



CARUNA

Investor Report

31 DECEMBER 2020



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Investor Report

H2/2020

KEY FINANCIAL (IFRS) AND OPERATIVE INDICATORS FOR CARUNA NETWORKS BV GROUP

EUR million or as indicated	2020	2019
Net sales	475.3	466.4
Profit for the period	36.1	29.4
Corporation tax	11.1	12.7
Investments	143.2	167.3
Cash flow after investments	16.9	-10.1
Customers	703,000	692,000
Network cabling rate (%)	59	56
Small-scale producers of solar power in the network area	9,400	6,600
System Average Interruption Duration Index per customer (SAIDI), minutes	103	79
Reliability of supply rate (%)	99.98	99.99

Key events during the financial period

Caruna's customer base continued to grow steadily. The number of customers reached 703 (692) thousand at the end of December. Customer satisfaction remained almost the same, as the cumulative NPS, which is a measure of customer satisfaction, stood at 22.6 (24.2) at the end of December.

In the spring, Caruna helped alleviate the financial impacts of the coronavirus epidemic on its customers by offering private customers the option of postponing the payment of invoices by three months between 16 March and 30 June. In order to help contractors to survive the difficult financial times brought on by the coronavirus epidemic, Caruna expedited its payments to contractors during from spring onwards.

From January to December, the total electricity supply volume decreased slightly to 9.2 (9.6) TWh on the distribution network. The decrease was due to lower consumption as temperatures were higher than in the preceding year. In 2020, the average temperature in Finland was a record-breaking 4.8°C. The coronavirus epidemic had a minor impact on consumption in Caruna's network areas.

The most dramatic storm of the year occurred in September when Storm Aila knocked out the power supply to customers, with as many as 20,000 Caruna customers

suffering power cuts at the same time. Long power cuts are rare, and they are almost always caused by major storms. According to the Finnish Meteorological Institute, there were 44 days of storms in Finland last year, and this is an unusually high figure. The reliability of supply rate for electricity distribution was 99.98 (99.99) per cent at the end of December.

The projects to improve the electricity network in Caruna's network areas proceeded despite the extraordinary circumstances brought on by the coronavirus epidemic. Caruna upgraded approximately 3,600 kilometres of the electricity network in its network areas, thereby providing work for contractors all over Finland.

In May, the ISO 55001:2014 quality certificate for Caruna's electricity network asset management system was renewed. In addition, the audits that took place in the spring confirmed Caruna's environmental certificate based on the ISO 14001 standard and its occupational health and safety certificate based on the ISO 45001 standard.

Fortum and Caruna have worked together on a pilot project in Inkoo to develop a battery system to store electricity and improve the reliability of electricity distribution and the quality of supply. The battery, which was commissioned in August, is the largest battery connected to Finland's distribution network.

Ninety-five per cent of Caruna's personnel switched to remote working during the epidemic. There were no redundancies or lay-offs. Summer interns and work experience trainees were also hired as in previous years. In addition, Caruna supported employment among young people and helped municipalities to take on summer workers in various parts of Finland.

FINANCIAL DEVELOPMENT

In 2020, Caruna's net sales amounted to EUR 475.3 (466.4) million, showing an increase of 1.9 per cent year-on-year. The increase in net sales was mainly due to higher connection income. The coronavirus epidemic had a marginal impact on the Group's net sales.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 85.5 (87.2) million. The EUR 1.7 million decrease in costs is mainly due to the introduction of reactive energy compensation devices in certain substations. These devices reduce the reactive energy charges to the grid operator and regional network companies.

Other operating expenses came to EUR 89.7 (82.7) million. In 2020, there were several storms that gave rise to additional costs, especially in terms of fault rectification. The costs incurred due to fault repairs, employees on standby and planned outages were EUR 5.5 million higher than in the preceding year. Furthermore, EUR 1.8 (0.9) million was paid in standard compensation to customers for the durations of power cuts. Depreciations, amortisations and impairment charges amounted to EUR 133.5 (136.3)

million. This item includes EUR 10.5 (14.4) million in scrapping charges related to overhead power lines.

Consolidated operating profit amounted to EUR 170.8 (166.8) million. Net finance costs were EUR 123.4 (128.9) million. The decrease in net finance costs is mainly due to lower interest rates on shareholder loans than in the comparison year. Profit for the period was EUR 36.1 (29.4) million.

The Group's cash flow developed favourably. For the first time in the Group's history, its cash flow after investments was positive, ending on EUR 16.9 (-10.1) million.

FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	2020	2019	2018
Net sales	475.3	466.4	454.1
Operating profit	170.8	166.8	154.2
Operating profit (% of sales)	36.0	35.8	34.0
Profit for the period	36.1	29.4	19.7
Investments	143.2	167.3	258.4
Cash flow after investments	16.9	-10.1	-134.4
Interest-bearing net debt (at the end of the period)	3,276.5	3,286.5	3,269.8

Business activities

Caruna Group includes two network companies operating under different circumstances: Caruna Oy, which operates mainly in rural areas, and Caruna Espoo Oy, which operates in urban areas. The network companies have a total of approximately 703,000 consumer, corporate and municipal customers in South, Southwest and West Finland, the city of Joensuu and the regions of Koillismaa and Satakunta. The total length of Caruna's electricity network was nearly 88,350 kilometres at the end of the reporting period.

Caruna's customer base has grown steadily in recent years. The total number of customers was 703 (692) thousand at the end of the year. The rate of growth was 1.6% (1.3%). A total of 2,400 (2,000) new connection agreements were signed, 10 (13) of which were for medium- or high-voltage connections.

Bigro Ab in Närpiö, which is among Finland's largest tomato cultivation businesses, and Timo Juntti Oy in Kaarina, a market garden specialising in cucumber, began using 110 kV network connections for their greenhouses. The contracts for the new connections were signed in 2019. The new connections in Närpiö and Kaarina will enable production to expand and will provide the greenhouses with reliable, cost-efficient electricity distribution.

In September, an agreement was signed with wind power company Rustari Wind Oy on the construction of a 110 kV transformer field in Jalasjärvi. The new transformer

field will enable renewable energy to be connected to the network. Commissioning should take place in September 2022.

Länsimetro Oy – the company extending the Helsinki metro line in Espoo – has new connections in Kivenlahti and Finnoo, both in Espoo, which were commissioned in 2020. The new connections for the Jokeri light rail line will be commissioned between 2020 and 2023. The metro extension and the Jokeri light rail line will both significantly enhance the use of electric, low-carbon mobility solutions in Espoo.

NUMBER OF CUSTOMERS AT THE END OF THE FINANCIAL PERIOD (THOUSANDS):

Company	2020	2019	2018
Caruna Oy	479	474	471
Caruna Espoo Oy	224	218	212
Total	703	692	683

Caruna continues to devote resources to customer satisfaction and estimates its development using the Net Promoter Score index (NPS). Caruna's cumulative NPS score remained around the same level, finishing the year at 22.6 (24.2). In all customer interactions, the customers' experience of the ease of receiving service has remained good, with a score of 4.3 (4.3) on a scale from 1 to 5.

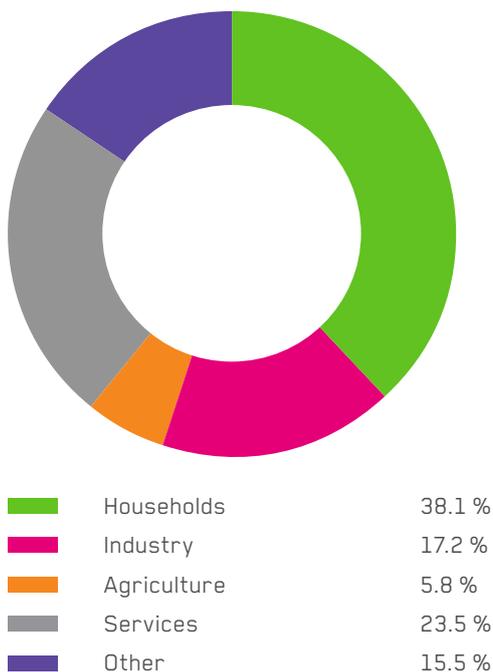
The electrification of society, the increase of renewable energy production and electric transportation require a strong and smart electricity network in order to achieve Finland's carbon neutrality goals by 2035. Undisrupted electricity distribution under all circumstances is a prerequisite for the functioning of a smart electricity network. Caruna has carried out long-term work to upgrade its electricity network while taking future requirements into consideration.

WARM WEATHER AND A MILD WINTER REDUCED ELECTRICITY CONSUMPTION

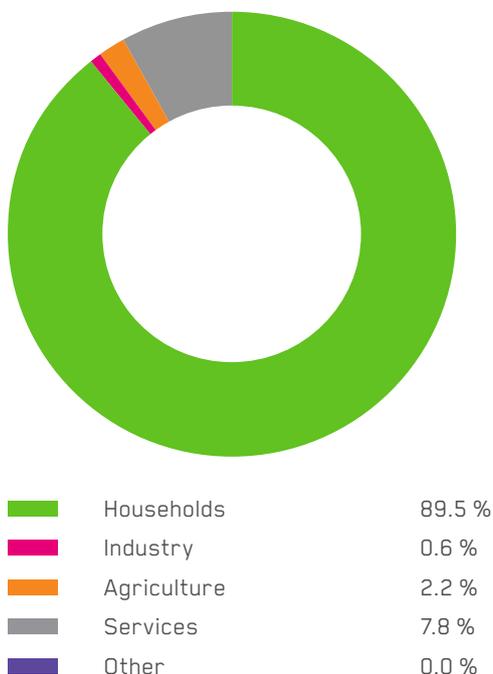
From January to December, the total electricity supply volume on the distribution network decreased to 9.2 (9.6) TWh. The decrease was due to lower consumption as temperatures were higher than in the preceding year. In 2020, the average temperature in Finland was a record-breaking 4.8°C. The coronavirus epidemic had a minor impact on consumption in Caruna's network areas. The electricity supply volume on the high-voltage distribution network was 2.7 (2.8) TWh – almost the same as in the previous year.

Households are the largest customer group, accounting for 90% of the total number of customers and 38% of all the energy transferred. Industry and services account for approximately 9% of the number of customers and 40% of the energy transferred.

GRAPH 1: CONSUMPTION BY CUSTOMER SEGMENT



GRAPH 2: NUMBER OF CUSTOMERS BY SEGMENT



NETWORK RELIABILITY WAS GOOD DESPITE OF HARSH WEATHER CONDITIONS – NETWORK UPGRADES ACCELERATE FAULT REPAIRS

The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). The average interruption time in Caruna’s electricity distribution (SAIDI) was 103 (79) minutes per customer between January and December, and the reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 1.7 (1.4) events.

The largest number of interruptions was caused by Storm Aila in September. Storm Aila affected the power supply to approximately 80,000 customers, and approximately 20,000 customers suffered power outages simultaneously. In February, Storm Elina caused power cuts affecting up to 10,200 customers at the same time. According to the Finnish Meteorological Institute, there were 44 stormy days in 2020. This contrasts starkly with the average number of stormy days in the period from 2006 to 2019, which was 27 per year.

Caruna has rapidly upgraded its electricity network to make it weatherproof, and this significantly reduced the number and duration of faults in comparison with previous storms. In addition, the electricity network is now highly automated, enabling electricity to be restored more quickly. In Caruna’s area in Southwest Finland, which was most severely affected by Storm Aila, approximately two-thirds of the backbone network is already underground, protected from the weather.

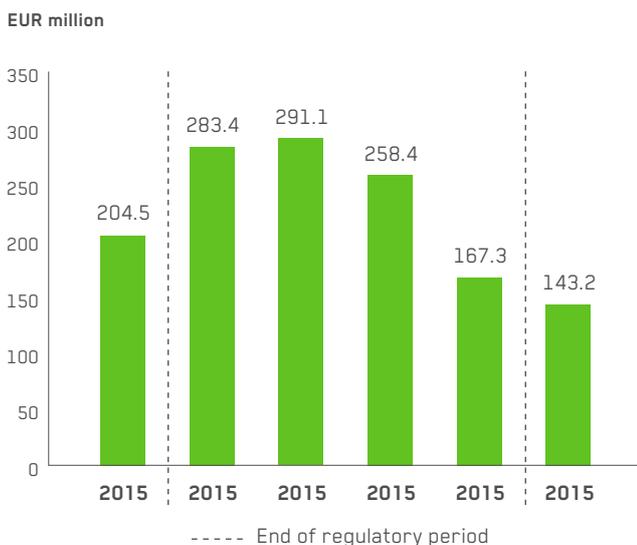
IN THE FUTURE, NETWORK DEVELOPMENT PROJECTS WILL PAY BETTER CONSIDERATION TO THE NEEDS OF LOCAL AREAS

In 2020, Caruna made improvements to its procedures for designing, building and renovating the electricity network. In the future, network development projects will pay better consideration to the needs and distinctive characteristics of local areas. The reliability of electricity distribution will be improved through cabling, clearing trees for power line corridors, increasing the amount of network automation, and piloting electricity storage.

Fortum and Caruna have worked together on a pilot project in Inkoo to develop a battery system to store electricity and improve the reliability of electricity distribution and the quality of supply. The battery system, which was commissioned in August, is the largest battery connected to Finland’s distribution network.

In 2020, the electricity network was upgraded most in Caruna Oy’s area. A total of 3,600 kilometres of the electricity network was placed underground to protect it from the weather, and 3,200 kilometres of this was in Caruna Oy’s area. Caruna’s investments amounted to EUR 143.2 (167.3) million.

GRAPH 3. INVESTMENTS 2015–2020



An extensive network improvement programme, which began in 2014 and involved modernising the electricity network in 20 municipalities in Ostrobothnia and Koillismaa, was completed in June. The project called for approximately 1,600 kilometres of medium-voltage electricity network to be placed underground to protect it from the weather.

Planning of the Local Cable Project in Espoo, Kauniainen and Kirkkonummi began at the end of 2020. Over the four-year term of the agreement, 500 kilometres of overhead lines will be replaced by underground cables. Construction will begin in autumn 2021.

Approximately 180 kilometres of overhead lines in Raasepori and Hanko were replaced by underground cables that are protected from the weather. Caruna intends to build approximately 750 kilometres of weatherproof electricity network infrastructure in the Raseborg and Hanko area by 2023. The project began in 2018.

A significant power line overhaul was completed on the high-voltage distribution network when the power line between Kyröskoski and Paununperä was upgraded in the Hämeenkyrö and Ikaalinen areas. A total of 33 kilometres of the power line was overhauled, and this will improve the quality of electricity supplied to high-voltage customers in the area.

SOLAR POWER REMAINED POPULAR – NEW ENERGY ADVICE SERVICE FOR CUSTOMERS

Approximately 2,800 (2,500) new solar power systems (<2 MVA) were connected to Caruna's electricity network in 2020. Private customers accounted for approximately 2,500 of this number, while corporate customers accounted for the remaining 300.

By the end of the period, the number of small-scale producers of solar power was approximately 9,400 (6,600). This target was supported by an electronic service plat-

form, which was launched in February under the Virtane brand. The service enables customers to compare the prices of solar panels, electric vehicle charging services and electricity contracts. There are currently nearly 50 solar panel partners and more than 40 charging solution partners involved in the platform.

Caruna launched new services for its customers in 2020. For example, a new, proactive energy advice service analyses the electricity consumption of homes and holiday houses. Customers receive a warning if more electricity is consumed in the property than before.

A service enabling customers to monitor the progress of their electricity connection orders was launched on the digital Caruna+ self-service channel. The order monitoring service provides customers with up-to-date information on the construction of the electricity connection and the various stages involved in the process automatically.

JOINT CONSTRUCTION CONTINUED WITH TELIA AND ELISA

Telia and Caruna continued their cooperation on joint construction which began in 2019. Caruna is responsible for designing and building both the electricity and the fibre optic network, and Valokuitunen, a company established by Telia in the spring, sells fibre optic subscriptions.

In 2020, Telia and Caruna began a new joint construction project in Pöytyä and completed pilot projects in Hyvinkää, Raisio, and Vahto in Rusko. In addition, Caruna's joint construction service expanded when Caruna began working with Elisa in Sauvo.

Caruna's electricity network asset management system was awarded the internationally recognised ISO 55001:2014 quality certificate again in May. The certificate signifies the high quality Caruna has achieved in electricity network development and maintenance, network operations and other operative activities.

Research and development

Total research and development expenditure for the financial period amounted to EUR 0.2 (2019: 0.2 and 2018: 0.1) million, which is 0.19 (2019: 0.27 and 2018: 0.10) per cent of operating expenses.

Financing

Electricity distribution is a capital-intensive sector. The network improvement programme to be completed by the end of 2028 will require continuous additional financing. Caruna's debts amount to more than three billion euros, of which over two billion consist of external loans and approximately EUR 800 million is in shareholder loans.

The purpose of Caruna's financing operations is to guarantee the Group's operations in the long term and to

ensure that the network improvement programme can be carried out as planned. To achieve this, Caruna arranges highly diversified funding from several capital markets.

During the financial period, Caruna drew a capex facility and working capital loan in a total amount of EUR 75 million, and repaid EUR 108 million of the sum.

At the end of the financial period, the Group's external loans were in total EUR 2,566.1 (2,604.8) million. On the balance sheet date, 96.5 per cent of Caruna's external loans had fixed interest rates when interest rate swaps are taken into consideration. The average interest rate on external loans at the end of the year was 2.1% (2.1%).

At the end of the year, Caruna Networks BV had a fixed-interest shareholder loan amounting to EUR 774 million. The interest on the shareholder loan is paid biannually if the covenants of the other external loans are met.

The committed credit facilities available on the balance sheet date were a capex and revolving credit limit amounting to EUR 260 (227) million, a bank overdraft limit of EUR 30 (30) million and a liquidity facility of EUR 6.7 (6.7) million.

Net finance costs recognised on the income statement for the financial period were in total EUR 123.4 (128.9) million, and the interest liabilities recognised on the balance sheet were EUR 36.2 (36.3) million.

Caruna complied with the covenant terms of all loan agreements.

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

Employees

Caruna Group had 314 (313) employees at the end of the year, 67 (65) of whom were employed by the Group's parent company.

	2020	2019	2018
Number of employees 31 Dec	314	313	289
Average number of employees during the year	323	313	289
Wages and salaries (EUR million)	22.7	20.6	19.2

In 2020, Caruna's efforts to enhance its corporate culture focused on integrating the group's values into its business activities in greater depth. The Expert as a Cultural Influencer programme, which began in November, encourages Caruna's experts to develop their roles as builders of the corporate culture.

Caruna was awarded its second Great Place to Work certificate in September. The Great Place to Work certificate is an acknowledgement of the achievement of a corporate culture based on trust.

Each Caruna employee spent an average of 10.8 (18.0) hours in training. Absences due to illness decreased at an average level of 1.7 (2.3) per cent of working time.

The employee commitment index remained good at 72 (72) per cent.

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

Corporate responsibility

Caruna invested in developing its culture of safety and in training in 2020.

Among other things, a group of Caruna employees received training to become safety coaches with the goal of coaching other Caruna employees. Caruna's employees conducted almost 400 safety observation rounds on work-sites, and our partners' project managers and contractors conducted nearly 3,500 site inspections.

Two Caruna Academy training programmes were conducted last year to enhance the skills of contractors. Nine people were trained to work on electricity network worksites, and they found employment in contractor companies. The Project Academy provided with contractor employees with project management training.

Caruna also continued to execute network improvement projects to reduce grid losses while taking other energy-efficiency actions. Thanks to investments in the reliability of supply, Caruna was able to reduce network losses by approximately 4.9 GWh.

In 2020, Caruna's partner Kuusakoski Oy processed approximately 99 (95) per cent of the scrap material created by Caruna's network projects. In 2020, approximately 55 (235) pole-mounted transformers were removed from groundwater areas. The target was to replace all of the pole-mounted transformers in groundwater areas with park transformers by the end of 2020, but it was not possible to demolish the transformers as planned due to unfavourable frost conditions.

Caruna regularly monitors the operations of its contractual partners and ensures that they meet the applicable requirements. Seven contractual suppliers were audited in 2020. Three of these were network material suppliers, two were ICT suppliers, and one was a new service provider in the customer service support service. In addition to supplier audits, we audited the capability of our project supervision partner to operate according to the new agreement.

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

Risks and uncertainties

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

STRATEGIC RISKS

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

OPERATIONAL RISKS

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

FINANCIAL RISKS

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

Statement on changes in shareholders' equity

Caruna Networks Oy's share capital is EUR 2,500, and the invested unrestricted equity fund contains 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 period amounted to EUR 41,734,011.46 (51,135,211.16).

In September, Caruna Networks Oy distributed a dividend to its shareholders as decided by an extraordinary general meeting. The dividend amounted to EUR 4,800 per share for a total of EUR 12 million.

Governance

The Annual General Meeting appoints the members of the Board of Directors for a term of office commencing at the Annual General Meeting and ending at the next Annual General Meeting. Planning the composition of the Board of Directors involves taking into account Caruna's current and

future business needs and seeking to ensure the diversity of the Board in several aspects. Caruna's Board members must have adequate experience and expertise that complement those of the other members. The members' individual qualities are also emphasised.

GENERAL MEETINGS

Caruna Networks Oy's Annual General Meeting was held on 27 March 2020. The meeting approved Caruna's financial statements for 2019, adopted the consolidated income statement and balance sheet, and discharged the members of the Board of Directors and the CEO from liability. The meeting did not decide to pay a dividend.

Caruna Networks Oy held extraordinary general meetings on 1 August 2020, 21 September 2020 and 5 November 2020. Changes to the composition of the Board of Directors were decided in August and November. In September, the Board's proposal for the payment of a dividend to the shareholders was approved.

BOARD OF DIRECTORS

The Board convened 12 times during the financial period. The Board members were Matti Ruotsala (Chair), Jouni Grönroos, John Guccione (until 1 August 2020), Gregor Kurth (until 27 March 2020), Michael McNicholas (as of 1 August 2020), Matthew Liddle, Niall Mills, Ellen Richardson (as of 27 March 2020) and Laura Tarkka. The deputy members were Ellen Richardson (until 27 March 2020), Nicolas Grant, Agnieszka Gawron (as of 5 November 2020) and Ines Grund (until 5 November 2020).

Niall Mills, Ellen Richardson and Nicolas Grant resigned from the Board on 1 March 2021. The extraordinary general meeting held on 2 March 2021 elected James Adam, Oleg Shamovsky and Fredrik Lundeborg as new members of the Board.

COMMITTEES OF THE BOARD OF DIRECTORS

The 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. Committee members are elected by the Board. The members' terms of office end after the conclusion of the next Annual General Meeting.

The Audit Committee consisted of Jouni Grönroos (Chair), Gregor Kurth (until 11 March 2020), Matthew Liddle and Ellen Richardson (as of 11 March 2020).

The Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair), John Guccione (until 21 August 2020), Niall Mills (until 21 August 2020), Nicolas Grant (as of 21 August 2020) and Michael McNicholas (as of 21 August 2020).

The Health, Safety and Environment Committee consisted of Nicolas Grant (Chair), Gregor Kurth (until 11 March 2020), Matthew Liddle, Laura Tarkka and Ellen Richardson (as of 11 March 2020).

Management Team

The Management Team consisted of CEO Tomi Yli-Kyyny, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Unit Kosti Rautiainen, Head of Customer Relations Katriina Kalavainen, Head of HR Tommi Saikkonen, Head of Communications and Public Affairs Anne Pirilä, Head of Development and Innovation Elina Lehtomäki and Head of Strategy and Regulation Noora Neilimo-Kontio (as of 12 March).

Auditing

Caruna Networks Oy's auditor was the audit firm Deloitte Oy, with Jukka Vattulainen, Authorised Public Accountant, as the auditor with principal responsibility.

Shares and ownership

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

Key events after the financial period

In January 2021, Storm Toini had the greatest impact on electricity distribution to Caruna's customers in Southwest Finland. Approximately 7,700 suffered power cuts at the same time.

In January 2021, the Government presented a draft bill for amending the Electricity Market Act. Caruna has made advance preparations for the amendments and will continue its detailed analysis of the impacts on Caruna's companies.

Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR acquired each a 20% holding in Caruna from First Sentier Investors (FSI) on 1 March 2021. In a separate transaction that also completed on 1 March 2021, AMF acquired Keva's 12.5% holding in Caruna.

Separately, Ontario Teachers' and KKR have signed binding documentation to acquire a further 40% holding in Caruna from OMERS, which will increase their ownership to 40% each. This later transaction is expected to close during the second quarter of 2021, pending regulatory approvals.

Niall Mills, Ellen Richardson and Nicolas Grant resigned from the Board on 1 March 2021. The extraordinary general meeting held on 2 March 2021 elected James Adam, Oleg Shamovsky and Fredrik Lundeborg as new members of the Board.

Estimate of likely future developments

Caruna Oy and Caruna Espoo Oy operate as part of Caruna Group and within the framework of the electricity distribution industry in a regulated operational environment. Caruna Networks Oy will continue to operate as the parent company, offering administrative services to the other companies in the Group, along with other services to support electricity distribution, such as Caruna's electronic service platform and fibre construction for customers and partners. The operations are expected to continue in accordance with normal business principles and conditions.

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

According to a draft bill proposed by the Government in January 2021, the reliability of supply requirements will be postponed from 2028 to 2036 for companies with medium-voltage networks that had a cabling rate of less than 60% at the end of 2018. Caruna Oy fulfils this criterion within Caruna Group.

The maximum annual increase in the post-tax price of electricity distribution is proposed to be lowered from the present 15 per cent to eight per cent.

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

As a pioneer, Caruna aims to promote the increase of renewable energy production and the electrification of transport in order to achieve Finland's carbon neutrality goals by 2035. The electricity network will be developed into a reliable platform on which these solutions can be rapidly and efficiently deployed.

Regulatory and Business Update

There were no changes to regulatory framework during H2 2020. However, government's proposal for Energy Market Act update was under preparation and created quite a discussion around regulatory model and needed development of it. Final proposal and parliamentary handling of legislative update was postponed to 2021, government proposal given late January 2021. Proposal includes e.g. the following modifications; annual price increase ceiling to be 8% instead of 15%, one time exception to recover cumulative under income at the end of 2019 during eight years (instead of four), most of the companies getting prolonged time until 2036 to comply with Security of Supply criteria and regulatory outage compensations to customers slightly increased. In addition, some new requirements were introduced in relation to the network development plans reported biennially to Energy Authority. These amendments included e.g. cost efficiency considerations within investments and utilisation of flexibility and similar solutions for capacity and security of supply where suitable.

Updated legislation is assumed to come into force during H1 2021. Energy Market Act update does not include any changes to regulatory model itself, but it enables Energy Authority to review and amend regulatory model, even during the current regulatory period. It is assumed that Energy Authority will utilize this opportunity and amend the model before the end of the current regulatory period in 2023. While Energy Market Act update does not have significant impact on Caruna's business, possible impacts of regulatory model amendments are to be evaluated when content and timing of them is clarified.

The discussion around distribution pricing and regulatory model logics remained in public eye and political debate. This has increased the regulatory and political risk. Energy Authority will start the evaluation of the current model after the Energy Market Act update has come into force. They will run simultaneously two development projects, the first focusing on possible amendments within the current regulatory period and the second evaluating development needs for the 6th regulatory period starting in 2024.

Caruna has solid interest promotion plan to secure as minimal as possible changes to the model before 2024 and to drive long-term development which allows further value creation. This is done by actively participating in regulatory model development both as an individual company as well as via Energy Industry Associations' Committees as well as via improving the public image and reputation of the company. Caruna has also created proactive stakeholder management program towards politicians, Energy Authority, Energy Industry Association and other DSOs to impact favourably on decision making. We also carry out internal development initiatives to be able to mitigate and amend

our operations to any negative changes in the regulatory model. As the largest DSO with proven efficiency and competitive advantage we believe to be in good position to secure successful operations also in future.

Summary of financial result of Caruna Networks BV Group January-December 2020

KEY NOTES TO THE INCOME STATEMENT

Net sales EUR 475.3 million (budget EUR 485.4 million): The difference to budget was EUR -10.1 million (-2,1 %). The distribution sales were EUR 13.3 million less than budget driven by lower volume because of warmer than anticipated weather in budget. Connection fees in other sales were EUR 3.2 million higher than plan due to higher amount of new connections.

Direct costs EUR 85.5 million (budget EUR 89.3 million): Direct costs were EUR 3.8 million lower than budget. Lower amount of reactive power decreased the direct costs. Also, the lower distribution volume caused by the warm weather drove the direct costs below budget.

Fixed costs EUR 89.7 million (budget EUR 83.5 million): Fixed costs were EUR 6.2 million higher than budget. The deviation was driven by higher than planned fault repairing costs related to storms. The amount of storm days in Caruna network area in 2020 almost doubled compared to previous years.

Depreciation & amortisation EUR 133.5 million (budget EUR 133.0 million): The depreciation and amortisation were on the budgeted level. Depreciation includes EUR 30.1 million depreciation of fair value adjustments.

Net financing expenses EUR 123.4 million (budget EUR 121.2 million): Net interest costs were on the budgeted level. Budgeted net financing expenses did not include other financial expenses.

KEY NOTES TO THE BALANCE SHEET

Intangible assets EUR 1,648.5 million (budget EUR 1,677.4 million) were lower than budgeted. Intangible assets consist mainly of non-depreciable fair value of operating licenses and goodwill raising from purchase price allocation EUR 1,591.7 million. Capitalised way leaves and IT-costs contribute for EUR 42.7 million and EUR 13.6 million respectively.

Property, plant and equipment EUR 2,403.8 million (budget EUR 2,443.9) was lower than planned due to lower capital expenditure. The balance includes fair value adjustment of network assets from purchase price allocation EUR 542.1 million.

Other non-current assets EUR 9.5 million (budget EUR 5.9 million). This item consists of deferred tax assets related to financial liabilities at fair value through OCI and capitalised loan arrangement fees related to Revolving Credit Facility.

Total equity EUR -65.0 million (budget EUR -67.3 million) remained negative. The equities of the standalone Finnish companies are positive and comply with Finnish Companies Act. Dividend income has not been paid out of Caruna Networks BV Group.

Interest-bearing debt EUR 3,336.6 million (budget EUR 3,395.4 million) was lower than planned.

Derivative financial instruments EUR 43.4 million (budget EUR 30.7 million) were more than planned and consisted of fair value of interest and currency derivatives.

Deferred tax liabilities EUR 509.4 million (budget EUR 504.8 million) were slightly above the budgeted level.

KEY NOTES TO THE CASH FLOW

Net cash from operating activities was EUR 167.6 million (budget EUR 135.4 million), which is EUR 32.2 million higher than assumed in budget. The difference is mainly due to smaller EBITDA and lower working capital than anticipated. Working capital change was driven by lower capital expenditure and speed up payments of supplier invoices during the Covid-19 pandemic during the year.

Net cash used in investing activities was EUR -150.7 million (budget EUR -180.7 million) which is EUR 30.0 million less than planned due to lower than anticipated capital expenditure spend for network improvements.

Net cash used in financing activities was EUR -33.2 million (budget EUR -3.3 million). The difference of EUR 29.9 million is due to lower capital expenditure and repayment of RCF-loans. Caruna Networks BV did not pay the budgeted dividend in 2020.

1. We confirm that in respect of this Investor Report dated 11 March 2021, by reference to the most recent Financial Statements that we are obligated to deliver to you in accordance with paragraph 1 (Financial Statements) of part 2 (Information Covenants) of Schedule 2 (Borrower Security Group Covenants) of the Common Terms Agreement:
 - (a) the Senior Interest Cover Ratio in respect of the Relevant Period is estimated to be greater than or equal to 1.7x; and
 - (b) the Senior Leverage Ratio in respect of the Relevant Period is or is estimated to be greater than or equal to 5.0%,
(together the "Ratios").
2. We confirm that each of the above Ratios has been calculated in respect of the Relevant Period(s) or as at the Calculation Dates for which it is required to be calculated under the Common Terms Agreement.
3. We confirm that:
 - (a) no Default or Trigger Event has occurred and is continuing;
 - (b) the Borrower Security Group is in compliance with the Hedging Policy; and
 - (c) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully

Officer
Signing without personal liability, for and on behalf of
Caruna Networks Oy as Borrower Security Group Agent

INCOME STATEMENT 1 JANUARY-31 DECEMBER 2020

EUR million, cumulative	ACT Jan-Dec 2020	BUD Jan-Dec 2020	Diff	ACT Jan-Dec 2019	Change	BUD Jan-Dec 2021
Distribution sales	456.5	469.8	-13.3	453.7	2.8	467.0
Other sales	18.8	15.6	3.2	12.7	6.1	12.5
NET SALES	475.3	485.4	-10.1	466.4	8.9	479.5
Direct costs	-85.5	-89.3	3.8	-87.2	1.7	-85.3
SALES MARGIN	389.8	396.1	-6.3	379.2	10.6	394.2
Other Income	4.2	3.3	0.9	6.7	-2.5	4.9
Personnel costs	-25.9	-25.8	-0.1	-25.1	-0.8	-23.3
Repairs & Maintenance	-26.3	-18.0	-8.3	-20.4	-5.9	-21.7
External Services	-20.3	-26.2	5.9	-19.9	-0.4	-24.0
Other expenses	-17.2	-13.5	-3.7	-17.4	0.2	-14.7
Total fixed costs	-89.7	-83.5	-6.2	-82.8	-6.9	-83.7
EBITDA	304.3	315.9	-11.6	303.1	1.2	315.4
Depreciation and amortisation	-133.5	-133.0	-0.5	-136.3	2.8	-135.4
OPERATING PROFIT	170.8	182.9	-12.1	166.8	4.0	180.0
Finance income	2.2	-	2.2	0.1	2.1	-
Interest expenses on Senior loan	-56.9	-54.1	-2.8	-52.9	-4.0	-54.5
Interest expenses on Shareholder loan	-65.1	-65.8	0.7	-72.9	7.8	-65.8
Ongoing fees	-0.8	-0.9	0.1	-0.8	0.0	-0.8
Loan arrangement fee amortisation	-1.0	-0.4	-0.6	-0.8	-0.2	-
Other financial items	-1.8	-	-1.8	-1.6	-0.2	-
Net finance costs	-123.4	-121.2	-2.2	-128.9	5.5	-121.1
RESULT BEFORE TAX	47.4	61.7	-14.3	37.9	9.5	58.9
Income taxes	-11.1	-17.0	5.9	-12.7	1.6	-20.8
Deferred taxes	-0.2	10.5	-10.7	4.2	-4.4	12.4
PROFIT FOR THE PERIOD	36.1	55.2	-19.1	29.4	6.7	50.5

BALANCE SHEET

EUR million	ACT 31 Dec, 2020	BUD 31 Dec, 2020	ACT 31 Dec, 2019	BUD 31 Dec, 2021
ASSETS				
Non-current assets				
Intangible assets	1,648.5	1,677.4	1,649.1	1,644.7
Property, plant and equipment	2,403.8	2,443.9	2,393.6	2,455.3
Other non-current assets	9.5	5.9	7.3	5.5
Total non-current assets	4,061.8	4,127.2	4,050.0	4,105.5
Current assets				
Trade receivables	111.1	133.9	114.0	117.5
Other current receivables	4.0	-	1.6	-
Cash and cash equivalents	78.6	10.0	94.9	10.0
Total current assets	193.7	143.9	210.5	127.5
TOTAL ASSETS	4,255.5	4,271.1	4,260.5	4,233.0
EQUITY				
Share capital	0.0	0.0	0.0	0.0
Invested distributable funds	171.3	171.2	171.3	171.2
Profit for the period	36.1	55.2	29.4	50.5
Retained earnings	-243.1	-270.1	-272.5	-308.6
Other equity components	-29.3	-23.6	-21.9	-21.9
Total equity	-65.0	-67.3	-93.7	-108.8
LIABILITIES				
Non-current liabilities				
Senior loan	2,568.8	2,629.3	2,607.7	2,588.5
Shareholder loan	773.6	773.6	773.6	773.6
Loan arrangement fees	-5.8	-7.5	-6.4	-6.1
Derivative financial instruments	43.4	30.7	27.3	30.8
Deferred tax liabilities	509.4	504.8	509.3	499.1
Other non-current liabilities	305.2	306.8	304.7	305.7
Total non-current liabilities	4,194.6	4,237.7	4,216.2	4,191.6
Current liabilities				
Trade payables	35.2	42.1	43.5	47.1
Accrued interest expenses	36.2	37.4	36.3	36.5
Other current interest-free payables	54.5	21.2	58.2	66.6
Total current liabilities	125.9	100.7	138.0	150.2
TOTAL LIABILITIES	4,320.5	4,338.4	4,354.2	4,341.8
TOTAL EQUITY AND LIABILITIES	4,255.5	4,271.1	4,260.5	4,233.0

CASH FLOW STATEMENT

EUR million	ACT Jan-Dec 2020	BUD Jan-Dec 2020	Diff.	ACT Jan-Dec 2019	Change	BUD Jan-Dec 2021
CASH FLOW FROM OPERATING ACTIVITIES						
Result for the period	36.1	55.2	-19.1	29.4	6.7	50.5
Adjustments						
Income tax expenses	11.3	6.5	4.8	8.5	2.8	8.4
Finance costs-net	123.4	121.2	2.2	128.9	-5.5	121.1
Depreciation, amortisation and impairment charges	133.5	133.0	0.5	136.3	-2.8	135.4
Operating profit before depreciations (EBITDA)	304.3	315.9	-11.6	303.1	1.2	315.4
Non-cash flow items and divesting activities	-0.1	0.5	-0.6	-0.4	0.3	-
Interest received	2.2	-	2.2	4.0	-1.8	-
Interest paid, Senior loan	-55.6	-54.4	-1.2	-59.6	4.0	-55.5
Interest paid, Shareholder loan	-65.1	-67.2	2.1	-74.9	9.8	-64.9
Ongoing fees, paid	-0.8	-1.6	0.8	-0.8	-	0.6
Other financial expenses paid	-2.8	-	-2.8	-1.8	-1.0	-
Taxes	-11.6	-17.2	5.6	-11.3	-0.3	-20.8
Funds from operations	170.5	176.0	-5.5	158.3	12.2	174.8
Change in working capital	-2.9	-40.6	37.7	0.4	-3.3	0.6
Total net cash from operating activities	167.6	135.4	32.2	158.7	8.9	175.4
CASH FLOW FROM INVESTING ACTIVITIES						
Capital expenditures	-150.9	-180.7	29.8	-170.9	20.0	-144.5
Proceeds from sales of fixed assets	0.2	-	0.2	2.1	-1.9	-
Total net cash used in investing activities	-150.7	-180.7	30.0	-168.8	18.1	-144.5
Cash flow before financing activities	16.9	-45.3	62.2	-10.1	27.0	30.9
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from long-term liabilities	75.0	8.8	66.2	223.0	-148.0	7.0
Payments of long-term liabilities	-108.0	-	-108.0	-177.3	69.3	-
Dividends paid	-	-12.1	12.1	-	-	-85.6
Other financing items	-0.2	-	-0.2	-	-0.2	0.0
Total net cash used in financing activities	-33.2	-3.3	-29.9	45.7	-78.9	-78.6
Total net increase(+) / decrease(-) in cash and cash equivalents	-16.3	-48.6	32.3	35.6	-51.9	-47.7
Cash and cash equivalents in the beginning of the period	94.9	58.6	36.3	59.3	35.6	57.7
Cash and cash equivalents at the end of the period	78.6	10.0	68.6	94.9	-16.3	10.0

EUR million	ACT Jan-Dec 2020	BUD Jan-Dec 2020	Diff.	ACT Jan-Dec 2019	Change
Permitted Acquisition	-	-	-	-	-
Permitted Disposal	0.2	-	0.2	2.1	-1.9
Permitted Distribution	65.1	67.2	-2.1	202.2	-137.1
Additional Financial Indebtedness	-	-	-	-	-

Ratio ICR	31 Dec 2020, Backward	31 Dec 2020, Forward	31 Dec 2020, Extended Forward
Senior Interest Cover Ratio	5.1x	5.3x	-
Lock-up	1.7x	1.7x	-
Lock-up breach	-	-	-
Default	1.2x	-	-
Default breach	-	-	-
Senior Leverage Ratio	9.5%	9.3%	9.8%
Lock-up	5.0%	5.0%	5.5%
Lock-up breach	-	-	-
Default	4.0%	-	-
Default breach	-	-	-

LOAN COVENANT RATIO CALCULATION

EUR million	H1/2020	H2/2020	"Backward"		"Forward"		"Extended"
			31 Dec 2020	H1/2021	H2/2021	31 Dec 2021	36 months total
Senior Interest Cover Ratio, Denominator:							
EBITDA	157.8	146.5	304.3	160.9	154.5	315.4	
+ Taxes	-5.5	-5.6	-11.1	-10.4	-10.4	-20.8	
Consolidated EBITDA - taxes, total	152.3	140.9	293.2	150.5	144.1	294.6	
Senior Interest Cover Ratio, Numerator:							
Interest Costs, Senior	-28.2	-28.7	-56.9	-27.2	-27.3	-54.5	
Ongoing fees, Senior	-0.3	-0.5	-0.8	-0.4	-0.4	-0.8	
Net Finance Charges, Senior total	-28.5	-29.2	-57.7	-27.6	-27.7	-55.3	
Senior Interest Cover Ratio			5.1x			5.3x	
Senior Leverage Ratio, Denominator:							
EBITDA	157.8	146.5	304.3	160.9	154.5	315.4	333.3
Interest Costs, Senior	-28.2	-28.7	-56.9	-27.2	-27.3	-54.5	-55.5
Ongoing fees, Senior	-0.3	-0.5	-0.8	-0.4	-0.4	-0.8	-0.8
+ Taxes	-5.5	-5.6	-13.0	-10.4	-10.4	-20.8	-23.1
Funds from Operations, FFO	123.8	111.7	235.5	122.9	116.4	239.3	253.9
Senior Leverage Ratio, Numerator:							
Senior debt		2,568.8	2,568.8		2,588.5	2,588.5	2,602.7
Cash		-78.6	-78.6		-10.0	-10.0	-10.0
Net debt - Senior		2,490.2	2,490.2		2,578.5	2,578.5	2,592.7
Senior Leverage Ratio			9.5%			9.3%	9.8%

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