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31 DECEMBER 2017

Caruna Group

OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS 2017

TRANSLATION

OPERATING AND FINANCIAL REVIEW

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

The Board's Operating and Financial Review for 2017

The Board's Operating and Financial Review for 2017

SUMMARY FOR THE PERIOD OF 1 JAN - 31 DEC 2017

- Net sales 426.4 (384.0) million
- Operating profit (EBIT) EUR 145.7 (119.4) million
- Profit for the period EUR 28.8 (loss 31.6) million
- Income taxes EUR 6.3 (0.5) million
- Investments EUR 291.1 (283.4) million
- Cash flow after investments EUR -169.9 (-173.8) million
- Number of customers 672 (664) thousand
- Cabling rate 45 (36)%, weatherproof network 71 (65)%
- Small-scale production of solar and wind power in the network area over 2,400 producers
- System Average Interruption Duration Index per customer (SAIDI) 123 (95) minutes

Caruna is the largest group dedicated to the distribution of electricity in Finland, responsible for electricity distribution and supply in South, Southwest and West Finland, the city of Joensuu and in the regions of Koillismaa and Satakunta.

Caruna Networks Group (Caruna) comprises Caruna Networks Oy, Caruna Oy, Caruna Espoo Oy, Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy. Caruna Oy and Caruna Espoo Oy run regional and distribution network operations in the electricity networks they own, while Caruna Networks Oy, Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy provide support services for the entire Caruna Group.

Key events

In 2017, Caruna's electricity distribution volumes in the distribution and regional network remained at the same level as in 2016, i.e. 9.6 terawatt hours (TWh) and 2.8 terawatt hours respectively. The number of customers increased by slightly over one percent to 672,000. The operating environment has remained stable and weather conditions have not caused any unforeseen challenges. Of the four storms that occurred during the year, the most power cuts were caused by the storm Niina at the end of October, which caused damage especially in Western Uusimaa, and the snow storm Tove in mid-December. However, the scale of the storms remained at a moderate level resulting for the most part in short power cuts only.

Caruna met the annual targets for reliability of supply and continued the major investments it is making in the reliability of the network as planned. Caruna's total investments, totalling EUR 291 million, focused mainly on increasing underground cabling and network automation.

In addition to the network improvement programme, Caruna continued to develop its key information systems. In early 2017, Caruna deployed its new electricity network operating system, and a new customer information and invoicing system (CIS) was introduced in September.

The temporary customer discount of 25 percent from fixed basic fees ended at the beginning of March 2017, but otherwise distribution prices remained unchanged.

Caruna Networks Oy took out two instalments of a new loan granted by the European Investment Bank (EIB), in March and May 2017, for a total amount of EUR 200 million, and signed a new loan agreement with Transmission Finance DAC for an IBLA of EUR 100 million. The purpose of these loans is to finance network improvement projects.

Tomi Yli-Kyyny started as Caruna's new CEO on 1 May 2017, and the reconfiguration of the Group's management system took place on 22 September 2017.

In 2017, preparations for a merger to streamline Caruna's corporate structure were carried out. The merger was executed on 1 January 2018, when Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy were merged into Caruna Networks Oy. The merger will not have any effects on Caruna's customers.

Economic development

In 2017, Caruna's net sales amounted to EUR 426,427 thousand, showing an increase of 11.0 percent year on year. This growth in net sales was largely attributed to the ending of discounted fixed basic fees in electricity distribution on 1 March 2017.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 88,116 (81,851) thousand. The growth in costs, EUR 6,265 thousand is due to the increase of 7 percent in transmission costs in January 2017 and new reactive power fees introduced at the beginning of the year.

Operating expenses, EUR 74,748 (77,485) thousand, decreased slightly due to lower repair costs. Depreciations, amortisations and impairment charges were EUR 123,894 (112,926) thousand, including a non-recurring item of EUR 4,548 thousand, concerning a change in the depreciation method for wayleaves (power-line corridors).

Operating profit amounted to EUR 145,681 (119,392) thousand, and the net profit for the year to EUR 28,778 (2016: loss of 31,631) thousand.

FINANCIAL KEY FIGURES

	2017	2016	2015
Net sales, EUR thousand	426,427	384,028	287,523
Operating profit, EUR thousand	145,681	119,392	25,608
Operating profit of net sales, %	34.2	31.1	8.9
Profit / loss for the period, EUR thousand	28,778	-31,631	-140,393
Return of equity, ROE, %*)	NA	NA	NA
Equity ratio, %	-3.16	-4.01	-3.34

*) Group equity is negative. The equities of the parent company and the subsidiaries are positive.

Business activities

Caruna owns approximately 85,000 (82,000) kilometres of electricity networks in its operating area in South, Southwest and West Finland, the city of Joensuu and in the regions of Koillismaa and Satakunta. At the beginning of the year, the weather was milder than on average, while spring and summer were exceptionally cold which caused that the volume of electricity supplied in the distribution network remained the same, i.e. 9.6 (9.6) TWh while the volume of electricity supplied in the regional network decreased slightly and was 2.8 (2.9) TWh.

In 2017, Caruna's customer volumes increased by 1.2 percent to 672 thousand customers. Approximately 2,430 (2,282) new connection contracts were signed. Growth was strongest in Espoo Järvenpää, Hyvinkää and Tuusula.

CUSTOMER VOLUMES AT THE END OF THE PERIOD (thousand customers)

Company	2017	2016	2015
Caruna Oy	467	463	459
Caruna Espoo Oy	205	201	196
Total	672	664	655

In 2016, Caruna announced price increases that came into force gradually, so that the fixed basic fees were temporarily discounted by 25 percent between 1 March 2016 and 28 February 2017. The customers' annual cost increase was therefore less than 15 percent of the total amount shown on the electricity distribution bill, including tax. The Parliament updated the Electricity Market Act in June 2017. One of the key changes is a cap of 15 percent set for increases of average taxable 12-month distribution prices.

The price increases are an essential measure for financing the network improvement programme to improve reliability of supply. The security of supply commitments set by the Electricity Market Act by 2028 will be achieved by network improvement investments. In accordance with the Act, during disturbances companies must be able to resume power supply within 6 hours for customers in urban areas and within 36 hours in rural areas. Reliability of supply is the cornerstone of Caruna's activities. Reliability is increased by replacing medium-voltage overhead lines with cabling, protected from storm and snow damage, and by increasing network automation so that any faults can be isolated and power restored to undamaged parts of the network quickly, using remote control.

During the reporting period, Caruna's reliability of supply projects focused on rural areas. New projects were launched in Ranua, Pudasjärvi, Sastamala, Kuusamo, Lohja and Raasepori, for instance. In addition to cabling and network automation, Caruna also began major forest clearance across its network area to improve reliability of supply. Over the year, Caruna built over 6,000 (4,195) kilometres of small and medium-voltage underground cable network. By the end of the year, 45 (36) percent of the network was cabled. Currently, 71 (65) percent of customers are covered by the weatherproof network.

Caruna aims to secure the supply of electricity to all customers in all situations, and has been able to continuously reduce the number and duration of interruptions. The most significant interruptions were caused by exceptional weather conditions, which in 2017 included the storm Päiviö in June, Kiira in August, Niina at the end of October and Tove in mid-December.

Reliability of supply is measured by SAIDI, that tells the average interuption duration time per customer. Caruna's average interuption duration time per customer was 123 minutes in 2017. In total, 1,107,000 customers experienced interruptions longer than three minutes, and the highest number of customers without any electricity supply at the same time was 21,200. The reliability of supply rate remained at 99.98 percent in 2017. Caruna offers a 24/7 phone line for assistance in case of faults.

Introduced at the beginning of September, the new customer information and invoicing system (CIS) will facilitate several functions, such as invoicing. Previously, Fortum Asiakaspalvelu Oy invoiced Caruna's customers, but with the new system Caruna will invoice its own customers directly, unless their electricity is supplied by Fortum Markets. This will enable Caruna to forge direct contacts with its customers. Of Caruna's customers, over 300,000 have transferred to the new system.

Caruna continues to devote resources to customer satisfaction and measures its development by the monthly Net Promoter Score index (NPS). The cumulative NPS score was negative at the end of June 2017. The unsatisfactory result can largely be explained by the implementation of a new customer information system, the changes made to invoicing and the power cuts in late 2017 that were caused by storm and heavy snowfall. The changes resulted in longer waiting times in customer service. During the year measures were taken to correct the negative effects shown by the survey. Regarding customer service, development of electronic service channels and online services is another area the company has been working on.

Together with its partners, Caruna has addressed quality and safety-related matters by offering training and other events. The development of its

practices, processes and risk management methods reached an important milestone when Caruna was awarded the ISO 55001 certificate for electricity network asset management in June. The certificate signifies the high quality Caruna has achieved in electricity network development and maintenance, network operations and other operative activities. Caruna had previously been awarded the environmental management system certificate ISO 14001:2004 and the occupational health and safety management system certificate OHSAS 18001:2007.

Caruna facilitated the small-scale production of renewable energy by eliminating the producer fee for forwarding surplus electricity to the network. Popularity of small-scale production of renewable energy increased, and Caruna's network grew by 1,223 new solar electrical systems and one new small-scale producer of wind power. By the end of the period, the number of small-scale producers exceeded 2,400.

Investments

Caruna Group's performance-based investments for the financial period amounted to EUR 291,131 (283,393) thousand, of which 95 percent was directed to projects improving reliability of the network. A total of over 6,000 (4,195) kilometres of small and medium-voltage underground cable network was installed. A large portion of the cabling investments were focused on distribution areas in South and Southwest Finland.

Research and development

The cost of Caruna's research and development activities for the financial period amounted to EUR 173 (2016: 966 and 2015: 1,876) thousand, corresponding to 0.23 (2016: 0.35 and 2015: 0.69) percent of operating expenses.

Financing

Electricity distribution is a capital-intensive sector. The network improvement programme to be completed by 2028 requires continuous additional financing. Caruna's loans amount to approximately EUR 3 billion, of which EUR 2 billion comprise the Group's external liabilities of loans granted by the European Investment Bank (EIB), commercial banks and Transmission Finance DAC as part of its EMTN programme. In addition to external debt, Caruna has shareholder loans of approximately EUR 1 billion.

The purpose of Caruna's financing is to guarantee the conditions for the Group's operations in the long term and to secure financing for the network improvement programme. This will be achieved by arranging highly diversified funding from several capital markets.

In 2017, Caruna took out a loan of EUR 200 million from the European Investment Bank, repayable over ten years. Caruna paid off the capex facility loan of EUR 170 million and, at the same time, reduced its committed capex facility limit from EUR 600 million to EUR 400 million. Caruna also increased its borrowing from Transmission Finance DAC, which issued a 20-year bond of EUR 100 million. Caruna's external loans amounted to EUR 2,247.5 million at the end of the reporting period. The loans granted by Transmission Finance DAC will mature in 6 to 29 years. The EIB loan will mature in 2028.

At the end of the year, Caruna had a total of EUR 933.6 million in fixed-rate shareholder loans, to be repaid on demand but at the latest by February 2047. The shareholder loan interest is paid biannually, if the loan covenant terms are met.

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

Net financing costs for the reporting period recorded in the income statement were EUR 129,162 (172,948) thousand, and accrued interest expenses in the balance sheet were EUR 39,704 (38,830) thousand. Caruna complied with the covenant terms of all loan agreements. Of Caruna's loans, 90 percent have a fixed-rate interest. The average lending rate at the end of the year was 2.2% (2.4%).

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

Employees

During the financial period, Caruna employed an average of 274 (2016: 275 and 2015: 307) people. The number of employees at year-end was 276 (2016: 273 and 2015: 274). During the financial year, the company paid EUR 16,681 thousand (2016: 17,757 and 2015: EUR 19,462) in wages and salaries.

By the end of the financial period, the numbers of employees of individual Group companies were as follows:

Company	Number of employees 31 Dec 2017	Number of employees 31 Dec 2016	Number of employees 31 Dec 2015
Caruna Oy	222	213	207
Caruna Espoo Oy	7	8	11
Caruna Networks Oy	15	16	17
Caruna Networks Sähkönsiirto Oy	24	29	31
Caruna Networks Espoo Oy	8	7	8
Total	276	273	274

The average numbers of employees of individual Group companies were as follows during the financial periodComposition of the Board of Directors and committees:

Company	Average 2017	Average 2016	Average 2015
Caruna Oy	218	213	233
Caruna Espoo Oy	7	8	15
Caruna Networks Oy	17	18	17
Caruna Networks Sähkönsiirto Oy	24	29	33
Caruna Networks Espoo Oy	8	7	9
Total	274	275	307

Caruna's success is based on professional and motivated employees. The purpose of Human Resources is to help meet Caruna's business objectives by ensuring the availability of staff, commitment to the company, motivation and continued development.

As an employer, Caruna puts the emphasis on good leadership, development of competences, occupational well-being and equality. Caruna is an expert

organisation, which devotes resources to the development of its competences and employees. In 2017, development priorities included coaching supervision and change management. On average, each Caruna employee used three days for training, which was one day less than the average in 2016. Absences through sickness were kept to a minimum, at an average level of 1.8 (2.2) percent.

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

Corporate responsibility

For Caruna, responsibility means working for the Finnish society. Caruna provides a reliable electricity network for safe and environmentally responsible distribution of electricity. Caruna's goal is to be Finland's most responsible electricity distributor, able to generate added value for its customers, owners and society. It operates ethically and takes the long-term view together with its partners.

Caruna develops its operations and reporting, focusing on the corporate responsibility themes that are central to its activities. The corporate responsibility themes were defined in the materiality analysis process in 2015. The focus areas were reliability of supply, safety, responsibility for employees, customers and the environment, responsible sourcing and corporate responsibility. Caruna ensures good governance, ethics and transparency.

The new corporate responsibility objectives for 2017 were the reconfiguration of the management system, process development, integration of the UN Sustainable Development Goals in Caruna's business plan, creation of a method for measuring customer satisfaction with the network improvement programme and a 100% pass rate with the Supplier Code of Conduct.

Caruna's corporate responsibility is presented in greater detail in a separate corporate responsibility report, will be published in March 2018 at caruna.fi/en.

Risks

Risk management is part of Caruna's internal control system. Its objective is to ensure that the Group's business risks are identified, managed and followed up. The Group divides its business risks into financial and operative risks. The Group has taken out appropriate insurance policies that provide comprehensive cover for its operations.

Financial risks

INTEREST RATE RISK

Change in the market rate affect the Group's net interest rates, as well 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 funds from operations, Caruna Networks Oy utilises committed credit limits and other credit facilities to balance its liquidity.

CREDIT RISK

The 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 possible credit losses, and the accumulation of credit losses is closely monitored. The amount of credit losses in 2017 was EUR 738 (475) thousand.

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 frosts, which can affect the reliability of supply in transmission and distribution networks. The key method of preventing interruptions is to replace overhead lines with

underground cables, forest 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 reasonable pricing of electricity distribution. The regulatory procedures enable network companies to improve the reliability of supply by investing in the electricity network. 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

The Group's 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.

Changes in equity

Caruna Networks Oy's issued share capital is EUR 2,500.00 and the invested distributable equity fund is EUR 171,203,600.47. The company has no subordinated loans as defined in the Limited Liability Companies Act. Caruna Networks Oy's profit for the financial year amounted to EUR 41,360,260.31 (18,291,366.77).

Governance

The 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. In planning the composition of the Board of Directors, Caruna takes into account its current and future business

needs and several aspects of the Board's diversity. Caruna's Board members must have adequate experience and expertise that complement those of the other members. The members' personal qualities constitute another essential element.

BOARD OF DIRECTORS

Until the Annual General Meeting held on 13 March 2017 the members of the Board were: Chair Juha Laaksonen, members Ralph Berg, Alejandro Lopez Delgado, Jouni Grönroos, Niall Mills and Tomas Pedraza and deputy members Gregor Kurth and Delphine Voeltzel.

The Annual General Meeting chose the Board members: Chair Juha Laaksonen, Kenton Bradbury, Jouni Grönroos, John Guccione, Gregor Kurth and Niall Mills. The deputy members were Tomas Pedraza and Delphine Voeltzel. The Board convened six times during the financial period.

COMMITTEES OF THE BOARD OF DIRECTORS

Committees under the Board are the Audit Committee, the Nomination and Remuneration Committee, and the Health, Safety and Environment Committee. The committees support the work of the Board by preparing and evaluating matters for decision making by the Board. The Board of Directors appoints the Committee members, three for each Committee. The members' term of office ends after the conclusion of the next Annual General Meeting.

Until the Annual General Meeting of 13 March 2017, the Audit Committee members were Chair Jouni Grönroos, Tomas Pedraza and Delphine Voeltzel. After the Annual General Meeting, the Audit Committee members were Chair Jouni Grönroos, Gregor Kurth and Delphine Voeltzel.

Chair of the Nomination and Remuneration Committee was Juha Laaksonen and the members were Alejandro Lopez Delgado and Niall Mills until the Annual General Meeting 13 March 2017 and following it Juha Laaksonen (Chair), John Guccione and Niall Mills.

Until the Annual General Meeting 13 March 2017, the Health, Safety and Environment Committee members were Chair Niall Mills, Kenton Bradbury and Tomas Pedraza. After the Annual General Meeting, the Committee members were Chair Niall Mills, Kenton Bradbury and Gregor Kurth.

MANAGEMENT TEAM

Management Team members were Jyrki Tammivuori, Harri Pynnä, Tommi Saikkonen, Katriina Kalavainen, Jörgen Dahlqvist (until 22 Sep), Timo Jutila (until 22 Sep), Riikka Hirvisalo-Oja (until 22 Sep), Heikki Linnanen

(until 22 Sep), Henna Tuominen (until 22 Sep) Tomi Yli-Kyyny (from 1 May), Harri Saukkomaa (from 22 Sep).

Auditors

The Audit firm Deloitte Oy, with APA Jukka Vattulainen as the main Auditor, has acted as Caruna Networks Oy's auditing firm.

Shares and ownership

The company has 2,500 shares, of which each has an equal right to dividend and to the company's assets. Each share entitles the holder to one vote at the Annual General Meeting.

Essential events after the financial year

Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy were merged into Caruna Networks Oy on 1 January 2018. The merger has neither impact on Caruna's customer nor employees.

On 19 January 2018, the Ministry of Finance issued a draft and a request for an opinion on a tax-deduction limit on income tax that is to be introduced from the beginning of 2019. According to the draft, the reduction in interest deductions would be widened and intensified, which would increase Caruna's income tax. Caruna will analyse the effects of limiting the right to interest deduction during 2018.

Caruna's management team was strengthened by three new appointments. Anne Pirilä was appointed Caruna's Communications and Corporate Relations Director and member of the Management Team from 5 February 2018. Kosti Rautiainen, who has been appointed Director of the Electricity Network and a member of the Management Team, will start his duties on 19 March 2018. Jyrki Tammivuori, Caruna's CFO and the member of the management team, was appointed CFO and Deputy to CEO (DCEO) from 1 January 2018 onwards.

Estimate of probable future developments

Caruna Networks Oy operates as part of Caruna Group and within the framework of the electricity distribution industry in a regulated operational environment. The operations are expected to continue in accordance with normal business principles and conditions.

The Electricity Market Act requires electricity distribution companies to improve their security of supply by 2028. The Energy Authority has adopted more stringent targets in its regulatory methods for the current 2016–2019 regulatory period and for the following four-year period. This is a major investment requirement that creates cash flow challenges for the companies. Caruna believes that it will complete its network improvement programme and meet the statutory targets concerning the security of supply by 2028.

Finland's National Energy and Climate Strategy, approved by the Government in November 2016, will affect the long-term operational planning of electricity distribution companies. Concern about Finland's energy self-sufficiency and the effectiveness of its energy systems in the future has lead the company to explore how distribution system operators could contribute to achieving climate change targets and securing the supply of energy. The company also believes it will be able to handle the debts and repayments of its debts and to comply with the terms of its loans in accordance with the agreements.

Board of Directors' proposal for dividend distribution

Caruna Networks Oy's distributable unrestricted equity totalled EUR 175,892,161.60. The net profit for the period was EUR 41,360,260.31. The Board of Directors proposes to the Annual General Meeting that no dividends be paid for 2017, but rather that the profit be transferred to retained earnings.

Consolidated financial statements (IFRS)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

EUR 1,000	Notes	2017	2016
NET SALES		426,427	384,028
Other operating income	4	6,012	7,626
Direct costs		-88,116	-81,851
Personnel expenses	9	-20,362	-21,806
Other operating expenses	5	-54,386	-55,679
Depreciations, amortisations and impairment charges	8	-123,894	-112,926
		-286,758	-272,262
OPERATING PROFIT		145,681	119,392
Finance income	6	6,415	4,263
Finance costs	7	-135,577	-177,211
Finance items total		-129,162	-172,948
PROFIT/LOSS BEFORE TAXES		16,519	-53,556
Income taxes	10	12,259	21,925
PROFIT/LOSS FOR THE PERIOD		28,778	-31,631
Attributable to			
Equity holders of the parent		28,778	-31,631

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

EUR 1.000	Notes	2017	2016
LOSS FOR THE PERIOD		28,778	-31,631
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		-4	-1,285
Income tax effect	10	1	257
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-3	-1,028
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement gains (losses) on defined benefit plans	21	-38	-25
Income tax effect	10	8	5
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-30	-20
Other comprehensive income for the period, net of tax		-33	-1,048
Total comprehensive income for the period, net of tax		28,745	-32,679
Attributable to			
Equity holders of the parent		28,745	-32,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR 1,000	Notes	31 December 2017	31 December 2016
Assets			
Non-current assets			
Goodwill	12	62,468	62,468
Intangible assets	12	1,585,940	1,578,794
Property, plant and equipment	11	2,235,159	2,075,414
Derivative financial instruments	15, 16	905	738
Other non-current assets	14	49	473
Deferred tax assets	10	73	73
Total non-current assets		3,884,594	3,717,960
Current assets			
Trade and other receivables	15, 16, 18	109,877	117,433
Derivative financial instruments	15, 16	151	1,243
Cash and cash equivalents	16, 19	42,900	59,790
Total current assets		152,928	178,466
Total assets		**4,037,522**	**3,896,426**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR 1.000	Notes	31 December 2017	31 December 2016
EQUITY AND LIABLILITIES			
Share capital		3	3
Invested unrestricted equity fund		171,204	171,204
Other equity fund		-2,511	-2,477
Retained earnings		-296,374	-325,152
Total equity		**-127,678**	**-156,422**
Non-current liabilities			
Interest bearing loans and borrowings	15,16	3,174,068	3,032,925
Derivative financial instruments	15,16	24,679	31,323
Deferred tax liabilities	10	521,158	539,763
Provisions	20	208	246
Net employee defined benefit liabilities	21	160	111
Other non-current liabilities	15,16	304,546	304,957
Total non-current liabilities		**4,024,819**	**3,909,325**
Current liabilities			
Trade payables	15,16,22	55,316	53,344
Other payables	22	35,451	32,860
Derivative financial instruments	15,16	11	665
Provisions	20	160	480
Other current liabilities	22	49,443	56,174
Total current liabilities		**140,381**	**143,523**
Total liabilities		**4,165,200**	**4,052,848**
Total shareholders' equity and liabilities		**4,037,522**	**3,896,426**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Attributable to the equity holders of the parent					
				Other equity components		
EUR 1,000	Share capital (Note 25)	Invested unrestricted equity fund (Note 25)	Retained earnings	Cash flow hedge reserve	Other comprehensive income	Total
As at 1 January 2017	**3**	**171,204**	**-325,151**	**-2,764**	**286**	**-156,423**
Profit for the period	-	-	28,778	-	-	**28,778**
Other comprehensive income	-	-	-	-3	-30	**-33**
Total comprehensive income	-	-	28,778	-3	-30	**28,745**
Issue of share capital	-	-	-	-	-	**-**
At 31 December 2017	**3**	**171,204**	**-296,373**	**-2,767**	**256**	**-127,678**

	Attributable to the equity holders of the parent					
				Other equity components		
EUR 1,000	Share capital (Note 25)	Invested unrestricted equity fund (Note 25)	Retained earnings	Cash flow hedge reserve	Other comprehensive income	Total
As at 1 January 2016	**3**	**171,204**	**-293,520**	**-1,736**	**306**	**-123,744**
Loss for the period	-	-	-31,631	-	-	**-31,631**
Other comprehensive income	-	-	-	-1,028	-20	**-1,048**
Total comprehensive income	-	-	-31,631	-1,028	-20	**-32,679**
Issue of share capital	-	-	-	-	-	**-**
At 31 December 2016	**3**	**171,204**	**-325,151**	**-2,764**	**286**	**-156,423**

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR 1,000	Notes	2017	2016
Net profit/loss for the period		28,778	-31,631
Adjustments			
Taxes		-12,259	-21,925
Finance costs - net		129,162	172,948
Depreciation, amortisation and impairment charges		123,894	112,926
		240,797	263,949
Operating profit before depreciation (EBITDA)		269,575	232,318
Non-cash flow items		-1,525	-3,073
Interest paid		-148,824	-112,682
Interest received		6,943	2,615
Taxes		-7,121	-97
		-150,527	**-113,237**
Funds from operations		**119,048**	**119,081**
Change in working capital			
Change in trade and other receivables		9,135	-26,830
Change in trade and other payables		-4,652	6,819
Change in connection fee payables		-411	-272
		4,072	**-20,283**
Net cash flows from operating activities		**123,120**	**98,798**
Capital expenditure		-293,495	-273,162
Proceeds from sales of fixed assets		453	544
Net cash flows used in investing activities		**-293,042**	**-272,618**
Loans withdrawal		400,000	2,926,531
Repayments of long-term liabilities		-250,000	-2,756,820
Net cash used in financing activities		**150,000**	**169,711**
Net increase in cash and cash equivalents		-19,922	-4,109
Cash and cash equivalents at 1 January		59,790	63,899
Cash and cash equivalents at 31 December	15	**39,868**	**59,790**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

1. Accounting policies applied to the consolidated financial statements

1 CORPORATE INFORMATION

Caruna Networks Oy is a Finnish limited liability company with its domicile in Espoo, Finland. The registered office is located at Upseerinkatu 2 in Espoo. The operations of Caruna Networks Oy (the Company or Caruna Networks) and its subsidiaries (collectively, the Caruna Group) comprise electricity distribution in Finland.

The consolidated financial statements of the Caruna Group for the year ended 31 December 2017 were approved by the Board of Directors on March 6, 2018.

Information on the Caruna Group's structure is provided in Note 3.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The consolidated financial statements of the Caruna Group have been prepared according to the same accounting principles as in 2016, except the new and amended standards and interpretations. These new and amended standards and interpretations have no significant impact on Caruna Group's consolidated financial statements but may have an impact on the accounting treatment and disclosures of future transactions and events.

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments do not have an impact on Caruna Group's financial statements.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle to IFRSs 2014–2016

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Caruna Group have been prepared in accordance with International Financial Reporting Standards

(IFRS), as adopted by the European Union, including International Accounting Standards (IAS) and Interpretations issued by the IFRS Interpretations Committee (IFRIC) or its predecessor Standing Interpretations Committee (SIC). Additional information to the financial statements also comply with Finnish accounting principles and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and hedged items hedged at fair value.

The consolidated financial statements are presented in euros, which is the parent company's functional currency. All amounts are rounded to the nearest thousand (EUR 1,000), except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the period. The estimates are based on historical experience and various other assumptions that are believed to be reasonable, though actual results and timing could differ from the estimates. The areas involving more judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Chapter 3.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the parent company, Caruna Networks Oy, and all companies controlled by Caruna Group. Control is achieved when Caruna Group:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- can use its power to affect its returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the Caruna Group reassesses whether it controls an entity or not.

When Caruna Group has less than a majority of the voting rights of an entity, it has power over the entity when the voting rights are sufficient to give it

the practical ability to direct the relevant activities of the entity unilaterally. Caruna Group considers all relevant facts and circumstances in assessing whether its voting rights in an entity are sufficient to give it power, including:

- the size of Caruna Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by Caruna Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that Caruna Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when Caruna Group obtains control over the subsidiary and ceases when Caruna Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated balance sheet or other comprehensive income from the date Caruna Group gains control until the date when Caruna Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Caruna Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Caruna Group are eliminated in full on consolidation.

Transmission Finance Designated Activity Company ("DAC"), a limited liability company incorporated in Ireland, is a special purpose vehicle established for raising funds by the issuance of bonds and other debt instruments, as applicable, and to safeguard the collective interests of debtors. Caruna Group sees it has no power or control over the company and it is not consolidated to Caruna Group. More information is disclosed in Note 3.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate

of the consideration transferred measured at acquisition date fair value of the assets given and liabilities incurred or assumed at the date of exchange and the amount of interest in the acquiree. For each business combination, the Caruna Group elects whether to measure the non-controlling interest, if any, in the acquiree at fair value or at the proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

At the acquisition date, the identifiable assets acquired and liabilities assumed in a business combination are recognised and measured initially at their fair values, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of Caruna Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Caruna Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.2 CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

An asset or a liability is classified as current when it is expected to be realised in the normal operating cycle or within twelve months after the balance sheet date or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

All other assets and liabilities are classified as non-current assets and liabilities.

2.3.3 RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and included in operating expenses in the statement of profit or loss.

2.3.4 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Caruna Group and revenue can be readily measured, regardless of when the payment is being made. Revenue comprises the fair value consideration received or receivable at the time of delivery of products and/or upon fulfilment of services. Revenue is shown, net of rebates, discounts, outage fees, value-added tax and selective taxes such as electricity tax. Revenue is recognised as follows:

Sale of distribution of electricity
Sale of distribution of electricity consists of transmission sales, outage fees given to the customers and connection fees.

The prices charged of customers for the sale of distribution of electricity are regulated. Any over or under income decided by the regulatory body is regarded as regulatory assets or liabilities that do not qualify for balance sheet recognition because no contract defining the regulatory aspect has been entered into with a specific customer and thus the receivable is contingent on future delivery. The over or under income is currently credited or charged over a period of four years to the customer using the electricity connection at that time. No retroactive credit or charge can be made.

Electricity tax is levied on electricity distributed to the customers. The tax is calculated based on a fixed amount per kWh. The rate varies

between different classes of customers. Distribution sales in the Profit and Loss are shown net of electricity tax.

I. DISTRIBUTION SALES

Distribution of electricity and maintenance of networks are covered by distribution fees. Distribution fees are recognised as income at the time of delivery.

II. OUTAGE FEES

Considerations paid to the customers due to interruption in the electricity distribution (outage fees) have been recorded against revenue.

III. CONNECTION FEES

Connection fees are charged from the customer when connecting to the electricity distribution grid. Connections agreed before August 2003 are refundable and recognised as liability. New connection fees from August 2003 are no longer refundable to customers and recorded as revenue as incurred. In practice, the termination of a contract is rare and will only materialize when the property is demolished, abandoned, or otherwise made redundant.

Other Income

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as relocation fees and rental income.

I. RELOCATION FEES

If a customer requests Caruna Group to move a piece of the electricity network from its current location to a new one, the customer pays a relocation fee to Caruna. Revenue is recognised when the new network has been installed and connection has been performed.

II. RENTAL INCOME

Rental income is arising from operating leases covering leases of electricity pylons and leased properties. The lease income is recognised on a straight-line basis over the lease term.

III. CUSTOMER BASED SERVICES

Customer based services arise from other services initiated by the customers. Such customer initiated services can be

temporary connections on construction sites, metering, meter changes, disconnections and re-connections. Revenue is recognized as other income in the Profit and Loss statement.

Interest income

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to Caruna Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is included in finance income in the statement of profit or loss.

Dividends

Dividend income from investments is recognised when Caruna Group's right to receive the payment is established, which is generally when shareholders approve the dividend distribution.

2.3.5 INCOME TAXES

Current income tax

Current income tax payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Caruna Group's current tax asset or liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.6 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded by Caruna Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. The gains or losses from translation are recorded in the profit or loss statement. Exchange rate gains and losses from operations are recorded to corresponding

items above EBIT. The exchange rate gains and losses from loans are recorded in financing income and expenses unless the loans are under hedge accounting thus exchange rate gains or losses are recorded in comprehensive statement of profit and loss and in hedge reserve.

2.3.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise mainly electricity distribution networks, machinery, equipment and buildings.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of an item and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, Caruna Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Acquired assets on the acquisition of a new subsidiary or a business are stated at their fair values at the date of acquisition.

Such repairs and maintenance costs that maintain the asset's ability to produce future economic benefits, are recognised in the statement of profit or loss as incurred. The repair and maintenance costs that increase electricity network's ability to produce future economic benefits are recognised as asset according to differentiation principles of Energy Authority. (EMV differentiation principles 3.1.2. Repair investments of the electricity network)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Distribution network	15-40 years
Buildings and structures	20-40 years
Machinery and equipment	20-40 years
Other tangible assets	3-20 years

Land and lands rights are not depreciated since they have indefinite useful lives.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising

on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

2.3.8 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use are capitalised as part of the cost of the respective asset, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs relating to the borrowing of funds.

2.3.9 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a retrospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Licences

Licences for the use of intellectual property are granted for periods ranging between 3 and 10 years depending on the specific licences. The licences may be renewed at little or no cost to Caruna Group. As a result, those licences are assessed as having a definite useful life.

Wayleave (previous years mentioned as street cable compensations)

Wayleave compensations are one-time payments paid to the land owners on harm and damage caused by Caruna's electricity network and equipment. Caruna records the paid compensations to the intangible assets in the balance sheet. Caruna changed the concept of the economic lifetime of the wayleave compensations from indefinite lifetime to 35 years. Wayleave compensations are depreciated over the expected lifetime in 35 years. The change in the economic lifetime was made retroactively, and a one-time item was booked in the depreciation for the financial year.

Networks licences

Network licences acquired through business combinations are recognised on the fair values at the date of business combination. Network licences have indefinite useful live and are not amortised.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at acquisition cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

A summary of the policies applied to Caruna Group's intangible assets is, as follows:

Computer software licenses	3-5 years
Other intangible assets	5-10 years
Wayleave compensation	35 years
Network licenses	indefinite
Goodwill	indefinite

2.3.10 LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All leases in Caruna Group are classified as operating leases.

Group as a lessee

The Group has entered into various operating lease contracts. The related payments are treated as rentals and recognised in the statement of profit or loss on a straight-line basis over the lease terms unless another systematic approach is more representative of the pattern of the user's benefit.

Group as a lessor

Leases in which the Caruna Group does not transfer substantially all the risks and benefits of ownership of an asset to the lessee are classified as operating leases. Payments received under operating leases where the Group leases out fixed assets are recognised as other income in the statement of profit and loss.

2.3.11 FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by Caruna Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Caruna Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Caruna Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3.12 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

I) FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in the following two categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include derivatives that are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. The accounting treatment of financial derivatives qualified as hedges according IAS 39 is described in chapter 2.3.13.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes loan and other receivables and trade receivables. Trade receivables are recorded on the balance sheet at their nominal value. Trade receivables also include invoiced sales revenue based on estimates.

Caruna Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment is recorded on trade receivables when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the agreements. Such evidence of impairment may include significant financial difficulties of the

debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The impairment amount is measured as the difference between the asset's original balance sheet value and estimated future cash flows. The losses arising from impairment are recognised in the statement of profit or loss in other operating expenses. Trade receivables are considered fully impaired when they are more than 180 days overdue.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

II) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced and the loss is recognised in statement of profit or loss. Loan receivables are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the carrying amount of the asset. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

III) FINANCIAL LIABILITIES

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Caruna Group's financial liabilities include loans and borrowings, trade and other payables and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivatives that are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The accounting treatment of financial derivatives qualified as hedges according IAS 39 is described in Chapter 2.3.14

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer to Note 16.

De-recognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different

terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

IV) OFFSETTING OF FINANCIAL INSTRUMENTS

The Group does not offset financial assets and financial liabilities.

2.3.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

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

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

For hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to interest rate risk associated with a recognised liability and electricity price risk associated with purchase of electricity to cover grid losses.

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

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

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged 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 OCI is reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item does no longer exist (i.e. the loan is repaid prematurely) any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment.

The Group uses interest rate swaps as hedges of its exposure to interest rate risk arising from debt carrying variable interest rate. In February 2016, the group refinanced its loan agreements, which were formed when Caruna was acquired. Therefore, the cumulative loss from interest rate swaps in hedge accounting is immediately recognised in the profit and loss statement. Refer to Note 15 for more details.

Caruna group has terminated the hedge accounting of electricity derivative contracts on September 30, 2017. The group will book changes in the fair value of derivatives of electricity derivatives directly to the income statement. Refer to Note 16 for more details.

2.3.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

Caruna Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable

amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of thirty years in order to take into account the long-term capital expenditure plans which are driven by the security of supply requirements by 2028, set by the Ministry of Employment and Economy.

Impairment losses are recognised in the statement of profit or loss. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, Caruna Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying amount may be impaired as described earlier in Section 2.3.1.

Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets

Network licences included in other intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3.15 CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

2.3.16 CASH DIVIDEND TO EQUITY HOLDERS OF THE PARENT

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in Finland, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.3.17 PROVISIONS

General

Provisions are recognised when Caruna Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Caruna Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. Caruna Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Caruna Group.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3.18 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Caruna Group companies have pension schemes in accordance with the local conditions and practices in Finland. The schemes are generally funded through payments to insurance companies. The group has both defined benefit and defined contribution plans.

All employees are eligible to statutory earnings-related pension under the TyEL (The employee's Pensions Act). The company has arranged its TyEL cover with Varma Pension Insurance Company. The TyEL plan, as arranged via a pension insurance company, is treated as an insured plan and as a defined contributions plan according to IAS 19. The employer pays annually premiums to the pension insurance company and after that the employer carries no risk for the benefits or the depreciation of the insurance premiums invested by the insurance company.

Caruna Group has arranged voluntary pension cover for a limited number of persons and all these plans are closed. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with

a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that Caruna Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

2.4 NEW AND REVISED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Caruna Group has not applied the following new and revised standards and interpretations that have been issued but are not yet effective:

IFS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial instruments was issued in July 2014 (effective for annual periods beginning on or after 1 January 2018). The standard has new requirements for the classification and measurement of financial assets and liabilities and hedge accounting and it will replace IAS 39. The standard was endorsed by the EU in November 2016. Caruna Group will apply the new standard from beginning of 2018.

During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity. In addition, the Group will implement changes in classification of certain financial instruments.

A) CLASSIFICATION AND MEASUREMENT

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

The subsidiary shares are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

B) IMPAIRMENT

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects no material changes to the current credit losses.

C) HEDGE ACCOUNTING

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014, and amended in April 2016, and it establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

Caruna will adopt IFRS 15 Revenue from contracts with customers as of 1 January 2018. The standard will be applied with a modified retrospective approach and thus no comparative information is adjusted to comply with IFRS 15. Additional notes information, to improve comparability, will be given as required by IFRS 15.

The Group has performed a thorough assessment of the impacts of IFRS 15 and the highlights of that assessment have been presented below. IFRS 15 will not have any impact on Caruna's current revenue recognition and recordings to net sales and other income.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer.
The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue over time/at a certain time

Furthermore, IFRS 15 requires extensive disclosures.

DISTRIBUTION OF ELECTRICITY

Background

The Group is in the business of conducting local and regional distribution network operations, which consist of distribution sales and connection fees.

Distribution of electricity and maintenance of networks are covered by distribution fees. These fees are based on the amount of electricity distributed. In addition, a monthly fee is charged. Distribution fees are currently recognised as income over time and the timing of revenue

recognition is linked to distributed amounts (kWh). The prices charged for the sale and distribution of electricity are regulated. Any over or under income determined by the regulator is considered as an asset or liability in regulation accounting but under IFRS cannot be recognised in the balance sheet in advance. Therefore, the receivable is contingent on future delivery. The over or under income is credited or charged after it was generated, during the next regulatory period of four years, to the customer who used the electricity connection at that time. No retroactive credit or charge can be made.

Electricity tax is levied on the electricity distribution fees charged from the customers. The tax is calculated based on the amount of electricity distributed to the customer. There are two electricity tax tariffs for different classes of customers. Distribution sales in the Profit and Loss are shown net of electricity tax.

A customer pays a connection fee when connecting a property to the electricity distribution network for the first time. The connection fee is a one-time payment, and afterwards the connection is transferable to a third party whenever the owner of the property and the electricity connection changes. The same connection can be shared by several users, for instance in a housing company.

Customers who signed a connection contract before August 2003 can have their connection fee refunded, and these refunds are recognised as liability in the balance sheet. In practice, connection contracts are rarely terminated; only when a property is demolished, abandoned or otherwise made redundant. IFRS 15 will not have any impact on the current treatment of connection fee liabilities recognised in the balance sheet. New connection fees from August 2003 are no longer refundable to customers and recorded as revenue in net sales.

The following includes a description of relevant questions to Caruna while implementing IFRS 15, covering each step based on the IFRS 15 model.

DISTRIBUTION SALES AND CONNECTION FEE REVENUE

Step 1 Identify the contract(s) with a customer
For distribution sales, Caruna has two types of contracts: connection contracts and distribution sales contracts, i.e. network contracts. If the customer enters into both of these contracts at or near the same time, the contracts are combined for revenue recognition purposes since Caruna's performance obligation consists of electricity distribution and the connection is not a separate performance obligation. This will change the current treatment where connection and distribution have been treated separately.

Step 2 Identify performance obligations

Currently Caruna has determined that connection and electricity distribution are separate performance obligations. However, based on Caruna Group's analysis, IFRS 15 will change the current practice. Caruna has determined that the distribution sales and connection fees form a single performance obligation under IFRS 15 that is distribution of electricity, since a customer is not able to benefit from the connection without the distribution of electricity and thus these create one performance obligation. This will be a change compared to the current practice whereby connection and distribution have been treated separately.

Step 3 Determination of variable consideration

Outage fees

Currently revenue is recognised to the extent that it is probable that the economic benefits will flow to Caruna Group and revenue can be readily measured, regardless of when the payment is being made. Revenue comprises the fair value consideration received or receivable at the time of delivery of products and/or upon fulfilment of services. Revenue is shown net of standard fees, which refer to compensation for outages, value-added tax and selective taxes such as electricity tax. Currently, considerations paid to the customers due to interruption in the electricity distribution (standard fees) have been recorded against revenue whenever Caruna has the obligation to pay these fees for the customers.

According to IFRS 15, standard fees will be treated as variable payments since they are paid to the customers due to interruption in the electricity distribution, decreasing the total revenue received by Caruna. The fees are deferred against revenue whenever a longer interruption takes place. No constraint will take place before the interruption, since the penalty is always linked to interruption in electricity distribution of a specific period and no constraint can take place earlier. IFRS 15 will thus not impact treatment of standard fees.

Financing component

Caruna Group has determined that the distribution sales and connection fees form a single performance obligation under IFRS 15 that is distribution of electricity. Since Caruna Group transfers the control and receive consideration at the same time, thus the revenue is recognised to net sales and no financing component needs to be considered under IFRS 15.

Step 4 Allocate the transaction price

This step is not relevant for Caruna since there is only one performance obligation which is distribution of electricity.

Step 5 Recognise revenue over time/at a certain time

Currently Caruna is recognising revenue for electricity distribution over time based on electricity volume distributed. The connection fee has been recorded as income when the connection has been established.

Since the necessary criteria stated in IFRS 15.35 are met, Caruna will transfer the control of electricity distribution over time and, therefore, satisfies a performance obligation and recognises revenue over time. Since Caruna only has one performance obligation, the same method also applies for the connection fees. Revenue is recorded by measuring the progress for the performance obligation. Caruna interprets that the control is transferred to the customer right after electricity is distributed or connection agreement is signed. Thus, revenue from electricity distribution and connection fees are recognised to the net sales after the distribution or signing has occurred.

Based on Caruna Group's analysis, IFRS 15 will not change the method of revenue recognition for electricity distribution or connection fees and recording the revenue to the net sales.

OTHER INCOME

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as customer-based services including relocation fees, installation of new meters and connections and disconnections. Other income also includes rental income which will be recognised under IFRS 16 Leases as of 1 January 2019.

Relocation fees

Currently, if Caruna Group is requested to move a piece of the electricity network from its current location to a new one, the customer pays a relocation fee. Revenue is recognised over time when the new network has been installed and connection has been established. Based on Caruna Group's analysis, IFRS 15 will not change the current recognition practice of relocation fees or other customer-based services.

PRESENTATION AND DISCLOSURE REQUIREMENTS

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increase the volume of disclosures required in Caruna Group's financial statements. Compared to current practice, many of the disclosure requirements in IFRS 15 are new and Caruna Group has assessed that some of them will have a significant impact on the notes to the financial statements.

During 2018, the Group will collect the information in line with the new requirements for the notes and disclose it in the 2018 financial statements.

Other adjustments

In addition to the adjustments described above, Caruna Group will not have other adjustments. The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for Caruna Group.

IFRS 16 LEASES

IFRS 16 Leases issued in January 2016 (effective for annual periods beginning on or after 1.1.2019). The standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. The group is in process of assessing the impacts of the new standard, Caruna Group will apply the new standard from the beginning of 2019. The Group is currently assessing the impact of new standard. The EU has endorsed the standard in November 2017.

Other interpretations and annual improvements

IFRIC interpretation 23 Uncertainty over Income Tax Treatment was published in June 2017 (effective for annual periods on or after 1 January 2019). The interpretation clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. Caruna group will apply the interpretation from the beginning of 2019. Caruna Management considers that the interpretation is not expected to have significant changes to current practices in the Group.

Annual Improvements to IFRSs 2014–2016 Cycle issued in September 2014 (effective for annual periods beginning on or after 1 January 2018). The improvements primarily remove inconsistencies and clarify the wording of standards. There are separate transitional provisions for each standard. Amendments are not expected to have an impact on Caruna Group's consolidated financial statements. The improvements are still subject to endorsement by the EU.

There are no other IFRSs or IFRIC interpretations already published, but not yet effective, that would be expected to have a material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

3.2 IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. Budgets for the next three years are approved by the Board of Directors. These budgets and forecast calculations cover a period of approximately thirty years in order to take into account the long-term capital expenditure plans which are driven by the security of supply requirements by 2028, set by the Ministry of Employment and Economy. The Board of Directors approve the impairment calculations. The applied discount rate of 6.62% has been derived directly from the regulatory pre-tax WACC.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 13.

3.3 DEFERRED TAXES

Caruna Group has deferred tax assets and liabilities which are expected to be realised through the statement of profit or loss over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. Assumptions made include the expectation that future operating performance for Caruna Group entities will be consistent with historical levels of operating results, recoverability periods of tax losses carry-forwards will not change, and that existing tax laws and rates will remain unchanged into foreseeable future.

3.4 BASIS OF CONSOLIDATION

Transmission Finance Designated Activity Company ("DAC"), a limited liability company incorporated in Ireland, is a special purpose vehicle established for raising funds by issuance of bonds and other debt instruments, as applicable, and to safeguard the collective interests of debtors. Caruna Group management sees it has no power or control over the company and it is not consolidated to Caruna Group

2. Capital management

As the electricity distribution is capital-intensive, the company must ensure it has adequate capital to meet its operating requirements. Business planning includes assessing the adequacy of available capital in relation to the risks arising from business operations and the operating environment.

For the purpose of the Group's capital management, capital includes issued capital, invested distributable equity fund, all other equity reserves attributable to the equity holders of the parent and the shareholder loan.

The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current or previous financial period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. It is possible for the companies to strengthen the equity when necessary.

3. Group information

THE PARENT COMPANY AND SUBSIDIARIES OF THE GROUP

The consolidated financial statements of the Group include the following subsidiaries, in addition to the parent company Caruna Networks Oy:

Name	Principal activity	Country of incorporation and operation	% equity interest 2017
Caruna Networks Sähkönsiirto Oy	Management and other services	Finland	100
Caruna Networks Espoo Oy	Management and other services	Finland	100
Caruna Oy	Electricity distribution	Finland	100
Caruna Espoo Oy	Electricity distribution	Finland	100

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

Caruna Network Sähkönsiirto Oy and Caruna Networks Espoo Oy have been merged into Caruna Networks Oy on 1 January, 2018.

Transmission Finance Designated Activity Company
Non-consolidated structured company Transmission Finance Designated Activity Company ("DAC"), a limited liability company incorporated in Ireland, is a special purpose vehicle established for the purpose of raising funds by issuance of bonds and other debt instruments, as applicable, and to safeguard the collective interests of the debtors .

DAC shares are held on trust for charitable purposes by Maples Fiduciary Services Trustees Ireland Limited ("Maples"), an Irish limited liability company. Maples appoints the directors and is responsible for managing DAC. Maples and the directors and management members of DAC are independent from Caruna Group. Caruna Group has no legal, contract-based or other de facto rights to direct the operations of DAC that would result in Caruna Group exercising control over DAC. Therefore, DAC is not consolidated to Caruna Group.

In 2016, DAC issued several tranches of bonds, the proceeds from which it has lent to Caruna Group based on a loan agreement (IBLA) between the two parties. In 2017, DAC issued one bond, the proceeds from which it has lent to Caruna Group based on a loan agreement (IBLA) between the two parties.

TRANSACTIONS BETWEEN CARUNA GROUP AND DAC (1000 EUR)

EUR 1,000	31 Dec 2017	31 Dec 2016
IBLA-loans	2,027,536	1,936,151
Accrued interest	18,510	17,990
Total	2,046,046	1,954,141

The carrying amounts of loans from DAC are presented in long-term interest bearing liabilities, while the accrued interest is presented in the current liabilities in other payables.

For the corresponding debt instruments issued by DAC, Caruna Group has guaranteed the payment of principal and interest to DAC's bondholders in the event of DAC's default. At year-end, Caruna Group had no other material risk exposures related to DAC, and the amounts presented above represent its maximum risk exposure.

The interest rates of all loans are fixed and are determined by the fixed interest rates of the corresponding bonds issued by DAC, increased by margin of 0.0025 %. For further information on interest-bearing liabilities, see Note 15.

In 2017, the interest expenses to DAC by Caruna Group amounted to EUR 46,697 (2016: 37,433) thousand. Interest expenses have been recorded in the income statement. In addition, during 2017 Caruna Group paid upfront fees of EUR 300 (2016: 2,200) thousand to DAC. The fees have been capitalised and will be amortised according to effective interest method during the average life time of IBLA loans.

Had Transmission Finance DAC (DAC) been consolidated into Caruna Group, the issuer of the loans would remain and the group would have separate notes to several financial institutions instead of the one lender (DAC). If consolidated, the amount of the liabilities would be the same but the interest expenses would be lower at the amount of the loan margin (50 thousand euros/year).

4. Other operating income

EUR 1,000	2017	2016
Proceeds from sale of property, plant and equipment	171	263
Rental Income	908	1,086
Customer based services and relocation of connections	2,637	2,778
Electricity derivatives with hedge accounting status unrealised	–	3,153
Electricity derivatives without hedge accounting status unrealised	1,112	-165
Income from sale of scrapped material	899	–
Other	285	511
Total other operating income	**6,012**	**7,626**

Revenue from activities outside normal operations is reported in other operating income. This includes recurring items such as relocation of connections, power cuts and re-connections, cable guidance and rental income as well as nonrecurring items such as proceeds from sale of property, plant and equipment, unrealised gains and losses of electricity derivatives. From 2017 onwards, changes in the fair value of derivative contracts are booked in other operating income as the Caruna Group terminated the hedge accounting of electricity derivative contracts on 30 September 2017.

5. Other operating expenses

EUR 1,000	2017	2016
Repairs and maintenance	17,689	19,466
External services	26,664	26,665
Other	10,033	9,539
Total other operating expenses	54,386	**55,669**

Other operating expenses include repairs and maintenance costs of network, consulting and IT fees, external service fees, communication costs and rental expenses.

External service fees include customer service fees, invoicing fees, consulting fees, IT service fees and automatic meter reading service fees.

AUDITOR'S FEES

EUR 1,000	2017	2016
Audit fees	276	302
Tax advisory	-	33
Other services	11	244
Total auditor's fees	**287**	**579**

Deloitte Oy was appointed as the auditor for the 2017 reporting period. Audit fees include fees for auditing the consolidated financial statements and for auditing the parent company and subsidiaries. Fees for tax services include fees for professional tax services and other services include other assignments.

6. Finance income

EUR 1,000	2017	2016
Interest income	235	205
Exhange rate differences	-	35
Interest income from interest derivatives, non-hedged	6,180	4,023
Total finance income	**6,415**	**4,263**

7. Finance costs

EUR 1,000	2017	2016
Interest on debts and borrowings		
Shareholder loan	80,462	81,135
IBLA-loans	46,697	37,433
Senior-loans	–	2,164
Junior-loans	–	871
Capex-loans	601	415
Other	161	149
Total	127,921	122,167
Interest expenses on interest rate derivatives, non-hedged	5,153	12,692
Total interest expense	**133,074**	**134,859**
Arrangement and commitment fees relating to interest-bearing loans	1,481	1,886
Other financing expenses	1,022	40,466
Total finance costs	**135,577**	**177,211**

During 2017, Caruna raised the full EUR 200 million loan, which was signed with the European Investment Bank (EIB) in December 2016. The loan period is 10 years. At the same time, Caruna reduced the capex facility limit from EUR 600 million to EUR 400 million. In addition to the EIB loan, Caruna Networks Oy borrowed EUR 100 million IBLA-loan for 20 years from the Transmission

Finance DAC, which is issuing bonds and private placement loans for institutional investors. This loan is part of the EUR 10 billion EMTN program. Transmission Finance DAC is not part of the Caruna Group. Bank loans will mature during four years and loans from the Transmission Finance DAC after 6 to 29 years. The loan from EIB will mature in 2028. In addition, Caruna Networks Oy repaid EUR 170 million of its capex facility loan in 2017.

The Group refinanced its loans in during 2016. The purpose of refinancing was to guarantee conditions for the Group's operations in the long term and to secure financing for the network improvement programme. Refinancing was carried out in several stages to allow the Group to arrange diversified funding from several capital markets. The total of the first refinancing stage in February came up to EUR 1,930 million, of which EUR 825 million consisted of bank loans from a group of 12 banks. The banks also granted Caruna a capex facility of EUR 600 million and a revolving credit facility of EUR 60 million. In addition to the bank loans, Caruna Networks Oy borrowed in total EUR 1,105 million IBLA-loans from Transmission Finance DAC, as part of a 10 billion euro EMTN programme. In December 2016, Caruna Networks Oy signed a loan agreement of EUR 200 million with the European Investment Bank. The loan period is 10 years and the final interest rate was determined at the time the loan was taken out during 2017. Comparison years' other financing expenses included non-recurring, refinancing related items.

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

8. Depreciation, amortisation and impairment charges

EUR 1,000	2017	2016
Intangible rights	1,175	1,174
Other intangible assets	10,965	8,975
Buildings and constructions	1,733	1,775
Machinery and equipment	110,021	101,001
Total depreciation	**123,894**	**112,926**

Caruna has continued to improve the network reliability program where over head lines exposed to weather conditions are replaced by underground

cabling. Due to this, Caruna has booked EUR 11,511 thousand scrapping costs to the depreciation for the financial year 2017. The value of scrapping corresponding to the year 2016 was EUR 5,128 thousand.

During the financial year 2017, Caruna Oy changed the concept of the economic lifetime of the wayleave compensations (previously called street cable compensation) from indefinite lifetime to 35 years. Wayleave compensations are depreciated over the expected lifetime in 35 years. The change in the economic life time was made retroactively, and a one-time item, EUR 4,548 thousand, was booked for depreciation for the financial year.

9. Personnel expenses

EUR 1,000	Note	2017	2016
Wages and salaries		16,681	17,757
Pension costs			
Defined contribution plans	21	2,931	2,958
Defined benefit plans	21	13	107
Social security costs		737	984
Total personnel expenses		**20,362**	**21,806**

The total wages and salaries paid by Caruna Group to its employees consist of salaries, fringe benefit and short-term incentives. The employee may choose to place either all or part of the annual bonus in the 2015 established wage fund.

In its meeting 24 March 2015 The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2015-2017. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros and to achieve it the Board annually sets parametres that are the same for all participants. The incentive progam is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. Mainly the participant looses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accummulated amount of the incentive at the end of the employment. In 2017, EUR 844 thousand were paid out from the LTI program.

Information regarding management employee benefits are presented in note 25 Related party transactions.

10. Income tax

The major components of income tax expense for the year ended 31 December are:

Income tax recognised in the statement of profit or loss (EUR 1,000)	2017	2016
Current income tax:		
In respect of the current year	-6,338	-456
Deferred tax:		
Relating to origination and reversal of temporary differences	18,597	22,381
Total income tax expense recognised in the statement of profit or loss (tax expense -/tax income +)	12,259	21,925
Consolidated statement of comprehensive income		
Deferred tax related to items recognised in OCI during the year:		
Fair value remeasurement of hedging instruments entered into cash flow hedges	1	257
Remeasurments of post employment benefit liabilities	8	5
Income tax charged to other comprehensive income (tax expense -/tax income +)	9	262

Reconciliation of tax expense and the accounting profit multiplied by Finland's domestic tax rate for (EUR 1,000)	2017	2016
Profit / loss before tax	16,519	-53,556
Tax calculated at nominal Finnish tax rate 20%	-3,304	10,711
Non-deductible expenses for tax purposes	833	-971
Utilisation of tax losses carried forward	14,730	12,185
	12,259	21,925
Income tax expense reported in the statement of profit or loss	12,259	21,925

Income taxes are tax expenses in the statement of profit or loss during the financial period and the comparison year. The changes in deferred taxes recorded in the statement of profit or loss are tax income both during the financial period and the comparison year.

DEFERRED TAXES

Deferred tax receivables (EUR 1,000)	Balance sheet 31 Dec 2016	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2017
Provisions	-834	-	-	-834
Derivative financial instruments	848	-	-	848
Expensed acquisition related cost	73	-	-	73
Defined benefit plans	-14	-	-	-14
Total deferred tax receivables	73	-	-	73

Deferred tax liabilities (EUR 1,000)	Balance sheet 31 Dec 2016	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2017
Derivative financial instruments	-1,045	597	-299	-747
Derivative financial instruments	-747	56	-1	-692
Depreciation difference	101,758	-13,752	-	88,006
Measurement of assets at fair value in acquisition	438,642	-6,251	-	432,391
Other	111	1,350	-8	1,453
Total deferred tax liabilities	539,764	-18,597	-9	521,158

Deferred tax receivables (EUR 1,000)	Balance sheet 31 Dec 2015	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2016
Provisions	-803	-31	-	-834
Derivative financial instruments	848	-	-	848
Expensed acquisition related cost	73	-	-	73
Defined benefit plans	-14	-	-	-14
Total deferred tax receivables	104	-31	-	73

Deferred tax liabilities (EUR 1,000)	Balance sheet 31 Dec 2015	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2016
Derivative financial instruments	-1,045	597	-299	-747
Depreciation difference	114,454	-12,696	-	101,758
Measurement of assets at fair value in acquisition	444,892	-6,250	-	438,642
Other	4,137	-4,063	37	111
Total deferred tax liabilities	562,438	-22,412	-262	539,764

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets have not been recognised in respect of such losses arisen from subsidiaries that are loss-making and there are no other ways to even out taxes or other evidence of recoverability in the near future. The Group has not booked deferred tax assets of EUR 15,822 thousand from tax losses carried forward from the years 2014 to 2015.

The tax losses carried forward are available for ten years and will be offset against future taxable profits.

11. Property, plant and equipment

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	Advance payments and construction in progress	Total
Acquisition cost					
At 1 January 2017	**7,086**	**28,517**	**2,022,585**	**157,841**	**2,216,030**
Additions	36	444	262,989	367,444	630,913
Transfers between items	–	–	–	-359,068	-359,068
Disposals	-80	-127	-40,457	–	-40,663
Acquisition cost 31 December 2017	**7,042**	**28,834**	**2,245,117**	**166,217**	**2,447,211**
Depreciation and impairment					
At 1 January 2017	**–**	2,768	137,848	–	140,616
Depreciation charge for the year	–	1,733	110,021	–	111,754
Transfers between items	–	–	–	–	–
Depreciation charge on disposals	–	-127	-40,192	–	-40,318
Accumulated depreciation 31 December 2017	**–**	**4,375**	**207,677**		**212,052**
Net book value					
At 31 December 2017	7,042	24,459	2,037,440	166,217	2,235,159
At 31 December 2016	7,086	25,749	1,884,737	157,841	2,075,414

EUR 1,000	Land and water areas	Buildings and constructions	Machinery and equipments	Advance payments and construction in progress	Total
Acquisition cost					
At 1 January 2016	7,160	28,902	1,801,785	113,872	1,951,719
Additions	21	121	226,836	448,292	675,271
Transfers between items	-	-	2,005	-404,323	-402,318
Disposals	-95	-507	-8,041	-	-8,642
Acquisition cost 31 December 2016	7,086	28,517	2,022,585	157,841	2,216,030
Depreciation and impairment					
At 1 January 2016	-	1,419	42,778	-	44,197
Depreciation charge for the year	-	1,775	101,001	-	102,777
Transfers between items	-	-	2,005	-	2,005
Depreciation charge on disposals	-	-426	-7,937	-	-8,363
Accumulated depreciation 31 December 2016	-	2,768	137,848	-	140,616
Net book value					
At 31 December 2016	7,086	25,749	1,884,737	157,841	2,075,414
At 31 December 2015	7,160	27,483	1,759,007	113,872	1,907,522

12. Intangible assets

EUR 1,000	Goodwill	Intangible rights	Network licenses	Wayleaves	Other intangible assets	Total
Acquisition cost						
At 1 January 2017	62,468	3,980	1,529,212	20,273	33,700	1,649,632
Additions	–	9	–	5,012	14,266	19,287
Disposals	–	-1	–	-652	-137	-790
Acquisition cost 31 December 2017	62,468	3,988	1,529,212	24,633	47,828	1,668,129
Amortisation and impairment						
At 1 January 2017	–	2,446	–	–	5,925	8,371
Depreciation for the period	–	1,175	–	5,512	5,453	12,140
Depreciation charge on disposals	–	–	–	-652	-137	-789
Accumulated depreciation 31 December 2017	–	3,621	–	4,860	11,241	19,721
Net book value						
At 31 December 2017	62,468	367	1,529,212	19,773	36,588	1,648,408
At 31 December 2016	62,468	1,534	1,529,212	20,273	27,775	1,641,262

The network licenses give permission to the company to distribute electricity on the network area for the time being. The network licenses have indefinite lifetime and they are not depreciated. Caruna changed the concept of the economic lifetime of wayleave compensations from indefinite lifetime to 35 years. Wayleave compensations are depreciated over the expected lifetime in 35 years.

EUR 1,000	Goodwill	Intangible rights	Network license	Wayleaves	Other intangible assets	Total
Acquisition cost						
At 1 January 2016	62,468	3,977	1,529,212	17,482	24,595	1,637,734
Additions	–	3	–	2,791	9,651	12,445
Disposals	–	–	–	–	-546	-546
Acquisition cost 31 December 2016	62,468	3,980	1,529,212	20,273	33,700	1,649,633
Amortisation and impairment						
At 1 January 2016	–	1,272	–	–	-2,504	-1,232
Depreciation for the period	–	1,174	–	–	8,975	10,149
Depreciation charge on disposals	–	–	–	–	-546	-546
Accumulated depreciation 31 December 2016	–	2,446	–	–	5,925	8,371
Net book value						
At 31 December 2016	62,468	1,534	1,529,212	20,273	27,775	1,641,262
At 31 December 2015	62,468	2,705	1,529,212	17,482	27,099	1,638,966

13. Impairment testing of goodwill and network license

Goodwill acquired through business combinations has been allocated to the two Cash Generating Units (CGU) below for impairment testing purposes:

- Caruna Oy
- Caruna Espoo Oy

Carrying amount in 2017 of goodwill and network licenses allocated to each of the CGUs:

EUR 1,000	Caruna Oy	Caruna Espoo Oy	Total
Goodwill	53,567	8,901	62,468
Network licenses	1,332,112	197,100	1,529,212

Key assumptions used in value in use calculations

Impairment test is based on value in use which has been estimated to be higher than net selling price. Value in use has been estimated based on cash flow projections for 2018-2045. Of these, cash flows for 2018-2023 are based on the 3 year business plan which has been approved by the Board of Directors. Cash flow projections for 2024-2045 have been prepared by the management and they are based on the allowed regulated revenue which has been modelled for each CGU based on the best knowledge of the regulatory rules and their future development. Applied long term capital expenditure has been prepared taking into account the security of supply requirements by 2028 set by the Ministry of Employment and Economy. A longer calculation period than the 5 years set by IAS 36 has been applied in order to take into account the effect of the security of supply requirements on the allowed regulated revenues.

An annual growth rate of 2% has been applied for operating expenditure for 2021-2045. The terminal value cash flow is expected to grow by 2% annually. Net sales is based on the modelled allowed regulated revenue and its growth rate varies from year to year with the assumption that no regulatory surplus or deficit is generated from 2024 onwards.

Discount rates represent the current market assessment of the risks specific to the business, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The applied discount rate of 6,62 % has been derived directly from the regulatory pre-tax WACC.

Sensitivity to changes in assumptions

The headroom turned negative when the sensitivity of the value was tested by decreasing EBITDA by 10% and increasing the discount rate by 10%. The breakeven point for the EBITDA sensitivity amounts to -3,4% for Caruna Espoo Oy. The breakeven point for the discount rate sensitivity amounts to +5,1% in Caruna Espoo Oy. Due to the stability of the regulated business, the management believes that changes in the business enviroment causing the carrying amount to materially exceed the recoverable amount are very unlikely.

14. Other non-current assets

EUR 1,000	2017	2016
Other investments at 1 January	49	50
Decreases	–	-1
Other investments at 31 December	49	49

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

15. Financial assets and liabilities

FINANCIAL ASSETS

EUR 1,000	2017	2016
Non-current		
Financial assets at fair value through profit or loss		
Electricity derivatives, hedged	–	443
Electricity derivatives, non-hedged	905	295
Financial assets at amortised cost		
Prepaid interests expenses	–	424
Current		
Financial assets at fair value through profit or loss		
Electricity derivatives, hedged	–	585
Electricity derivatives, non-hedged	151	658
Financial assets at amortised cost		
Trade receivables	108,828	116,499
Total financial assets	109,884	118,905

Financial instruments through profit or loss reflect positive change in fair value of those electricity derivatives that are not designated in hedge relationships.

Financial assets at amortised cost are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

FINANCIAL LIABILITIES

EUR 1,000	2017	2016
Interest-bearing liabilities		
Financial liabilities at amortised cost		
Loans	3,174,068	3,032,925
Trade payables and other liabilities		
Non-current liabilities		
Financial liabilities at fair value through OCI		
Electricity derivatives	–	53
Cross-currency swops	3,458	137
Financial instruments through profit or loss		
Electricity derivatives	212	240
Interest derivatives	21,009	31,030
Financial liabilities at amortised cost		
Connection fee liabilities	304,546	304,957
Current liabilities		
Financial liabilities at fair value through OCI		
Electricity derivatives	–	262
Financial instruments through profit or loss		
Electricity derivatives	11	403
Financial liabilities at amortised cost		
Trade payables	55,316	53,344
Total financial liabilities	3,537,611	3,423,213

Financial liabilities at fair value through OCI reflects the negative change in fair value of those interest rate swaps that are designated in hedge relationships and those electricity hedges designated as cash flow hedges to hedge electricity price risk arising from purchase of grid losses. Caruna has terminated the hedge accounting of electricity derivative contracts on September 30, 2017.

Financial liabilities through the statement of profit or loss reflect negative change in fair value of those interest rate swaps and electricity derivatives that are not designated in hedge relationships. The Group refinanced its loans at February 2016. Therefore the interest rate swaps are recognised at fair value through the statement of profit or loss. The Group has booked interest rate swaps at fair value through profit and loss as early as 2015.

Financial liabilities at amortised cost are non-derivative financial liabilities carried at amortised cost.

INTEREST-BEARING LOANS AND BORROWINGS

EUR 1,000	Interest rate	Maturity	2017	2016
Non-current interest-bearing loans and borrowings				
Shareholder loan	8.50%	2047	933,642	1,040,349
IBLA-loans				
IBLA-loan 18y	2.74%	2034	75,000	75,000
IBLA-loan 20y	2.83%	2036	50,000	50,000
IBLA-loan 25y	2.97%	2041	35,000	35,000
IBLA-loan 27y	3.00%	2043	135,000	135,000
IBLA-loan 30y	3.03%	2046	220,000	220,000
IBLA-loan 15y	2.57%	2031	75,000	75,000
IBLA-loan 18y	2.74%	2034	75,000	75,000
IBLA-loan 15y	2.57%	2031	25,000	25,000
IBLA-loan 20y	2.83%	2036	40,000	40,000
IBLA-loan 22y	2.90%	2038	40,000	40,000
IBLA-loan 25y	2.97%	2041	40,000	40,000
IBLA-loan 15y	2.57%	2031	78,000	78,000
IBLA-loan 15y	2.57%	2031	82,000	82,000
IBLA-loan 10y	2.04%	2026	10,000	10,000
IBLA-loan 25y	2.97%	2041	50,000	50,000
IBLA-loan 15y	2.57%	2031	75,000	75,000
IBLA-loan 10y	1.69%	2026	60,000	60,000
IBLA-loan 10y	3.18%	2026	62,536	71,151
IBLA-loan 13y	1.93%	2029	75,000	75,000
IBLA-loan 20y	2.42%	2036	125,000	125,000
IBLA-loan 7y	1.50%	2023	500,000	500,000
IBLA-loan 20y	2.70%	2037	100,000	-
EIB loan facility	0.43%	2027	200,000	-
Capex loan	0.55%		20,000	170 000
Accrued loan arrangement fees			-7,110	-6 868
Total non-current interest-bearing loans and borrowings			3,174,068	3,032,925
Total interest-bearing loans and borrowings			3,174,068	3,032,925

The owners First State (40%), Omers (40%), Keva (12,5%) and Elo (7,5%) have given Shareholder loan to Suomi Power Networks TopCo B.V and its subsidiaries. In 2017, Caruna Networks Oy did not repay the shareholder loan, and the shareholder loan was not capitalised at interest rates. In 2016, the shareholder loan was repaid by EUR 149,820 thousand and the shareholder loan was capitalised at interest rates by EUR 43,112 thousand.

During 2017, Caruna raised the full EUR 200 million loan, which was signed by the European Investment Bank (EIB) in December 2016. The loan period is 10 years. At the same time, Caruna reduced the investment limit from EUR 600 million to EUR 400 million. In addition to the EIB loan, Caruna Networks Oy lent EUR 100 million from the Transmission Finance DAC for 20 years, which will issue bonds and loans for institutional investors. This loan is part of a EUR 10 billion bond program. Transmission Finance DAC is not part of the Caruna Group. Bank loans will mature during four years and loans from the Transmission Finance DAC after 6 to 29 years. In addition, Caruna Networks Oy paid off an investment loan of EUR 170 million.

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

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

Net debt (EUR 1,000)	2017	2016
Cash and cash equivalents	-42,900	-59,790
Shareholder loan	933,642	933,642
Total non-current interest-bearing loans and borrowings	2,240,426	2,099,283
Total net debt	3,131,168	2,973,135
Cash and cash equivalents	-42,900	-59,790
Gross debt - fixed rate	2,954,068	2,862,925
Gross debt - floating rate	220,000	170,000
Total net debt	3,131,168	2,973,135

EUR 1,000	Cash and cash equivalents	Shareholder loan	IBLA-loans	EIB-loan	CAPEX loan	Total
Net debt January 1, 2017	-59,790	933,642	1,929,283	-	170,000	2,973,135
Cash flow	16,890	-	100,000	200,000	-150,000	166,890
Exchange rate differences		-	-8,615	-	-	-8,615
Other non-payment changes		-	-242	-	-	-242
Net debt December 31, 2017	-42,900	933,642	2,020,426	200,000	20,000	3,131,168

Cash and cash equivalents reconciliation (EUR 1,000)	2017	2016
Cash and cash equivalents balance at 31 December	42,900	59,790
Group's Cash Pool account balance at 31 Decemenber	-3,032	-
Cash and cash equivalents at 31 December	**39,868**	**59,790**
Cash and cash equivalents in Group cash flow	**39,868**	**59,790**

Loan covenants

Caruna Group's loan covenants changed by the new loan arrangements in 2016. The one of the loan covenants of the Senior-loans is the ratio between Group's Funds from operations (after adding Senior Net finance charges) to Senior Net finance charges (ICR). The other of the loan covenants is the ratio between Group's Funds from operations to net debt excluding shareholder loan (Senior leverage).

ICR-loan covenant is tested with backward lock-up tests of the last 12 months and with forward lock-up tests of the following 12 months. The ratio can not be less than 1.70:1. The consolidated EBITDA included in the Funds from operations is adjusted based on the definitions set in the loan arrangements.

Senior Leverage Ratio is tested with backward lock-up tests of the last 12 months, with forward lock-up tests of the following 12 months and with extended forward lock-up tests for the following 36 months. The ratio on the 12 month backward and forward lock-up tests can not be less than 0.05:1. The ratio on the extended forward lock-up test can not be less than 0.055:1. The consolidated EBITDA included in the Funds from operations is adjusted based on the definitions set in the loan arrangments. The net senior finance charges are calculated on accrued basis.

Loan covenants are monitored on semi-annual basis. The breakage of the loan covenants may lead to premature withdrawal of Senior loans.

16. Fair values of financial assets and financial liabilities

EUR 1,000 At 31 Dec 2017	Note	Financial asset/liability at fair value through profit and loss	Loans and receivables	Loans and borrowings	Hedge accounted derivatives	Book value	Fair value	Fair value hierarchy
Non-current financial assets								
Derivative financial instruments (electricity)	15	905	–			905	905	2
Current financial assets								
Derivative financial instruments (electricity)	15	151	–			151	151	2
Trade receivables	15	–	108,828			108,828	108,828	2
Cash and cash equivalents	19	–	42,900			42,900	42,900	1
Total financial assets		**1,056**	**151,728**			**152,784**	**152,784**	
Non-current financial liabilities								
Interest-bearing liabilities (floating rate)	15	–		220,000		220,000	220,000	2
Interest-bearing liabilities (fixed rate)	15	–		2,961,178		2,961,178	2,961,178	2
Accrued loan arrangement fee	15	–		-7,110		-7,110	-7,110	1
Derivative financial instruments (interest)	15	24,467		–		24,467	24,467	2
Derivative financial instruments (electricity)	15	212		–		212	212	2
Connection fee liabilities	15	–		304,546		304,546	304,546	3
Current financial liabilities								
Derivative financial instruments (electricity)	15	11		–		11	11	2
Trade payables	22	–		55,316		55,316	55,316	2
Total financial liabilities		**24,690**		**3,533,930**		**3,558,620**	**3,558,620**	

EUR 1,000 At 31 Dec 2016	Note	Financial asset/liability at fair value through profit and loss	Loans and receivab-les	Loans and borrowin-gs	Hedge accounted derivatives	Book value	Fair value	Fair value hierarchy
Non-current financial assets								
Derivative financial instruments (electricity)	15	295			443	738	738	2
Prepaid interest expenses	15		424			424	424	
Current financial assets								
Derivative financial instruments (electricity)	15	658			585	1,243	1,243	2
Trade receivables	15		116,499			116,499	116,499	2
Cash and cash equivalents	19		59,790			59,790	59,790	1
Total financial assets		**953**	**176,713**		**1,028**	**178,694**	**178,694**	
Non-current financial liabilities								
Interest-bearing liabilities (floating rate)	15			170,000		170,000	170,000	2
Interest-bearing liabilities (fixed rate)	15			2,869,793		2,869,793	2,869,793	2
Accrued loan arrangement fee	15			-6,868		-6,868	-6,868	1
Derivative financial instruments (interest)	15	31,030				31,030	31,030	2
Derivative financial instruments (electricity)	15	240			53	293	293	2
Connection fee liabilities	15			304,957		304,957	304,957	3
Current financial liabilities								
Derivative financial instruments (electricity)	15	403			262	665	665	2
Trade payables	22			53,344		53,344	53,344	2
Total financial liabilities		**31,673**		**3,391,226**	**315**	**3,423,214**	**3,423,214**	

The management assesses that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs inlcuding interest rate curves.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own nonperformance risk as at 31 December 2016 was assessed to be insignificant.

Fair value hierarchy disclosures for each class of financial instruments:
Caruna has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements according to the fair value measurement hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

17. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: cash flow interest rate risk, credit risk, currency risk and liquidity risk. The objective of the Group's risk management is to minimise the negative effects on the Group's financial performance caused by changes in financial markets. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a Caruna's Treasury. The Caruna's Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units according to the Treasury policy approved by the Board. The objective of treasury management is to secure sufficient funding for business operations, avoiding financial constraints at all times, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (interest rate, liquidity, re-funding, credit and currency risks) and to provide the management with information on the financial position and risk exposures of Caruna and its business units. In addition, the Caruna's Treasury actively monitors the actual values of the Group's financial covenants and anticipated financial headroom in relation to maximum values of these financial covenants as part of the Group's reporting purposes.

MARKET RISK

Electricity price risk

Grid loss purchases are exposed to market price volatility. To manage this Caruna hedges the grid loss costs beforehand. The goal of hedging is to keep the grid loss costs stable and easy to forecast. Hedging also decreases the annual result volatility.

EUR 1,000 Electricity derivatives 31 Dec 2017	Positive fair value	Negative fair value	Net fair value
Electricity derivatives, non-hedge accounting	1,056	-223	833
Total	1,056	-223	833

EUR 1,000 Electricity derivatives 31 Dec 2016	Positive fair value	Negative fair value	Net fair value
Electricity derivatives, non-hedge accounting	953	-642	311
Electricity derivatives, cash flow hedges	1,028	-315	713
Total	1,981	-957	1,024

Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair value of interest-bearing receivables, loans payable and derivative instruments. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the income statement, balance sheet and cash flow, while also taking into account the market value of net debt.

EUR 1,000 Interest rate derivatives 31 Dec 2017	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, non-hedge accounting	–	–17,015	–17,015
Cross currency derivatives, cash flow hedges and fair value hedges	–	–7,452	–7,452
Total	–	–24,467	–24,467

EUR 1,000 Interest rate derivatives 31 Dec 2016	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, cash flow hedges	–	–30,893	–30,893
Cross currency derivatives, cash flow hedges and fair value hedges	–	–137	–137
Total	–	–30,893	–31,030

For interest rate sensitivity analysis in accordance with IFRS 7, if interest rates at 31 December 2017 on EUR-denominated borrowings had been 1 % higher/lower with all other variables held constant, pre-tax profit for the year would have been EUR 2,1 (0,7) million lower/higher, as a result of changes in the interest flows on floating rate borrowings and hedging instruments and the change of market value of the non-hedge accounted interest rate swaps; there would not be any effect on other components of equity since as a result of a change in the fair value of interest rate swaps for which hedge accounting is not applied. The following table illustrates the sensitivity analysis.

	Income statement		Equity	
31 Dec 2017, MEUR	**+ 1%**	**- 1%**	**+ 1%**	**- 1%**
Interest-bearing liabilities	-2.1	2.1	–	–
Interest rate derivatives				
Hedge accounted	–	–	–	–
Non-hedge accounted	–	–	–	–
Total	-2.1	2.1	–	–

	Income statement		Equity	
31 Dec 2016, MEUR	**+ 1%**	**- 1%**	**+ 1%**	**- 1%**
Interest-bearing liabilities	-0.7	0.7		
Interest rate derivatives				
Hedge accounted	-	-	-	-
Non-hedge accounted	-	-	-	-
Total	0.7	-0.7	–	–

Credit risk

Counterparty risk arises if a customer, borrower or other counterparty fails to honor its payment obligations. When drawing up a supply or connection contract, collateral or advance payment can be set for the customers of Caruna companies, for the payment of outstanding claims based on the supply contract. Collaterals provide security against possible credit losses. There are also elements of counterparty risk involved, if substantial amount of loans, hedging contracts or other financial services are obtained from too few providers.

Caruna Finance is to manage the financial counterparty risks selecting carefully and distributing various transactions among adequate number of financial institutions and other counterparties.

Currency risk

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

Liquidity and refinanging risk

Caruna Finance manages the Group's liquidity risk and ensures flexibility in funding by maintaining availability under committed credit lines. The Group uses diverse funding sources and its borrowings are long-term. Caruna

Networks Oy has unused committed borrowing facilities or other lines of credit that it can access to meet liquidity needs. At 31 December 2017 undrawn committed credit facilities were capex facility EUR 380 (430) million, revolving credit facility EUR 60 (60) million, bank overdraft EUR 30 (30) million, liquidity facility EUR 20 (20) million. At the end of 2016 was unused bank loan of EUR 200,000 thousand.

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

EUR 1,000

Year ended 31 December 2017	On demand	Less than 3 months	4 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	–	–	–	20,000	3,161,178	3,181,178
Accrued loan arrangement fee	–	–	–		-7,110	-7,110
Connection fee liabilities	–	–	–	–	304,546	304,546
Interest derivatives	–	–	–	24,467	–	24,467
Electricity derivatives	–	–	11	212	–	223
Trade payables	–	55,316	–	–	–	55,316
Accrued interest expenses	–	33,174	6,530	–	–	39,704
Total	**–**	**88,490**	**6,541**	**44,679**	**3,458,614**	**3,598,324**

EUR 1,000

Year ended 31 December 2016	On demand	Less than 3 months	4 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	–	–	–	170,000	2,869,793	3,039,793
Accrued loan arrangement fee	–	–	–		-6,868	-6,868
Connection fee liabilities	–	–	–	–	304,957	304,957
Interest derivatives	–	–	–	31,030	–	31,030
Electricity derivatives	–	–	665	293	–	957
Trade payables	–	53,344	–	–	–	53,344
Accrued interest expenses	–	32,894	5,936	–	–	38,830
Total	**–**	**53,344**	**6,601**	**201,323**	**3,167,882**	**3,462,043**

18. Trade and other receivables

EUR 1,000	2017	2016
Trade receivables	71,513	48,350
Accrued sales	37,314	68,149
Income tax receivables	442	–
Accrued income and prepaid expenses	607	930
Other receivables	–	4
Total trade and other receivables	**109,877**	**117,433**

For terms and conditions relating to related party receivables, refer Note 25.

For trade receivables due more than 180 days a provision for credit losses is recoded.

Aging analysis of trade receivables

EUR 1,000	2017	2016
Not past due	67,014	48,350
Past due 1-90 days	4,487	–
Past due 91-180 days	12	–
Past due more than 181 days	–	–
Total	**71,513**	**48,350**

See Note 17 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Credit losses are booked based on the recommendation by credit agencies or based on the official documents in case of debt restructuring or bankruptcies of the debtor. Credit losses recorded in 2017 were EUR 738 (475) thousand.

19. Cash and cash equivalents

EUR 1,000	2017	2016
Cash at banks and on hand	42,900	59,790
Total cash and cash equivalents	**42,900**	**59,790**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At the end of the financial period 2017 the available committed facilities were: capex facility EUR 380 (430) million, revolving credit facility EUR 60 (60) million, bank overdraft EUR 30 (30) million, liquidity facility of EUR 20 (20) million. At 31 December 2016, the Group had unused bank loan of EUR 200 million.

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

20. Provisions

EUR 1,000	Others	Total
At 1 January 2017	726	**726**
Arising during the year	101	**101**
Utilised	-459	**-459**
At 31 December 2017	**368**	**368**
Non-current provisions	208	208
Current provisions	160	160

Other provisions relate mainly to compensations for ended employments.

EUR 1,000	Restructuring provision	Others	Total
At 1 January 2016	280	247	**527**
Arising during the year	-	511	**511**
Utilised	-280	-32	**-312**
At 31 Decmber 2016	**-**	**726**	**726**
Non-current	-	246	246
Current	-	480	480

Restructuring provisions relate to the restructuring of the business.

21. Pension and other post-employment benefit plans

The Caruna Group companies have pension schemes in accordance with the local conditions and practices in Finland. The schemes are generally funded through payments to insurance companies or the Caruna Group's pension fund as determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans.

All employees are eligible to statutory earnings-related pension under the TyEL (The employee's Pensions Act). The company has arranged its TyEL cover with Varma Pension Insurance Company. TyEL- plan is interpreted as a defined contribution plan according to IAS 19. The employer pays annually the premiums to the pension insurance company and after that they carry no risk for the benefits or the depreciation of the insurance premiums invested by the insurance company.

The Caruna Group has arranged voluntary pension cover for a limited number of persons and all these plans are closed. The valuation is based on the reports prepared by the external actuaries.

Statement of financial position
(Items recognised in the balance sheet at 31 December)

EUR 1,000	2017	2016
Defined benefit obligation	1,664	1,674
Fair value of plan assets	-1,504	-1,563
Surplus (-)/deficit (+)	160	111
Net defined benefit liability (+)/asset (-) recognised in statement of financial position	**160**	**111**

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

EUR 1,000	2017	2016
Opening defined benefit obligation	1,674	2,169
Current service cost	26	42
Amendments	-	-
Curtailments	-	-
Interest expence	25	39
Actuarial gains (-)/losses (+) on obligation	21	-141
Settlements	-	-
Benefits paid	-82	-435
Defined benefit obligation at the end of the period	1,664	1,674

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

EUR 1,000	2017	2016
Opening fair value of plan assets	1,563	2,103
Interest income	23	38
Actuarial gains (+)/losses (-) on plan assets	-17	-166
Curtailments	-	-
Amendments	-	-
Settlements	-	-
Benefits paid	-82	-435
Contributions	17	23
Fair value of plan assets at the end of the period	1,504	1,563

Changes in net defined benefit liability during the period

The following table shows how the net defined benefit liability recognised in the statement of financial position is changed during the year.

EUR 1,000	2017	2016
Net defined benefit liability recognised in statement of financial position at beginning of period	111	66
Expense recognised in profit or loss	28	43
Remeasurments recognised in other comprehensive income	38	25
Contributions	-17	-23
Total	160	111

Items recognised in profit or loss

EUR 1,000	2017	2016
Service cost	26	42
Net interest	2	1
Expences recognised in profit or loss	28	43

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2017	2016
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in financial assumptions	16	177
Actuarial gains (-)/losses (+) on defined benefit obligation arising from experience adjustments	5	-318
Actuarial gains (-)/ losses (+) on plan assets	17	166
Remeasurement in other comprehensive income	38	25

The principal assumptions used in determining pension benefit obligations for the Group's plan are shown below:

The following tables show how the changes in assumptions used affect to the defined benefit obligation, related service cost and net interest.

Reporting Period Ending 31 December 2017

Items	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 1,50%	0%	0%	0%	0%	0%
Discount rate +0,50%	-7%	-7%	-14%	-8%	22%
Discount rate -0,50%	8%	8%	16%	9%	-27%
Benefit increase 1,90%	0%	0%	0%	0%	0%
Benefit increase +0,50%	4%	0%	45%	5%	48%
Benefit increase -0,50%	-4%	0%	-42%	-5%	-44%

Reporting Period Ending 31 December 2016

Items	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 1,80%	0%	0%	0%	0%	0%
Discount rate +0,50%	-7%	-6%	-14%	-9%	13%
Discount rate -0,50%	8%	7%	16%	10%	-41%
Benefit increase 1,80%	0%	0%	0%	0%	0%
Benefit increase +0,50%	4%	0%	64%	6%	71%
Benefit increase -0,50%	-4%	0%	-59%	-5%	-66%

22. Trade and other current payables

EUR 1,000	2017	2016
Trade payables		
Accounts payables trade	32,234	30,446
Accrued trade payables	23,082	22,897
	55,316	53,344
Other liabilties		
Electricity tax liability	18,566	18,466
VAT liability	13,467	12,306
Other payables	3,418	2,088
	35,451	32,860
Accrued expenses		
Employee benefit expenses	5,037	6,810
Interest expenses	39,704	38,830
Income tax liability	53	395
Other accrued expenses	4,648	10,139
	49,443	56,174
Total	140,210	142,378

Trade payables are non-interest bearing and are normally settled on 14-day of 30-day terms.

According to the Management's estimate, the fair value of the trade and other payables does not materially differ from the balance sheet value.

23. Commitments and contingencies

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

EUR 1,000	2017	2016
Within one year	379	908
After one year but no more than five years	1,555	3,813
More than five years	401	1,001
Total	**2,335**	**5,722**
Capital commitments		
Property, plant and equipment	288,577	326,162
Total	**288,577**	**326,162**
Other purchase commitments		
Purchase of electricity	2,764	-
Total	**2,764**	**-**
Contingent liabilities		
Loans, for which shares have been pledged and mortgages given		
Loans from financial institutions	2,247,536	2,106,151
Floating charges	11,100,000	11,100,000
Real estate mortgages	24,544	25,440
Guarantees on behalf of Group companies	20,442	20,443

Caruna companies have given guarantees and security for the obligations of each other 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 any Finnish Caruna company to the extent such assumption would constitute unlawful distribution of assets within the meaning of Chapter 13, Section 1 of the Finnish Companies Act, unlawful financial assistance within the meaning of Chapter 13, Section 10 of the Finnish Companies Act or be otherwise in breach of any other applicable mandatory provisions of Finnish law.

The shares in companies belonging to Caruna Group, group internal loans receivables and group cashpool accounts have been pledged as security on behalf of group loans.

Group cashpool and other bank accounts, EUR 42,900 (59,790) thousand have been pledged as security for loans from financial institutions.

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

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

Caruna Group has pledged its receivables based on the Electricity Hedging Agreement. At the balance sheet date the amount was EUR 0.

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

24. Equity

Share capital

Caruna Networks Oy's issued share capital is EUR 2,500. The shares are fully paid. The company has 2 500 shares, with no nominal value, and of which each has an equal right to dividend and to the company's assets. Each share entitles the holder to one vote at the Annual General Meeting.

Invested unrestricted equity fund

Caruna Networks Oy's invested unrestricted equity fund was EUR 171,204 (171,204) thousand during the financial year.

Other funds

EUR 1,000	2017	2016
Cash flow hedge reserve	-2,766	-2,764
Other comprehensive income	255	286
Total other funds	-2,511	-2,478

The effective portion of the gain or loss on the hedging instrument is recognised in the cash flow hedge reserve. Caruna Oy has terminated the hedge accounting of electricity derivative contracts on September 30, 2017. The company will book changes in the fair value of derivatives of electricity derivatives directly to the income statement.

Dividend distribution

No dividends were paid in 2017. After the reporting period The Board of Directors proposes to the Annual General Meeting that no dividends be paid for 2017, but rather that the profit EUR 41,360,260.31 (2016: 18,291,366.77) be added to retained earnings.

25. Related party transactions

The Caruna Group related parties consists of its subsidiaries, The Board of Directors, The CEO and the Management team. Note 3 provides the information about the Group's structure including the details of the subsidiaries and the holding company.

Management

Salaries and other short term employee benefits

EUR 1,000	2017	2016
Board members	178	170
CEO	424	981
Management team	1,558	1,053
Total	2,160	2,204

The salaries and short term employee benefits for Board members, CEO and Management team in 2017 were EUR 2,160 (2,204) thousand. Tomi Yli-Kyyny

started in Caruna Oy as a new CEO on 1st of May. The previous CEO Ari Koponen resigned from the company in October 2016. Group's Chief Financial Officer, Jyrki Tammivuori took on the responsibilities of acting CEO from October 2016 to April 2017. Remunerations have been paid to independent domestic Board members.

Salaries paid by the Caruna Group include also short-term incentives (STI). The employee has the option to transfer the whole amount or half amount of the STI to the Caruna bonus fund established in 2015.

In its meeting 24 March 2015 The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2015-2017. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros and to achieve it the Board annually sets parametres that are the same for all participants. The incentive progam is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. Mainly the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accummulated amount of the incentive at the end of the employment. There is a detailed guide regarding the LTI program. In 2017, EUR 844 thousand were paid out from the LTI program.

Retirement arrangements

The CEO's retirement age is based on the Finnish pension laws.

Termination benefits

If the employment contact with the CEO is terminated, the CEO is entitled to six months salary. A six month salary compensation has been recorded/booked for the resigned CEO Ari Koponen.

No loans have been granted to the Management during the current and previous period.

Business transactions

All transactions with related parties take place in an arm's length manner. Transactions with the Board of Directors and Management team during the financial year were immaterial. Group companies have intercompany transactions which are related to administrative and services. These are eliminated upon consolidation.

Loans

Caruna Networks Oy has a shareholder loan of EUR 933,642 (1,040,349) thousand from the owners First State Investment, Borealis, Keva and Elo through Suomi Power Networks TopCo B.V. and its subsidiaries. The outstanding amount of the accrued interest on the shareholder loan was EUR 20,281 (22,599) thousand.

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

26. Events after the reporting period

TIn 2017, preparations for a merger to streamline Caruna's corporate structure were carried out. The merger was executed on 1 January 2018, when Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy were merged into Caruna Networks Oy. The merger will not have any effects on Caruna's customers.

On 19 January 2018, the Ministry of Finance issued a draft and a request for an opinion on a tax-deduction limit on income tax that is to be introduced from the beginning of 2019. According to the draft, the reduction in interest deductions would be widened and intensified, which would increase Caruna's income tax. Caruna will analysed the effects of limiting the right to interest deduction during 2018.

Caruna's management team was strengthened by three new appointments. Anne Pirilä was appointed Caruna's Communications and Corporate Relations Director and member of the Management Team from 5 February 2018. Kosti Rautiainen, who has been appointed Director of the Electricity Network and a member of the Management Team, will start his duties on 19 March 2018. Jyrki Tammivuori, Caruna's CFO and the member of the management team, was appointed CFO and Deputy to CEO (DCEO) from 1 January 2018 onwards.

Parent company financial statements (FAS)

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 January 2017–31 December 2017	1 January 2016–31 December 2016
NET SALES	3	4,868,015.34	3,761,211.43
Personnel expenses	4	-2,985,062.95	-2,930,058.30
Other operating expenses	5	-1,599,797.44	-1,934,053.11
OPERATING LOSS		283,154.95	-1,102,899.98
Financial income and expenses	6	15,125,356.60	-18,605,733.25
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		15,408,511.55	-19,708,633.23
Appropriations	7	32,150,000.00	38,000,000.00
Income taxes	8	-6,198,251.24	-
PROFIT FOR THE PERIOD		41,360,260.31	18,291,366.77

PARENT COMPANY BALANCE SHEET

EUR	Note	31 December 2017	31 December 2016
ASSETS			
Non current assets	9		
Investments		266,108,600.47	266,108,600.47
Total non current assets		266,108,600.47	266,108,600.47
Current assets			
Non-current receivables	10	2,972,080,447.98	2,835,681,400.19
Current receivables	11	215,916,361.16	132,122,358.62
Cash and cash equivalents	12	–	21,589,685.61
Total current assets		3,187,996,809.14	2,989,393,444.42
TOTAL ASSETS		3,454,105,409.61	3,255,502,044.89
EQUITY AND LIABILITIES			
Equity	13		
Share capital		2,500.00	2,500.00
Invested distributable equity fund		171,203,600.47	171,203,600.47
Hedging reserves		-3,458,019.94	-4,757,111.46
Retained earnings (cumulative loss)		-33,213,679.24	-51,505,046.01
Profit (loss) for the financial year		41,360,260.31	18,291,366.77
Total equity		175,894,661.60	133,235,309.77
Liabilities			
Non-current liabilities	14	3,205,645,117.05	3,070,822,168.49
Current liabilities	15	72,565,630.96	51,444,566.63
Total liabilities		3,278,210,748.01	3,122,266,735.12
TOTAl EQUITY AND LIABILITIES		3,454,105,409.61	3,255,502,044.89

Notes to the parent company financial statements

1. Accounting principles

The financial statements of Caruna Networks 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 income from financial administration services, financial services and management services from group companies

1.2 FOREIGN CURRENCY ITEMS AND DERIVATIVE INSTRUMENTS

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. Foreign currency receivables and liabilities are converted into euros using the exchange rates prevailing on the balance sheet date. Exchange rate differences arising from operations are recorded to adjust income or costs in the profit and loss statement depending on the nature of the item in question. Exchange rate differences arising from financial items are recorded in the financial income and expenses in the profit and loss statement.

1.2.1 FINANCIAL INSTRUMENTS – RECOGNITION

Caruna Networks Oy has changed its accounting policies regarding derivatives on December 31, 2016 to meet the criteria of KILA 1963/2016 and has applied the IFRS approach. Caruna Networks Oy has applied hedge accounting to currency swap agreement 31.12.2016.

The Company measures financial instruments, such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by Caruna Networks Oy.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Caruna Network Oy uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable 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 categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Caruna Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.2.2 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized 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 interest rate risk associated with a recognized liability.

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they 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 hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as hedge reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

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. the loan is repaid prematurely) any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment.

1.3 INCOME TAXES

Income taxes recognised in the profit or loss statement includes both taxes from reporting period and possible adjustment to prior periods.

Deferred taxes are provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised.

Deferred tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

1.4 PENSIONS

The pension coverage for employees is provided through insurance policies taken out with a pension institution. The statutory pension expenses are recognised as expenses in the year they incurred.

1.5 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognised initially at fair value, net of transaction costs. Loans of the company are long-term.

1.6 PROVISIONS

Provisions are recognised when Caruna Networks Oy has a present obligation (legal or constructive) 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 Networks Oy is consolidated in Suomi Power Networks TopCo B.V. and its Dutch subsidiary Suomi Power BV owns 100% of the shares in Caruna Networks Oy.

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

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

Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy have been merged into Caruna Networks Oy on January 1, 2018. Previously Caruna Networks Oy owned the both companies with 100%.

3. Net sales by geographical markets

EUR	2017	2016
Sales to group companies, Finland	4,828,723.39	3,761,211.43
Sales to others, abroad	39,291.95	–
Total	4,868,015.34	3,761,211.43

4. Personel and other personel related income

Personnel expenses (EUR)	2017	2016
Wages and salaries	2,250,937.97	2,394,223.84
Indirect personnel expenses		
Pensions	584,701.56	448,203.12
Other personnel expenses	149,423.42	87,631.34
Total	2,985,062.95	2,930,058.30

Number of personnel	2017	2016
Average number of personnel during the financial year	17	18

Salaries and other short term employee benefits to management (EUR)	2017	2016
To board members, CEO and management team	2,159,512.83	2,204,519

Tomi Yli-Kyyny started in Caruna Networks Oy as a new CEO on 1st of May. The previous CEO Ari Koponen resigned from the company in October 2016. Group's Chief Financial Officer, Jyrki Tammivuori took on the responsibilities of acting CEO from October 2016 to April 2017.

5. Other operating expenses

EUR	2017	2016
Rents	123.96	6,588.12
Other expenses	1,599,673.48	1,927,464.99
Total	1,599,797.44	1,934,053.11

Auditor's fees (EUR)	2017	2016
Audit fees	168,956.48	239,457.67
Other fees	–	185,690.00
Total	168,956.48	425,147.67

6. Financial income and expenses

EUR	2017	2016
Other interest and financial income		
From group companies	141,544,658.43	136,366,650.23
From others	9,160,972.66	4,080,987.01
Total other interest and financial income	150,705,631.09	140,447,637.24
Interest expenses and other financial expenses		
To others		
Senior loan interest and financial expenses	-49,450,270.78	-42,310,877.33
Interest swap expenses *)	-5,152,629.71	-12,691,561.26
Other interest and financial expenses	-515,623.37	-22,044,624.90
Total	-55,118,523.86	-77,047,063.49
To group companies		
Junior loan interest expenses	-	-870,837.50
Shareholder loan interest expenses	-80,461,750.63	-81,135,469.50
Total	-80,461,750.63	-82,006,307.00
Total interest expenses and other financial expenses	-135,580,274.49	-159,053,370.49
Total financial income and expenses	15,125,356.60	-18,605,733.25

*) The company refinanced its loans at February 2016 and therefore the fair value of hedged interest rate swaps has been recognised in the profit and loss statement and as an accrued liability in balance sheet in 2015. The Other interest and financial expenses in 2016 include costs related to refinancing of the loans.

7. Appropriations

EUR	2017	2016
Group contribution	32,150,000.00	38,000,000.00

8. Income taxes

EUR	2017	2016
Income taxes from group contributions	6,430,000.00	7,600,000.00
Income taxes from ordinary activitiess	-12,628,251.24	-7,600,000.00
Total	-6,198,251.24	-

The company has not booked deferred tax assets from confirmed losses arising from 2015 of EUR 453,752.06.

9. Assets

EUR	2017	2016
	Investments in group companies	Investments in group companies
Acquisition cost 1 Jan	266,108,600.47	226,108,600.47
Additions	-	40,000,000.00
Acquisition cost 31 Dec	266,108,600.47	266,108,600.47
Carrying amount 31 Dec	266,108,600.47	266,108,600.47
Total assets	**266,108,600.47**	**266,108,600.47**

CURRENT ASSETS

10. Non-current receivables

EUR	2017	2016
Receivables from group companies		
Loan receivables		
Shareholder loan receivables	998,465,152.92	998,465,152.92
Other loan receivables	1,966,700,000.00	1,830,000,000.00
Total receivables from group companies	2,965,165,152.92	2,828,465,152.92
Receivables from others		
Prepayments and accrued income		
Other prepayments and accrued income	6,915,295.06	7,216,247.27
Total non-current receivables	**2,972,080,447.98**	**2,835,681,400.19**

11. Current receivables

EUR	2017	2016
Trade receivables	40,150.09	-
Prepayments and accrued income		
Accrued interest income, swaps	345,882.93	380,158.17
Advances paid, interest expenses	-	70,714.29
Prepaid insurance premiums	-	8,184.00
Other prepaid expenses and accrued income	4,687.46	1,489.98
Prepayments and accrued income total	350,570.39	460,546.44
Receivables from group companies		
Cash pool account	147,397,450.89	59,054,836.30
Prepayments and accrued income		
Shareholder loan interest income	21,726,295.29	21,688,881.93
Other interest interest income	14,251,894.50	12,918,093.95
Prepayments and accrued income total	35,978,189.79	34,606,975.88
Group contributions	32,150,000.00	38,000,000.00
Total	215,916,361.16	132,122,358.62

Receivables from group companies includes cash pool account of EUR 147,397,450.89 (59,054,836.30). The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

12. Cash and cash equivalents

EUR	2017	2016
Cash and cash equivalents	-	21,589,685.61

13. Equity

EUR	2017	2016
Restricted equity		
Share capital 1 Jan	2,500.00	2,500.00
Share capital 31 Dec	2,500.00	2,500.00
Hedging reserve 1 Jan	-4,757,111.46	-
Change in hedging reserve	1,299,091.52	-4,757,111.46
Hedging reserve 31 Dec	-3,458,019.94	-4,757,111.46
Total restricted equity	-3,455,519,94	-4,754,611.46
Unrestricted equity		
Invested distributable equity fund 1 Jan	171,203,600.47	171,203,600.47
Invested distributable equity fund 31 Dec	171,203,600.47	171,203,600.47
Retained earnings 1 Jan	-33,213,679.24	-51,505,046.01
Retained earnings 31 Dec	-33,213,679.24	-51,505,046.01
Profit for the period	41,360,260.31	18,291,366.77
Total unrestricted equity	179,350,181.54	137,989,921.23
Total equity	175,894,661.60	133,235,309.77

Distributable unrestricted equity (EUR)	2017	2016
Retained earnings	-33,213,679.24	-51,505,046.01
Profit for the period	41,360,260.31	18,291,366.77
Invested distributable equity fund	171,203,600.47	171,203,600.47
Hedging reserve	-3,458,019.94	-4,757,111.46
Total	175,892,161.60	133,232,809.77

LIABILITIES

14. Non-current liabilities

EUR	2017	2016
Loans from the group companies	933,641,586.65	933,641,586.65
Loans from financial institutions	2,247,536,479.61	2,106,150,744.71
Other liabilities	24,467,050.79	31,029,837.13
Total	**3,205,645,117.05**	**3,070,822,168.49**

15. Current liabilities

EUR	2017	2016
Trade payables	262,996.10	416,115.63
Other current liabilities	4,148,621.58	1,601,808.22
Accrued expenses		
Accrued employee expenses	948,862.62	834,115.28
Accrued interest expenses, other	19,423,387.44	18,549,581.92
Income taxes	49,003.30	-
Other accrued expenses	137,118.67	780,676.00
Total accrued expenses	20,558,372.03	20,164,373.20
Liabilities to group companies		
Trade payable	287,015.56	-
Cash pool account	27,027,855.66	8,981,499.54
Accrued expenses		
Accrued shareholder loan interest expenses	20,280,770.03	20,280,770.04
Total Current liabilities	**72,565,630.96**	**51,444,566.63**
Non-interest bearing liabilities	70,004,826.09	73,492,904.22
Interest bearing liabilities	3,208,205,921.92	3,048,773,830.90
Total	**3,278,210,748.01**	**3,122,266,735.12**

16. Fair value hierachy of financial derivatives valued at fair value

Derivative liabilities recoqnised at fair value (EUR)	2017	2016
	Level 2	Level 2
Cross currency swaps	7,452,188.78	137,015.20
Interest rate swaps	17,014,862.01	30,892,821.93

Interest rate and cross currency swaps (EUR)	2017	2016
On demand	-	-
Less than 3 months	-	-
4 to 12 months	-	-
1 to 5 years	17,014,862.01	30,892,821.93
After 5 years	7,452,188.78	137,015.20
Total	**24,467,050.79**	**31,029,837.13**

17. Commitments and contingent liabilities

EUR	2017	2016
Loans for which shares and other assets have been pledged		
Loans from financial institutions (senior-loan)	2,247,536,479.61	2,106,150,744.71
Bookvalue of pledged subsidiary shares	266,108,600.47	266,108,600.47
Floating charges	2,220,000,000.00	2,220,000,000.00
Loan receivables	2,965,165,152.92	2,828,465,152.92
Cashpool receivables	147,397,450.89	59,054,836.30
Mortgages	24,544,156.51	25,439,912,44
Guarantees on behalf of group companies	20,441,985.93	20,443,224.14

Caruna Oy has given guarantees and security for the obligations of other group companies as well as Caruna Networks B.V. and Suomi Power B.V. under the finance documents. This guarantee and security liability has expressly not

been assumed by Caruna Oy to the extent such assumption would constitute unlawful distribution of assets within the meaning of Chapter 13, Section 1 of the Finnish Companies Act, unlawful financial assistance within the meaning of Chapter 13, Section 10 of the Finnish Companies Act or be otherwise in breach of any other applicable mandatory provisions of Finnish law.

Company's bank accounts, EUR 0.00 (21,589,685.61) have been pledged as security for loans from financial institutions.

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

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

18. Holdings in other companies

Name	Caruna Networks Sähkönsiirto Oy	Caruna Networks Espoo Oy	Caruna Oy	Caruna Espoo Oy
Ownership, %	100	100	100	100
Registered office	Espoo	Espoo	Espoo	Espoo
Share capital, EUR	2,500.00	2,500.00	2,000,000.00	4,000,000.00
Equity, EUR	225,092,212.39	47,263,565.98	14,281,364.69	20,128,066.69
Profit/loss for the period, EUR	51,680,095.72	19,765,151.47	-7,647,191.21	90,530.69

19. Formulas for key figures

Operating profit %

$$\frac{\text{Operating profit \% x 100}}{\text{Net sales}}$$

ROE %

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

Equity ratio %

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

Signatures to operating and financial review and financial statements

Espoo, 6 March 2018

Juha Laaksonen
Chairman of the Board

Kenton Bradbury
Member of the Board

Jouni Grönroos
Member of the Board

John Guccione
Member of the Board

Gregor Kurth
Member of the Board

Niall Mills
Member of the Board

Tomi Yli-Kyyny
Managing Director, CEO

Auditor's note

An auditor's report based on the audit performed has been issued today.

Espoo, 6 March 2018

Deloitte Oy
Audit Firm

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APA

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