 9 standard. These new interest derivatives will hedge the larger instalment, EUR 150 million, of the EIB loan taken out in 2017. The adoption of the IFRS 9 hedging rules has not affected the consolidated financial statements.

b) Impairment

The Group applies the simplified approach to the impairment of trade receivables and recognises expected credit losses over the full lifetime of receivables. There was no significant change in the amount of credit losses recognised in the consolidated financial statements.

c) Classification and measurement

IFRS 9 standard required some changes to be made in the classification and measurement of financial instruments but these did not have significant effects on the consolidated financial statements. Financial assets are classified according to the business model whose objective is to hold assets in order to collect cash flows (held-to-collect), and they are measured at amortised cost when the contractual terms give rise to solely payments of principal and interest on the principal amounts outstanding at specific points in time (the SPPI criterion). The adoption of IFRS 9 standard did not require any changes to be made in the classification applied to the consolidated financial statements.

2.2 EFFECTS OF THE TRANSITION TO IFRS 15 STANDARD REVENUE FROM CONTRACTS WITH CUSTOMERS

Caruna adopted IFRS 15 standard Revenue from Contracts with Customers on 1 January 2018. The reported half-year period from 1 January to 30 June 2018 is the first period to which the Group has applied the IFRS 15 standard rules.

IFRS 15 standard has replaced the current guidelines for sales revenue recognition, including IAS 18 standard Revenue and IAS 11 Construction Contracts, and their interpretations. According to the principle set out in IFRS 15 standard, an entity must recognise revenue when the goods or services have been released to the customer, and the recognised revenue must reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. According to IFRS 15 standard, the entity will recognise revenue when the performance obligation has been satisfied, in other words, as control of the goods or services is passed to the customer. IFRS 15 standard contains a comprehensive, five-step model for recognising net sales.

The standard will be applied with a modified retrospective approach and thus no comparison information has been adjusted to comply with IFRS 15. The adoption of the new IFRS 15 standard will not affect Caruna's method of recognising sales revenue in the net sales and other revenue. To facilitate comparisons, these Notes provide additional information as required by IFRS 15 standard.

The Group is in the business of conducting local and regional distribution network operations, which consist of distribution sales and connection fees. The distribution sales and connection fees are considered to form a single performance obligation which is recognised in net sales over time. In practice, this means that recognition is carried out immediately as the electricity distribution or the connection contract is effected.

3 IFRS 16 Leases

Caruna will adopt IFRS 16 Leases on 1 January 2019 with the transition period option in which the comparison periods will not be adjusted at the date of initial application.

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. Caruna's leases concern land areas, substation premises and the rights of use of switchyards. The change will not have significant effects on the consolidated financial statements. The adoption of IFRS 16 will not have any effect on the cash flow.

The Group is in the process of assessing the impacts of the new standard, including a review of operative leases, determining the interest on additional credit and calculating the impact on the financial statements.

4 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 2017 consolidated financial statements.

NOTES TO THE GROUP'S HALF YEAR REPORT (IFRS)

2. NET SALES

EUR million	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Distribution sales	224.7	212.3	410.2
Connection fees	5.8	5.2	16.2
Total	230.5	217.5	426.4

3. CHANGE IN INTANGIBLE AND TANGIBLE ASSETS

EUR million	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Net book value at the beginning of the period	3,883.6	3,716.7	3,716.7
Depreciation and amortisation	-65.0	-53.7	-123.9
Additions	127.8	135.9	291.1
Disposals (incl. accumulated depreciation)	0.0	-0.1	-0.3
Net book value at the end of the period	3,946.4	3,798.8	3,883.6

4. OWN SHARES

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

5. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR million	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Trade receivables	71.4	87.0	108.8
Accrued income and prepaid expenses	2.6	3.2	0.6
Other receivables	0.3	-	0.4
Total	74.3	90.2	109.8

6. CASH AND CASH EQUIVALENTS RECONCILIATION

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Cash and cash equivalents balance	0.0	51.8	42.9
Group's Cash Pool account balance*)	-5.7	0.0	-3.0
Cash and cash equivalents	**-5.7**	**51.8**	**39.9**
Total	-5.7	51.8	39.9

**) 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 2017.

Electricity derivatives, EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Electricity derivatives, non-hedge accounting			
Positive fair value	3.3	-	1.1
Negative fair value	-0.1	-	-0.2
Net fair value	**3.2**	**0.0**	**0.9**
Electricity derivatives, cash flow hedges			
Positive fair value	-	1.0	-
Negative fair value	-	-0.9	-
Net fair value	**0.0**	**0.1**	**0.0**

Interest rate- and currency derivatives, EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Interest rate- and currency derivatives, non-hedge accounting			
Positive fair value	-	-	-
Negative fair value	-10.1	-24.3	-17.0
Net fair value	**-10.1**	**-24.3**	**-17.0**
Interest rate- and currency derivatives, cash flow and fair value hedges			
Positive fair value	-	-	-
Negative fair value	-7.4	-3.2	-7.5
Net fair value	**-7.4**	**-3.2**	**-7.5**

Fair values of financial assets and liabilities and fair value hierarchy as at 30 June 2018

Balance sheet item	Derivatives, hedge accounting	Fair value through profit or loss	Amortized cost	Carrying amount	Fair value	Level
Non-current financial assets						
Electricity derivatives		1.2		1.2	1.2	2
Current financial assets						
Electricity derivatives		2.1		2.1	2.1	2
Trade receivables			71.4	71.4	71.4	2
Cash and cash equivalents			0.0	0.0	0.0	1
Financial assets total	0.0	3.3	71.4	74.7	74.7	
Non-current financial liabilities						
Interest-bearing liabilities			3,182.9	3,182.9	3,182.9	2
Loan arrangemet fees			-6.8	-6.8	-6.8	1
Interest rate- and currency derivatives	7.4	10.1		17.5	17.5	2
Electricity derivatives		0.1		0.1	0.1	2
Connection fee liabilities			304.4	304.4	304.4	3
Current financial liabilities						
Electricity derivatives			0.1	0.1	0.1	2
Trade payables			51.0	51.0	51.0	2
Financial liabilities total	7.4	10.2	3,531.6	3,549.2	3,549.2	

New interest rate derivatives of EUR 0.2 million have been recorded as Fair value through other comprehensive income during the reporting period.

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

EUR million	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Shareholder loan	933.6	933.6	933.6
IBLA-loans	2,029.3	1,930.7	2,027.6
Investment loans	220.0	230.0	220.0
Loan arrangement fees	-6.8	-6.6	-7.1
Total	**3,176.1**	**3,087.7**	**3,174.1**

9. CAPITAL COMMITMENTS

EUR million	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Tangible assets	321.5	289.2	326.2
Total	**321.5**	**289.2**	**326.2**

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