



CARUNA

# Annual budget 2022



Positive energy.

**caruna**

# Management Commentary on Annual Budget 2022

## Solid performance expected to continue in 2022

Caruna Networks BV Group aims to increase productivity and efficiency of operations. Regulation environment changed in the beginning of 2022 to decrease profitability of the DSOs. From Caruna's perspective, the biggest effect came from unit price change and its impact to regulated asset value. Due to the under income situation of Caruna, the change did not have immediate effect of budgeted figures. The budget 2022 aims to adapt to changes in regulative environment.

## Strategy to drive towards one million content customers

Caruna's strategic vision is "one million content customers". The focus of the annual budget in 2022 is to drive business development towards Caruna's strategic vision. Strategic focus areas are

1. Productivity & efficiency of operations
2. Enhanced system management & data utilisation
3. Proactive and systematic co-operation with authorities
4. Growth in regulated electricity distribution
5. Activities complementary to regulated business

## Investments in network reliability and customer satisfaction and efficiency will continue

Reliability investments targeted to deliver requirements of Security of Supply (SoS) legislation by the end of 2036 will continue during 2022. The SoS requirements of Caruna Oy postponed from 2028 to 2036 and Caruna Espoo Oy SoS requirements remained in 2028. This will decrease slightly the investments in the mid-term. Regulatory outage costs are planned to decrease from EUR 21 million to EUR 18 million. Customer satisfaction measure Net Promoter Score (NPS) is planned to remain on the same level. The

target is to keep the customers content while transferring the focus of customers service from personal contacts to online channels. Contractor safety (LWIF) is planned to improve.

KPI	2022 Budget	2021 Forecast*
KAH (MEUR)	18	21
OPEX (MEUR)	81.1	91.0
NPS (%)	20	22
EBITDA (MEUR)	314.3	318.3
RAV (MEUR)	2,499	3,105
RC (MEUR)	2,382	2,963
LWIF	4.0	6

\* Forecast 2021 given in H1/2021 Investor report

## Strong operative cash flow continues in 2022

In 2022, the Group's net income is budgeted to grow from EUR 40.4 million to EUR 54.7 million. The positive development is due to lower fixed costs, depreciations, and financing costs. Caruna's operative cash flow stayed strong being EUR 188.7 million at the end of 2022. In addition, the cash flow after investments remained positive being EUR 34.3 million.

The direct costs budget of EUR 91.1 million assumes a steady volume development and an increase in energy prices. The direct costs are planned to increase by 7.4% compared to 2021.

Depreciations are planned to be EUR 129.3 million. The amount includes EUR 30.1 million fair value adjustment depreciation. Financial costs include shareholder loan interests and senior interests as well as related arrangement fee amortisations and ongoing fees. The total budgeted financial items are EUR 115.8 million which are EUR 16.2 million lower than in 2021 due to onetime costs related to refinancing of EUR 300 million bond and drawing down of a new EUR 300 million green bond. The breakdown of financing cost is EUR 49.2 million interest on senior debt including capex facility, EUR 65.8 million interest on shareholder loans, and EUR 0.8 million on-going fees. Additionally, the 2022 budget includes EUR 12.0 million corporate tax and EUR -2.5 million changes in deferred tax liabilities.

## Group balance sheet contains EUR 2,617.7 million external loans

The total external interest-bearing debt (Senior Loans) at the end of 2022 is planned to be EUR 2,617.7 million including a EUR 18.0 million draw down from revolving credit facility (RCF) to finance the planned investments. Total RCF facility is EUR 350 million. The total amount of shareholder loan is expected to remain unchanged at EUR 773.6 million. Liquidity facilities (total EUR 6 million) are not expected to be utilised during 2022. The total equity of Caruna Networks BV Group is planned to increase by EUR 8.7 million during 2022. Equity of the individual subsidiaries will remain positive. If necessary, it is possible for the companies to further strengthen the equity by converting shareholder loans or internal loans into equity. Shareholder loan interest payments are planned in accordance with the shareholder loan agreements. A dividend of EUR 35.1 million is planned to be paid to the owners in September 2022.

## Loan covenant ratios are compliant with the Financing Agreements

Loan covenant ratios (Senior Interest Coverage Ratio and Senior Leverage Ratio) are compliant with Financing Agreements both at the end of June 2022 as well as at the end of December 2022.

Ratio	30 Jun 2022, Backward	31 Dec 2022, Backward	30 Jun 2022, Extended Forward	31 Dec 2022, Extended Forward
<b>Senior Interest Cover Ratio</b>	<b>5.7x</b>	<b>6.1x</b>	-	-
Lock-up	1.7x	1.7x	-	-
Default	1.2x	1.2x	-	-
<b>Senior Leverage Ratio</b>	<b>9.7%</b>	<b>9.9%</b>	<b>9.8%</b>	<b>9.6%</b>
Lock-up	5.0%	5.0%	5.5%	5.5%
Default	4.0%	4.0%	-	-

## CONSOLIDATED INCOME STATEMENT 2022 FOR CARUNA NETWORKS BV GROUP

EUR million, cumulative	H1 2022	H2 2022	Total 2022
Distribution sales	243.8	221.2	465.0
Other sales	5.3	11.2	16.5
<b>NET SALES</b>	<b>249.1</b>	<b>232.4</b>	<b>481.5</b>
Direct costs	-51.5	-39.6	-91.1
<b>SALES MARGIN</b>	<b>197.6</b>	<b>192.8</b>	<b>390.4</b>
Other Income	1.9	3.1	5.0
Personnel costs	-14.2	-8.9	-23.1
Repairs & Maintenance	-9.3	-11.7	-21.0
External Services	-11.9	-8.4	-20.3
Other expenses	-5.8	-10.9	-16.7
<b>Total fixed costs</b>	<b>-41.2</b>	<b>-39.9</b>	<b>-81.1</b>
<b>EBITDA</b>	<b>158.3</b>	<b>156.0</b>	<b>314.3</b>
Depreciation and amortisation	-68.3	-61.0	-129.3
<b>OPERATING PROFIT</b>	<b>90.0</b>	<b>95.0</b>	<b>185.0</b>
Interest on Senior loan	-24.6	-24.6	-49.2
Interest on Shareholder loan	-32.9	-32.9	-65.8
Ongoing fees	-0.2	-0.4	-0.6
Loan arrangement fee amortisation	-0.1	-0.1	-0.2
<b>Total financial income / expense</b>	<b>-57.8</b>	<b>-58.0</b>	<b>-115.8</b>
<b>PROFIT BEFORE TAX</b>	<b>32.2</b>	<b>37.0</b>	<b>69.2</b>
Income tax	-6.0	-6.0	-12.0
Deferred tax	1.4	-3.9	-2.5
<b>PROFIT FOR THE PERIOD</b>	<b>27.6</b>	<b>27.1</b>	<b>54.7</b>

## CONSOLIDATED BALANCE SHEET FOR CARUNA NETWORKS BV GROUP AS PER 30 JUNE 2022 AND 31 DECEMBER 2022

EUR million	30 Jun 2022	31 Dec 2022
<b>ASSETS</b>		
Goodwill		
Intangible assets	1,591.7	1,591.7
Tangible assets	2,463.9	2,494.0
Other non-current assets	6.7	6.7
<b>Non-Current Assets</b>	<b>4,062.3</b>	<b>4,092.4</b>
Trade & other receivables	76.2	117.2
Other current receivables	2.9	5.6
Cash and cash equivalents	10.6	62.7
<b>Total Current Assets</b>	<b>89.7</b>	<b>185.5</b>
<b>Total Assets</b>	<b>4,152.0</b>	<b>4,277.9</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	0.0	0.0
Invested distributable equity funds	171.2	171.2
Profit for the period	27.6	54.7
Retained earnings	-279.0	-314.2
Other equity fund	-20.8	-20.8
<b>Total Equity</b>	<b>-101.0</b>	<b>-109.1</b>
<b>LIABILITIES</b>		
Senior Loan	2,528.1	2,626.1
Loan arrangement fees	-8.7	-8.4
Shareholder Loan	773.6	773.6
Derivative financial instruments	31.2	34.4
<b>Total interest-bearing Debt</b>	<b>3,324.2</b>	<b>3,425.7</b>
Deferred Tax Liabilities	502.2	509.0
Other Non-Current Liabilities	303.8	305.7
<b>Non-Current Liabilities</b>	<b>4,130.2</b>	<b>4,240.4</b>
Trade payables	30.8	53.2
Accrued interest expenses	33.7	35.5
Other current interest-free payables	58.3	57.9
<b>Current Liabilities</b>	<b>122.8</b>	<b>146.6</b>
<b>Total Liabilities</b>	<b>4,253.0</b>	<b>4,387.0</b>
<b>Total Liabilities + Equity</b>	<b>4,152.0</b>	<b>4,277.9</b>

## CONSOLIDATED CASH FLOW 2022 FOR CARUNA NETWORKS BV GROUP

EUR million	H1 2022	H2 2022	Total 2022
<b>EBITDA (GROUP)</b>	<b>158.3</b>	<b>156.0</b>	<b>314.3</b>
Interest received	0.3	-0.3	0.0
Interest paid, Senior loan	-26.1	-22.8	-48.9
Interest paid, Shareholder loan	-32.9	-32.0	-64.9
Ongoing fees and other financing items paid	-0.2	-0.5	-0.7
Corporation Tax paid	-6.2	-5.8	-12.0
<b>Cash generated from operations</b>	<b>93.2</b>	<b>94.6</b>	<b>187.8</b>
<b>Change in net working capital</b>	<b>22.9</b>	<b>-22.0</b>	<b>0.9</b>
<b>TOTAL NET CASH FLOW FROM OPER. ACTIVITIES</b>	<b>116.1</b>	<b>72.6</b>	<b>188.7</b>
Capital Expenditure	-71.2	-83.2	-154.4
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-71.2</b>	<b>-83.2</b>	<b>-154.4</b>
<b>CASH FLOW BEFORE FINANCING ACTIVITIES</b>	<b>44.9</b>	<b>-10.6</b>	<b>34.3</b>
Change in Senior Loan	-80.0	98.0	18.0
Dividends Paid	-	-35.1	-35.1
Other financing items	-	-0.1	-0.1
<b>NET CASH / FINANCING ACTIVITIES</b>	<b>-80.0</b>	<b>62.8</b>	<b>-17.2</b>
<b>NET CHANGE IN CASH</b>	<b>-35.1</b>	<b>52.2</b>	<b>17.1</b>

## LOAN COVENANT RATIO CALCULATION FOR CARUNA NETWORKS BV GROUP

EUR million	H2 2021	H1 2022	"Backward" 30 Jun 2022	H1 2022	H2 2022	"Backward" 31 Dec 2022
<b>Senior Interest Cover Ratio, Denominator:</b>						
EBITDA	149.3	158.3	307.6	158.3	156.0	314.3
+ Taxes	-6.5	-6.0	-12.5	-6.0	-6.0	-12.0
<b>Consolidated EBITDA - taxes, total</b>	<b>142.8</b>	<b>152.3</b>	<b>295.1</b>	<b>152.3</b>	<b>150.0</b>	<b>302.3</b>
<b>Senior Interest Cover Ratio, Numerator:</b>						
Interest Costs, Senior	-26.6	-24.6	-51.2	-24.6	-24.6	-49.2
Ongoing fees, Senior	-0.3	-0.2	-0.5	-0.2	-0.4	-0.6
<b>Net Finance Charges, Senior total</b>	<b>-26.9</b>	<b>-24.8</b>	<b>-51.7</b>	<b>-24.8</b>	<b>-25.0</b>	<b>-49.8</b>
<b>Senior Interest Cover Ratio</b>			<b>5.7x</b>			<b>6.1x</b>

EUR million	H2 2021	H1 2022	"Backward" 30 Jun 2022	H1 2022	H2 2022	"Backward" 31 Dec 2022	"Extended" 30 Jun 2022, 36 months forward	"Extended" 31 Dec 2022, 36 months forward
<b>Senior Leverage Ratio, Denominator:</b>								
EBITDA	149.3	158.3	307.6	158.3	156.0	314.3	314.4	313.2
Interest Costs, Senior	-26.6	-24.6	-51.2	-24.6	-24.6	-49.2	-49.5	-49.9
Ongoing fees, Senior	-0.3	-0.2	-0.5	-0.2	-0.4	-0.6	-0.9	-1.0
+ Taxes	-6.5	-6.0	-12.5	-6.0	-6.0	-12.0	-12.2	-12.5
<b>Funds from Operations, FFO</b>	<b>115.9</b>	<b>127.5</b>	<b>243.4</b>	<b>127.5</b>	<b>125.0</b>	<b>252.5</b>	<b>251.8</b>	<b>249.8</b>
<b>Senior Leverage Ratio, Numerator:</b>								
Senior debt		2,528.1	2,528.1		2,626.1	2,626.1	2,635.9	2,639.2
Cash		-10.6	-10.6		-62.7	-62.7	-55.4	-50.0
<b>Net debt - Senior</b>		<b>2,517.5</b>	<b>2,517.5</b>		<b>2,563.4</b>	<b>2,563.4</b>	<b>2,580.5</b>	<b>2,589.2</b>
<b>Senior Leverage Ratio</b>			<b>9.7 %</b>			<b>9.9 %</b>	<b>9.8 %</b>	<b>9.6 %</b>

**Caruna Networks Oy**  
[www.caruna.fi/en](http://www.caruna.fi/en)

**Mail Address**  
PO Box 1, 00068  
CARUNA, FINLAND

**Street Address**  
Upseerinkatu 2  
00068, Espoo, FINLAND

