

Caruna Espoo Oy

OPERATING AND
FINANCIAL REVIEW AND
FINANCIAL STATEMENTS

2019



Positive energy.

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31 DECEMBER 2019

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The Board's operating and financial review for 2019

Caruna Espoo Oy is a part of Caruna Group (Caruna). Caruna Espoo Oy is engaged in regulated electricity distribution network operations and high-voltage electricity distribution network operations on the electricity networks it owns and is a distribution network and high-voltage distribution network company as referred to in the Electricity Market Act, within its area of responsibility.

Key events during the financial period

In 2019, Caruna Espoo Oy built approximately 200 (100) kilometres of low- and medium-voltage underground cable network. By the end of the year, 76 (75) per cent of the network was cabled.

The reliability of supply rate was 99.99 (99.99) per cent in 2019. The reliability of the electricity network was also improved through other measures, such as increasing the amount of network automation to speed up fault rectification. In addition, poles were replaced to extend the life cycle of overhead lines in sparsely populated areas.

The electricity supply volume during the year remained steady at 2.9 (2.9) TWh on Caruna Oy's distribution network and 0.1 (0.1) TWh on the high-voltage distribution network.

Approximately 300 new solar power systems were connected to Caruna Espoo Oy's electricity network. By the end of the year, the number of small-scale producers was about 1,000.

Financial development

In 2019, Caruna Espoo Oy's net sales amounted to EUR 85.4 (85.0) million, showing an increase of 0.5 per cent year-on-year. The increase in net sales was mainly due to higher transfer volumes.

Variable costs, consisting of transmission costs and grid loss electricity purchases, decreased slightly from the figure in 2018 to EUR 18.4 (19.0) million.

Operating expenses, including external services, employee costs and other operating expenses, were EUR 21.9 (21.5) million, which were almost the same as in 2018. Depreciation, amortisation and impairment amounted to EUR 16.3 (16.7) million. Depreciations, amortisations and impairment charges also include scrapping costs arising from dismantling overhead lines in a total amount of EUR 0.6 (1.2) million.

The company's operating profit was EUR 30.1 (29.9) million, and the profit for the financial period was EUR 0.2 (0.2)

million. The company gave EUR 23.6 (29.1) million in group contributions to the mother company Caruna Networks Oy.

Financial key figures

	2019	2018	2017
Net sales (EUR million)	85.4	85.0	83.2
Operating profit (EUR million)	30.1	29.9	28.6
Operating profit (% of net sales)	35.2	35.1	34.4
Profit for the period (EUR million)	0.2	0.2	0.1
Investments (EUR million)	22.8	26.0	15.5
Return on equity (%)	17.5	17.5	16.4
Equity ratio (%)	51.9	50.9	50.0

Business activities

Caruna Espoo Oy has approximately 7,900 kilometres of electricity network in its operating areas of Espoo, Kauniainen and Kirkkonummi, as well as in the City of Joensuu. The electricity supply volume during the year remained steady at 2.9 (2.9) TWh on Caruna Oy's distribution network and 0.1 (0.1) TWh on the high-voltage distribution network.

In 2019, Caruna Espoo Oy's customer base grew by 2.83 per cent to 218 (212) thousand customers. A total of 600 (700) new connection contracts were signed.

Over the year, Caruna Espoo Oy built approximately 200 (100) kilometres of low- and medium-voltage underground cable network. By the end of the year, 76 (75) per cent of the network was cabled.

The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). The average interruption time in Caruna Espoo Oy's electricity distribution was 24 (39) minutes per customer in 2019, and the reliability of electricity supply was 99.99 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 0.55 (0.7) events.

Caruna Espoo Oy continued to move power lines to make way for the Jokeri Light Rail line. The company expects this work to continue during the next two years. The Jokeri line is a light rail line from Itäkeskus in Helsinki to Keilaniemi in Espoo. When construction is complete, the total length of the line will be 25 kilometres. The Jokeri Light Rail line covers a distance of nine kilometres in Caruna Espoo Oy's network area.

The Suurpelto substation in Espoo was commissioned in August. The substation contains gas-insulated equipment, which substantially reduces the amount of land required and the impact on the landscape in comparison with conventional air-insulated substations. The new substation will provide more than 20,000 customers with a more reliable electricity supply in an area where electricity consumption is projected to increase in the coming years.

Caruna Espoo Oy's performance-based investments during the financial period amounted to EUR 22.8 (26.0) million.

Research and development

Caruna Espoo Oy had no research and development activities in 2019 and 2018. There was also very little research and development in 2017.

Employees

The average number of personnel employed by the company during the financial period was 7 (2018: 7 and 2017: 7) personnel, and it had 7 (2018: 7 and 2017: 7). During the financial year, the company paid EUR 0.5 (2018: 0.6 and 2017: 0.5) million in wages and salaries.

More information on employees can be found in the corporate responsibility section of Caruna Group's annual report published at caruna.fi/en.

Corporate responsibility

More information on corporate responsibility can be found in the corporate responsibility section of Caruna Group's annual report published at caruna.fi/en.

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.

FINANCIAL RISKS

Liquidity risk

As part of Caruna Group, Caruna Espoo Oy utilises the corporation's committed credit limits and other credit facilities that it can use to balance liquidity in addition to funds from operations.

Credit risk

Caruna Group's policies determine the 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 include a collateral or advance payment to cover any contractual amounts that remain outstanding. Collaterals hedge against potential credit losses and the accumulation of credit losses is closely monitored. Credit losses amounted to EUR 0.2 (0.1) million in 2019.

Price risk

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

Changes in equity

Caruna Espoo Oy's share capital amounts to EUR 4 million. There were no changes in equity during the financial period. The company has no subordinated loans as defined in the Limited Liability Companies Act.

Board of Directors

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.

The Board convened six times during the financial period. The Board members were Matti Ruotsala (Chair as of 27 March 2019) and Juha Laaksonen (Chair until 27 March 2019), Jouni Grönroos, John Guccione, Gregor Kurth, Matt Little, Niall Mills and Laura Tarkka (as of 1 August 2019). 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)

Auditors

Caruna Espoo Oy's auditor was the audit firm Deloitte Oy, with Reeta Virolainen, Authorised Public Accountant, as the auditor with principal responsibility.

Shares and ownership

The company has 10,000,000 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 company had no key events after the financial period.

Estimate of probable future developments

Caruna Espoo Oy operates 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 Caruna Espoo Oy, along with other services to support electricity distribution, such as Caruna's electronic service platform and fibre construction for customers and partners. The operations are expected to continue in accordance with normal business principles and conditions.

Since 2013, Caruna has systematically implemented a large-scale investment programme to improve the reliability of supply. In recent years, Caruna has focused on enhancing the reliability of the medium-voltage network. In the coming years, network developments will increasingly focus on the low-voltage network, leading to lower annual investments. The investment programme has reached the midway stage.

The network is being developed in the most cost-effective way based on life-cycle costs, and also other construction methods are being studied besides underground cabling. Caruna is studying the possibility of utilising storage facilities and demand-side response services.

Caruna is concerned with combating the impacts of climate change and ensuring that the Finnish energy system develops to address future needs. Caruna wants to act as a pioneer in promoting the increased use of renewable energy and the electrification of transport. 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 Espoo Oy's distributable assets totalled EUR 16,483,945.73. The company's profit for the financial period was EUR 189,051.05. The Board of Directors proposes to the annual general meeting that no dividend be paid for 2019 and that the profit be transferred to retained earnings.

PROFIT AND LOSS STATEMENT

EUR	NOTE	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Net sales	3	85,441,147.09	84,969,488.35
Capitalised own work		130,591.00	140,405.75
Other operating income	4	1,086,496.36	1,890,230.49
Materials and supplies	5	-21,493,482.14	-23,020,762.43
Personnel expenses	6	-595,461.67	-648,629.24
Depreciation and impairment	7	-16,331,708.54	-16,706,097.83
Other operating expenses	8	-18,172,779.03	-16,764,550.03
Operating profit		30,064,803.07	29,860,085.06
Financial income and expenses	9	-2,768,624.00	-2,670,847.67
Profit before appropriations and taxes		27,296,179.07	27,189,237.39
Appropriations	10	-27,067,952.63	-26,980,806.91
Income taxes	11	-39,175.39	-41,602.49
Profit for the period		189,051.05	166,827.99

BALANCE SHEET

EUR	NOTE	31 Dec 2019	31 Dec 2018
ASSETS			
Non-Current Assets			
Intangible assets	12	4,391,315.85	5,499,078.54
Tangible assets		265,255,722.09	257,655,931.62
Total Non-Current Assets		269,647,037.94	263,155,010.16
Current assets			
Current receivables	13	24,479,972.98	31,280,287.43
Cash and cash equivalents	14	8,600,000.00	8,500,000.00
Total Current Assets		33,079,972.98	39,780,287.43
TOTAL ASSETS		302,727,010.92	302,935,297.59
EQUITY AND LIABILITIES			
Equity			
Share capital	15	4,000,000.00	4,000,000.00
Retained earnings (cumulative profit)		16,294,894.68	16,128,066.69
Profit for the financial year		189,051.05	166,827.99
Total equity		20,483,945.73	20,294,894.68
Appropriations	16	94,052,293.95	90,584,341.32
Provisions	17	168,323.38	211,490.14
Liabilities			
Non-current liabilities	19	143,845,867.12	143,898,863.73
Current liabilities	20	44,176,580.74	47,945,707.72
Total liabilities		188,022,447.86	191,844,571.45
TOTAL EQUITY AND LIABILITIES		302,727,010.92	302,935,297.59

CASH FLOW STATEMENT

EUR	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Cash flows from operating activities		
Profit before appropriations and taxes	27,296,179.07	27,189,237.39
Financial income and expenses	2,768,624.00	2,670,847.67
Adjustments to operating profit:		
Depreciation and impairment	16,331,708.54	16,706,097.83
Other non-cash adjustments	179,576.86	-199,043.00
Changes in working capital		
Increase (-)/decrease (+) in trade and other current receivables	-292,729.77	-348,217.91
Increase (+)/decrease (-) in current liabilities	-751,135.56	1,631,816.85
Changes in working capital total	-1,043,865.33	1,283,598.94
Interest and other financial expenses paid	-2,795,529.39	-2,687,394.92
Interest received	26,905.39	16,547.25
Income taxes paid	362,416.63	-233,825.68
Cash flows from operating activities	43,126,015.77	44,746,065.48
Cash flows from investments		
Purchase of tangible and intangible items	-22,945,674.42	-23,984,947.76
Change in cash pool account	9,019,658.65	18,938,882.28
Cash flows from investments	-13,926,015.77	-5,046,065.48
Cash flows from financing activities		
Group contribution paid	-29,100,000.00	-39,600,000.00
Cash flows from financing activities	-29,100,000.00	-39,600,000.00
Net increase in cash and cash equivalents	100,000.00	100,000.00
Cash and cash equivalents as at 1 Jan	8,500,000.00	8,400,000.00
Cash and cash equivalents as at 31 Dec	8,600,000.00	8,500,000.00

Notes

1. Accounting principles

The financial statements of Caruna Espoo Oy 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 mainly income from transmission and distribution of electricity. The revenue from distribution of electricity is recognised at delivery.

Energy Authority regulates the price charged from customers for the distribution of electricity in Finland. Any over or under income decided by the regulatory body is credited or charged over a number of years in the future to the customer using the electricity connection at that time.

The fees paid by a customer when connected to the electricity network are recognised as revenue in net sales. Connection fees paid by customers when connected to the electricity network before 2003 are refundable in Finland if the customer should ever disconnect the initial connection. These connection fees have not been recognised in the income statement and are included in other non-current liabilities in the balance sheet.

1.2 REASONABLENESS OF THE PRICING OF NETWORK SERVICE

The Finnish Energy Authority confirms principles for the pricing of transmission services and supervises the reasonableness of the pricing of network service. The length of the supervision period is four years. The decisions are issued after the end of each supervision period. Energy Authority confirms the possible over/under income with a separate supervision decision. Over income and possible interest need to be taken into account in pricing in the following supervision period and under income could be considered in pricing decisions. According to KILA statement, Accounting treatment of over income determined by the Electricity Market Act (1957/2016) and the guidelines from Energy Authority, Caruna Espoo Oy has not accrued the possible income because it is not confirmed yet. The current supervision period includes years 2016-2019 and the outcome of the supervision period is confirmed in 2020.

1.3 OTHER OPERATING INCOME

Proceeds from sales of assets and activities outside normal operations is reported in other operating income. This includes recurring items such as rental income and customer-based services. Customer-based services include eg. relocation fees, connections and meterings in construction sites, installation of new meters, connections and disconnections.

1.4 OUTAGE FEES

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.

1.5 FOREIGN CURRENCY ITEMS

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 financial income and expenses in the profit and loss statement.

1.6 BASIS OF MEASUREMENT OF NON-CURRENT ASSETS

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Both intangible and tangible assets are depreciated according to plan over the assets' useful life.

Depreciation periods:

Buildings and structures	20-40 years
Transmission and distribution network	15-40 years
Other machinery and equipment	3-12 years
Wayleave compensations	35 years
Intangible assets	5-10 years

Research and development costs are recognised as an expense in the year in which they are incurred.

Wayleave compensations are one-time compensations paid to the land owners on harm and damage caused by Caruna Espoo Oy's electricity network and equipment. Caruna Espoo Oy records the paid compensations to the intangible assets in the balance sheet and depreciates them in 35 years.

1.7 DERIVATIVES

The Company measures electricity derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or 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 Espoo Oy.

The fair value of an asset or a liability related to electricity derivatives 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 Espoo Oy uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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 Espoo 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.

1.8 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and measurement

Caruna Espoo Oy has terminated the hedge accounting of electricity derivative contracts on 30 September 2017. The company books changes in the fair value of derivatives of electricity derivatives directly to the income statement.

The company uses derivative financial instruments, such as electricity derivatives, to hedge its price risk on the purchase of grid losses. 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 the purpose of hedge accounting, hedges are

classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to price 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 Company 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 target or the business operation being hedged, the nature of the risk as well as how the community will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to 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 actually 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 hedging 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 financial income or financial expense 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 hedge reserve is reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item does no longer exist (i.e. prematurely) any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when effective is reclassified from equity to profit or loss as a reclassification adjustment.

1.9 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.

1.10 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 are incurred.

1.11 PROVISIONS

Provisions are recognised when Caruna Espoo Oy 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. Provisions are recognised as an expense in the statement of profit or loss.

2. Group information

Caruna Espoo Oy is consolidated in Suomi Power Networks TopCo B.V. group's sub group Caruna Networks Oy. Caruna Networks Oy owns 100 % of Caruna Espoo Oy's shares.

Suomi Power Networks TopCo B.V. and Caruna Networks Oy prepare consolidated financial statements according to IFRS. The financial statements are available at the companies' head offices. Suomi Power Networks TopCo B.V. has a registered office in Luna Arena, Herikerbergweg 112, 1101 CM Amsterdam, The Netherlands. Caruna Networks Oy has a registered office in Upseerinkatu 2, Espoo, Finland.

The shareholders of Caruna Espoo Oy are through Suomi Power Networks TopCo B.V. mutual pension insurance companies Keva (12,5 %) and Elo (7,5 %), and international infrastructure investors First State Investments (40 %) and OMERS Infrastructure (40 %).

3. Net sales

EUR	2019	2018
Distribution sales		
Regional distribution network	79,384,642.81	78,713,244.29
High-voltage distribution network	2,572,021.27	2,583,022.32
Connection fees		
Regional distribution network	3,484,483.01	3,160,366.96
High-voltage distribution network	-	512,854.78
Total	85,441,147.09	84,969,488.35

4. Other operating income

EUR	2019	2018
Customer based services and relocation of connections	1,053,365.15	1,600,126.46
Income from electricity hedging	-	199,043.00
Rental income	14,457.33	12,688.10
Income from sale of scrapped material	18,673.88	47,744.19
Other	-	30,628.74
Total	1,086,496.36	1,890,230.49

5. Materials and supplies

EUR	2019	2018
Raw materials and consumables	-18,406,953.40	-18,982,573.96
External services	-3,086,528.74	-4,038,188.47
Total	-21,493,482.14	-23,020,762.43

6. Personnel and other personnel related expenses

PERSONNEL EXPENSES

EUR	2019	2018
Wages and salaries	-492,623.60	-568,041.18
Indirect personnel expenses		
Pension expenses	-90,204.50	-69,436.12
Other personnel expenses	-12,633.57	-11,151.94
Total	-595,461.67	-648,629.24

NUMBER OF PERSONNEL

	2019	2018
Average number of personnel during the period	7	7

7. Depreciation and impairment

EUR	2019	2018
Depreciation according to plan	-15,772,210.23	-15,472,461.60
Scrappings	-559,498.31	-1,233,636.23
Total	-16,331,708.54	-16,706,097.83

8. Other operating expenses

EUR	2019	2018
Rents	-164,599.34	-147,689.49
Other services	-257,762.79	-182,097.86
Expenses from electricity hedging	-369,483.00	-
Other expenses	-17,380,933.90	-16,434,762.68
Total	-18,172,779.03	-16,764,550.03

AUDITOR'S FEES, DELOITTE OY, AUDIT FIRM

EUR	2019	2018
Audit fees	-54,850.00	-10,000.00
Total	-54,850.00	-10,000.00

9. Financial income and expenses

EUR	2019	2018
Other interest and financial income		
Group companies	1,450.86	1,054.26
Others	26,381.12	15,759.97
Total financial income	27,831.98	16,814.23
Interest expenses and other financial expenses		
Group companies	-2,792,774.48	-2,679,819.84
Others	-3,681.50	-7,842.06
Total financial expenses	-2,796,455.98	-2,687,661.90
Total	-2,768,624.00	-2,670,847.67

10. Appropriations

EUR	2019	2018
Group contribution given	-23,600,000.00	-29,100,000.00
Difference between depreciation according to plan and tax depreciation	-3,467,952.63	2,119,193.09
Total	-27,067,952.63	-26,980,806.91

11. Income taxes

EUR	2019	2018
Income taxes from group contributions	4,720,000.00	5,820,000.00
Income taxes from ordinary activities	-4,759,175.39	-5,861,602.49
Total	-39,175.39	-41,602.49

12. Non current assets

INTANGIBLE ASSETS

EUR	Way leaves	Other non-current expenditure	Total
Acquisition cost 1 Jan 2019	1,754,450.12	34,587,022.34	36,341,472.46
Additions	181,921.46	284,961.17	466,882.63
Disposals	-56,963.44	-8,088.51	-65,051.95
Acquisition cost 31 Dec 2019	1,879,408.14	34,863,895.00	36,743,303.14
Accumulated depreciations and impairments 1 Jan 2019	-589,066.53	-30,253,327.39	-30,842,393.92
Accumulated amortisation relating to disposals and transfers	56,963.44	8,088.51	65,051.95
Depreciation for the period	-85,194.49	-1,489,450.83	-1,574,645.32
Accumulated depreciations and impairments 31 Dec 2019	-617,297.58	-31,734,689.71	-32,351,987.29
Carrying amount 31 Dec 2019	1,262,110.56	3,129,205.29	4,391,315.85
Carrying amount 31 Dec 2018	1,165,383.59	4,333,694.95	5,499,078.54

TANGIBLE ASSETS

EUR	Land	Buildings	Machinery and equipment	Transmission and distribution network	Prepayments and construction in progress	Total
Acquisition cost 1 Jan 2019	1,419,678.99	9,824,896.63	1,421,295.76	410,317,446.15	13,390,374.58	436,373,692.11
Additions	-	-	-	-	22,823,736.32	22,823,736.32
Transfers	-	10,983.68	327,843.86	26,250,365.95	-27,056,076.12	-466,882.63
Disposals	-	-108,561.97	-18,315.92	-1,247,884.02	-	-1,374,761.91
Acquisition cost 31 Dec 2019	1,419,678.99	9,727,318.34	1,730,823.70	435,319,928.08	9,158,034.78	457,355,783.89
Accumulated depreciations and impairments 1 Jan 2019	-	-7,223,769.08	-920,608.76	-170,573,382.65	-	-178,717,760.49
Accumulated depreciation relating to disposals	-	108,561.97	18,315.92	1,247,884.02	-	1,374,761.91
Depreciation for the period	-	-252,236.34	-190,616.89	-14,314,209.99	-	-14,757,063.22
Accumulated depreciations and impairments 31 Dec 2019	-	-7,367,443.45	-1,092,909.73	-183,639,708.62	-	-192,100,061.80
Carrying amount 31 Dec 2019	1,419,678.99	2,359,874.89	637,913.97	251,680,219.46	9,158,034.78	265,255,722.09
Carrying amount 31 Dec 2018	1,419,678.99	2,601,127.55	500,687.00	239,744,063.50	13,390,374.58	257,655,931.62
Carrying amount of machinery and equipment used for production						
31 Dec 2019						251,680,219.46
31 Dec 2018						239,744,063.50

TOTAL NON-CURRENT ASSETS

EUR	2019	2018
Total non-current assets	269,647,037.94	263,155,010.16

13. Current receivables

EUR	2019	2018
Trade receivables	5,379,574.94	6,923,794.39
Prepayments and accrued income		
Income tax receivables	-	395,992.35
Electricity derivatives	-	387,235.00
Insurance prepayments	-	6,972.41
Indirect personnel expenses	134.52	2,260.96
Other prepayments and accrued income	741.30	741.30
Total	875.82	793,202.02
Receivables from group companies		
Receivables from the cash pool account	8,869.52	6,318,686.39
Trade receivables	-	45,488.46
Other accrued income	19,090,652.70	17,199,116.17
Total receivables from group companies	19,099,522.22	23,563,291.02
Total current receivables	24,479,972.98	31,280,287.43

Liabilities to group companies include cash pool account of EUR 8,869.52 (6,318,686.39). The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

14. Cash and cash equivalents

EUR	2019	2018
OP Corporate Bank Plc	8,600,000.00	8,500,000.00

15. Equity

EUR	2019	2018
Restricted equity		
Share capital 1 Jan.	4,000,000.00	4,000,000.00
Share capital 31 Dec.	4,000,000.00	4,000,000.00
Total restricted equity	4,000,000.00	4,000,000.00
Unrestricted equity		
Retained earnings 1 Jan.	16,294,894.68	16,128,066.69
Retained earnings 31 Dec.	16,294,894.68	16,128,066.69
Profit for the period	189,051.05	166,827.99
Total unrestricted equity	16,483,945.73	16,294,894.68
Total equity	20,483,945.73	20,294,894.68

DISTRIBUTABLE UNRESTRICTED EQUITY

EUR	2019	2018
Retained earnings	16,294,894.68	16,128,066.69
Profit for the period	189,051.05	166,827.99
Total	16,483,945.73	16,294,894.68

16. Appropriations

EUR	2019	2018
Accumulated depreciation difference	94,052,293.95	90,584,341.32

17. Provisions

EUR	2019	2018
Other provisions	168,323.38	211,490.14

18. Deferred tax liabilities

EUR	2019	2018
From appropriations	18,810,458.79	18,116,868.26

Deferred tax liabilities are only recognised in group accounts.

19. Non-current liabilities

EUR	2019	2018
Liabilities to group companies		
Loans from group companies	82,423,408.00	82,423,408.00
Connection fees	61,422,459.12	61,475,455.73
Total non-current liabilities	143,845,867.12	143,898,863.73

20. Current liabilities

EUR	2019	2018
Trade payables	8,737,050.19	11,129,134.18
Other current liabilities	7,330,212.56	6,633,843.76
Accrued expenses		
Accrued employee expenses	202,281.40	197,814.66
Accrued company income tax liabilities for accounting period	5,599.67	-
Electricity derivatives	-	17,752.00
Other accrued expenses and deferred revenue	90,525.66	67,189.39
Accrued expenses total	298,406.73	282,756.05
Liabilities to group companies		
Group contribution liability	23,600,000.00	29,100,000.00
Accrued expenses		
Cash pool payables	2,709,841.78	-
Accrued interest expenses	559,691.66	559,691.66
Other accrued expenses	941,377.82	240,282.07
Liabilities to group companies total	27,810,911.26	29,899,973.73
Total current liabilities	44,176,580.74	47,945,707.72
Interest bearing liabilities	85,133,249.78	82,423,408.00
Non-interest bearing liabilities	102,889,198.08	109,421,163.45
Total	188,022,447.86	191,844,571.45

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

EUR	2019	2018
Derivative receivables recognised at fair value through profit and loss	Level 2	Level 2
Electricity derivatives	-	387,235.00
Derivative liabilities recognised at fair value through profit and loss	Level 2	Level 2
Electricity derivatives	-	17,752.00

22. Maturity of electricity derivative liabilities

EUR	2019	2018
On demand	-	-
Less than 3 months	-	15,124.00
4 to 12 months	-	2,628.00
1 to 5 years	-	-
> 5 years	-	-
Total	-	17,752.00

23. Commitments and contingent liabilities

EUR	2019	2018
Other leases		
Payable during one year	166,373.51	164,275.73
Payable after one year	883,130.73	871,995.46
Total	1,049,504.24	1,036,271.19
Other commitments		
Pledges and other assets given on behalf of group companies		
Floating charges	2,220,000,000.00	2,220,000,000.00
Pledges given	2,604,761,616.52	2,430,502,183.40
Mortgages	3,779,553.88	4,020,806.54
Total	4,828,541,170.40	4,654,522,989.94

Caruna Espoo 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 Espoo 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.

The cash pool accounts of the group and other bank accounts have been pledged as mortgage for loans.

CAPITAL COMMITMENTS

EUR	2019	2018
Property, plant and equipment	44,368,031.92	63,321,748.00
Total	44,368,031.92	63,321,748.00

REAL ESTATE INVESTMENTS

The company has made real estate investments defined in VAT legislation. Related review periods, VAT included in the investment, VAT deducted from the construction cost and amount subject to annual review are presented in the table below.

10 year review period

EUR	2011	2012	2013	2014	2015
Last review period	2020	2021	2022	2023	2024
Cost on real estate investment (net)	8,201,478.78	15,294,179.02	12,933,315.03	8,870,396.17	8,893,562.47
VAT on real estate investment	1,886,340.12	3,517,661.17	3,103,995.61	2,128,895.08	2,134,454.99
Net of VAT	1,886,340.12	3,517,661.17	3,103,995.61	2,128,895.08	2,134,454.99
Amount on annual review	188,634.01	351,766.12	310,399.56	212,889.51	213,445.50
Contingent liability subject to review 31 Dec 2019	188,634.01	703,532.23	931,198.68	851,558.03	1,067,227.50
(Left at 31 Dec 2019)	(1/10)	(2/10)	(3/10)	(4/10)	(5/10)

EUR	2016	2017	2018	2019
Last review period	2025	2026	2027	2028
Cost on real estate investment (net)	14,681,379.45	14,134,550.72	12,876,654.84	14,657,521.34
VAT on real estate investment	3,523,531.07	3,392,292.17	3,090,397.16	3,517,805.12
Net of VAT	3,523,531.07	3,392,292.17	3,090,397.16	3,517,805.12
Amount on annual review	352,353.11	339,229.22	309,039.72	351,780.51
Contingent liability subject to review 31 Dec 2019	2,114,118.64	2,374,604.52	2,472,317.73	3,166,024.61
(Left at 31 Dec 2019)	(6/10)	(7/10)	(8/10)	(9/10)

Contingent liability subject to review

Contingent liability subject to review 31 Dec 2019	13,869,215.96
Contingent liability subject to review 31 Dec 2018	13,334,137.77

OTHER PURCHASE COMMITMENTS

EUR	2019	2018
Electricity purchase commitments	2,104,092.00	1,582,120.00
Total	2,104,092.00	1,582,120.00

24. Related party transactions

Group's related parties include subsidiaries, board of directors, CEOs members of the managements team and family members of these all before mentioned. There are no significant transactions with persons included in the related parties.

25. Formulas for key figures

Connection fees and accumulated depreciation differences less deferred tax liabilities are added to equity when calculating the figures.

OPERATING PROFIT-%

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

RETURN ON EQUITY-%

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

EQUITY RATIO-%

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

26. Information required by Electricity Market Act

The company operates as a holder of a network as defined in Electricity Market Act.

DIFFERENTIATED OPERATIONS

The degree of the company's operations that are not related to network operations is so low, that they have not been differentiated. Below is presented profit and loss statement and balance sheet for network operations as required by the Electricity Market Act.

PROFIT AND LOSS STATEMENT FOR NETWORK OPERATION

in EUR thousands	1 Jan 2019– 31 Dec 2019	1 Jan 2018– 31 Dec 2018
NET SALES	85,441	84,970
Work performed for own use	131	140
Other operating income	717	1,890
Materials and supplies		
Raw materials and consumables		
Purchases during the period		
Loss electricity	-3,309	-3,210
External services		
Fees paid for grid and network services	-15,098	-15,773
Other external services	-3,193	-4,122
Personnel expenses		
Wages and salaries	-493	-568
Social security expenses		
Pension expenses	-90	-69
Other social security expenses	-13	-11
Depreciation and impairment		
Depreciation according to plan		
On electricity network assets	-15,228	-15,665
On other non current assets	-1,104	-1,041
Other operating expenses		
Rental expenses	-165	-148
Other operating expenses	-17,531	-16,533
OPERATING PROFIT	30,065	29,860
Financial income and expenses		
Other interest and financial income		
From others	27	17
Interest and financial expenses		
To group companies	-2,793	-2,680
To others	-3	-8
PROFIT BEFORE APPROPRIATIONS AND TAXES	27,296	27,189
Appropriations		
Group contributions	-23,600	-29,100
Change in depreciation difference		
Change in depreciation difference on electricity network assets	-3,139	2,267
Change in depreciation difference on other non current assets	-329	-148
Income taxes	-39	-42
PROFIT FOR THE PERIOD	189	166

BALANCE SHEET FOR NETWORK OPERATION

in EUR thousands	31 Dec 2019	31 Dec 2018
ASSETS		
Non current assets		
Intangible assets		
Intangible assets of electricity network	2,793	3,245
Other intangible assets	1,598	2,254
Tangible assets		
Tangible assets of electricity network	251,879	241,078
Other tangible assets	4,219	3,188
Prepayments and constructions in progress	9,158	13,390
Total non current assets	269,647	263,155
Current assets		
Receivables		
Current receivables		
Cash pool receivables	9	6,319
Receivables from Group companies	19,091	17,199
Receivables from others	5,380	7,762
Cash and cash equivalents	8,600	8,500
Total current assets	33,080	39,780
TOTAL ASSETS	302,727	302,935
EQUITY AND LIABILITIES		
Equity		
Share capital	4,000	4,000
Retained earnings	16,295	16,128
Profit for the period	189	167
Total equity	20,484	20,295
Appropriations		
Depreciation difference	94,052	90,584
Provisions	22	211
LIABILITIES		
Non current liabilities		
Non current interest bearing liabilities		
To group companies	82,423	82,423
Non current interest free liabilities		
Refundable connection fees	61,422	61,476
Liabilities to others	147	-
Current interest free liabilities		
Cash pool liabilities	2,710	-
To group companies	25,141	29,917
To others	16,326	18,029
Total liabilities	188,169	191,845
TOTAL EQUITY AND LIABILITIES	302,727	302,935

KEY FIGURES FOR NETWORK OPERATION

	2019	2018
Average number of personnel during the period	7	7
Investments (EUR thousand):		
Net investments of electricity network		
Intangible assets	354	415
Tangible assets	20,536	24,786
Other intangible assets	131	370
Other tangible assets	1,803	401
Investments total	22,824	25,972
Return on investment %	15.3	15.4

The key figure is calculated in accordance with the decision nr 79/2005 9§ issued by the Ministry of Trade and Industry. The decision guides calculation of key figures regarding differentiated operations within the electricity business.

Formula:

$$\frac{(\text{Profit before appropriations and taxes} + \text{interest income and other financial income}) \times 100}{(\text{Total assets} - \text{interest free liabilities} + \text{leases on electricity network}) \text{ (average on beginning and end of the reporting period)}}$$

The amount of interest included in the rents paid for electricity network is not available, therefore interest is not included in the interest expenses in the numerator.

Signatures to the financial statements and operating and financial review

Espoo, 11 March 2020

Matti Ruotsala
Chairman of the Board

Jouni Grönroos
Member of the Board

John Guccione
Member of the Board

Gregor Kurth
Member of the Board

Matthew Liddle
Member of the Board

~~Niall Mills~~ Ellen Richardson
~~Member of the Board~~ *Deputy 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, 11 March 2020

Deloitte Oy
Audit Firm

Reeta Virolainen
APA

List of ledgers, types of vouchers and their archiving methods

	Method
Operating and financial review and financial statements	Bound book
Note vouchers	Electronically
Balance sheet 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
Property, plant and equipment	Electronically
Commitments	Electronically
Voucher types	
Bank vouchers	Electronically
Adjusting journal entries	Electronically
Trade debtors ledger	Electronically
Trade creditors ledger	Electronically
Payroll vouchers	Electronically
Ledger of property, plant and equipment	Electronically
Vouchers for travel expenses	Electronically

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