



CARUNA

Investor Report

H1/2021

Positive energy.



Investor Report

H1/2021

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

EUR million or as indicated	H1/2021	H1/2020	2020
Net sales	258.9	244.3	475.3
Profit for the period	24.8	27.8	36.1
Corporation tax	6.3	5.5	11.1
Investments	60.9	72.2	143.2
Cash flow after investments	47.5	6.0	16.9
Customers	708,000	697,000	703,000
Network cabling rate (%)	61	58	59
Small-scale producers of solar power in the network area	10,800	8,000	9,400
System Average Interruption Duration Index per customer (SAIDI), minutes	46	40	103
Reliability of supply rate (%)	99.98	99.99	99.98

Key events during the reporting period

At the end of June 2021, Caruna had 708,000 (697,000) customers. A total of 1,370 (1,100) new connection agreements were signed in the period from January to June, 8 (7) of which were for medium- or high-voltage connections. Customer satisfaction remained almost the same, as the cumulative NPS, which is a measure of customer satisfaction, stood at 20.9 (23.8) at the end of June.

In March, the City of Espoo and Caruna signed an agreement on strategic cooperation. The aim of the cooperation is to support Espoo's growth and carbon-neutrality targets with a strong electricity network that meets future energy needs, enabling clean energy solutions for Espoo residents and companies.

From January to June, the total electricity supply volume in the distribution network increased to 5.3 (4.9) TWh. The increase was mainly due to a colder winter and spring compared with the same period in the previous year.

The average interruption time in Caruna's electricity distribution (SAIDI) was 46 (40) minutes per customer between January and June, and the reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 0.69 (0.77) events. Four major storms hit Caruna's network areas in the first half of the year, the most destructive

of which was storm Paula, which struck the Koillismaa region in June. Storm Paula caused approximately 5,300 customers to experience power cuts at the same time.

The projects to improve the electricity network in Caruna's network areas proceeded as planned. Caruna upgraded approximately 1,200 kilometres of the electricity network in its network areas by building underground cables, providing work for contractors all over Finland. Work also continued on the digitalisation of the network to enable remote control and more efficient fault repair.

The only way for Finland to reach its target of becoming carbon neutral is to significantly increase the country's electricity consumption, manifested in the electrification of industry, transport, heating and housing. In addition to making the network more weatherproof, future investments will seek to ensure sufficient capacity in the electricity network for customers.

The Ontario Teachers' Pension Plan Board (Ontario Teachers') and KKR both purchased a 20 per cent stake in Caruna from First Sentier Investors (FSI), the original owner of Caruna, on 1 March 2021. Similarly, another of Caruna's original owners, Keva, sold its 12.5 per cent stake to AMF, a Swedish pension insurance company, on 1 March 2021.

On 11 May, Ontario Teachers' and KKR both acquired a 20 per cent stake in Caruna from Omers, which was also one of Caruna's original owners. Following these transactions, KKR and Ontario Teachers' both own 40 per cent of the shares in Caruna. The aforementioned transactions have received the necessary regulatory approvals.

In June, Caruna issued a green bond worth EUR 300 million to fund projects within the green finance framework. These include increasing the capacity of the electricity network, renewing underground cables and overhead lines, electricity storage technology projects, research and development. Caruna is the first Nordic electricity distribution company to issue a euro-denominated green bond.

FINANCIAL DEVELOPMENT

Caruna's net sales in the first half of 2021 amounted to EUR 258.9 (244.3) million, showing an increase of 6 per cent compared to the same period last year. The increase in net sales was mainly due to a much colder winter and spring compared with the same period in the previous year. The coronavirus epidemic had a marginal impact on net sales.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 47.0 (44.8) million. The increase of EUR 2.2 million in costs came mainly from the growth in the electricity supply volume.

Other operating expenses, including personnel expenses, were EUR 46.3 (43.7) million, which is EUR 2.6 million higher than in the comparison period. The main reason for the increase in costs was storm Paula, which struck in June, leading to increased fault repair expenses and outage fees for the customers who suffered power cuts.

Depreciations, amortisations and impairment charges amounted to EUR 67.0 (66.7) million. The item includes EUR 6.1 (4.2) million from the scrapping of overhead lines.

Operating profit amounted to EUR 101.8 (91.1) million. Net finance costs were EUR 72.0 (61.1) million. Net financing costs include a non-recurring charge of EUR 10.8 million related to the repayment of a bond. Profit for the reporting period was EUR 24.8 (27.8) million.

FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	H1/2021	H1/2020	2020
Net sales	258.9	244.3	475.3
Operating profit	101.8	91.1	170.8
Operating profit (% of sales)	39.3	37.4	35.9
Profit for the reporting period	24.8	27.8	36.1
Investments	60.9	72.2	143.2
Cash flow after investments	47.5	6.0	16.9
Interest-bearing net debt (at the end of the period)	3,225.7	3,274.8	3,276.5

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 708,000 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 87,550 kilometres at the end of the reporting period.

A total of 1,370 (1,100) new connection agreements were signed in the period from January to June, 8 (7) of which were for medium- or high-voltage connections.

Customer volumes at the end of reporting period (thousand customers):

Company	6/2021	2020	6/2020	2019	2018
Caruna Oy	482	479	477	474	471
Caruna Espoo Oy	226	224	220	218	212
Total	708	703	697	692	683

In January, Caruna implemented 110 kV connections to the Finnish Transport Infrastructure Agency's power supply stations in Nousiainen and Hulmikko in Vehmaa on the section of railway between Turku and Uusikaupunki. Electrification will lead to substantial cost savings for every trip that uses this section of railway while reducing emissions in the section. The connections will be commissioned in autumn 2021.

In spring 2021, Caruna implemented two new connections for the Southwest Finland Centre for Economic Development, Transport and the Environment to power the hybrid ferry on the route between Nauvo and Korppoo. Medium-voltage connections were constructed at the ferry terminals in both Nauvo and Korppoo to supply electricity at 20 kV to charge the electric ferries. The electric ferry will reduce the carbon dioxide emissions of the ferry traffic between Nauvo and Korppoo by approximately 70 per cent. The commissioning of the electric ferry called for major changes to the electricity network to guarantee the supply of the large volumes of electricity required to charge the ferry batteries. Both medium-voltage connections were commissioned in May 2021.

In summer 2021, Caruna implemented a 110 kV connection for Thor Sigg Ab, a company operating a cultivation greenhouse in Närpiö. Construction work began at the beginning of May, and the connection will be commissioned in the autumn when the company needs lighting for its greenhouse. The new connection will enable the company to expand its production and provide it with reliable electricity distribution.

Caruna's customer satisfaction has remained almost the same. Caruna measures customer satisfaction among its private customers, companies, landowners, municipal customers and contractors. Caruna's key customer satisfaction among company and municipal customers has shown excellent improvements, and the NPS stood at 64.4 (43.9) at the end of the review period. The cumulative net promoter score (NPS) for all customer groups from January to June was 20.9 (23.8).

COLD WEATHER AT THE START OF THE YEAR INCREASED ELECTRICITY CONSUMPTION

From January to June, the total electricity supply volume in the distribution network increased to 5.3 (4.9) TWh. The increase was mainly due to a colder winter and spring compared with the same period in the previous year. The electricity supply volume on the high-voltage distribution network was 1.4 (1.4) TWh – the same as in the previous year.

RELIABILITY OF SUPPLY REMAINED EXCELLENT

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 46 (40) minutes per customer between January and June, due to interruptions caused by some severe storms in the early part of 2021. Furthermore, the storms struck the sparsely populated region of Koillismaa, which has a relatively larger network of overhead power lines than elsewhere. The reliability of supply rate was 99.98 (99.99) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 0.69 (0.77) events.

In January, storm Toini felled three high-voltage electricity poles, and the lines between the poles fell into the sea in the Rymättylä area of Naantali. New poles were installed in April and May to replace the broken ones. Sensors were added to the power line to warn of any accumulated snow and ice. The damage to the power line did not lead to any long outages for customers.

The three storms that occurred in February and storm Paula in June caused most of the electricity distribution outages. Storm Paula caused a maximum of 5,300 customers to suffer electricity outages simultaneously in Western and Northern Finland. In February, storm Elina caused a maximum of 10,200 customers to suffer electricity outages simultaneously in Uusimaa and Southwest Finland. The fault locations were identified quickly thanks to attributes such as network automation and ring network connections.

ELECTRICITY NETWORK PLANNING AND IMPLEMENTATION PROCEEDED AS SCHEDULED

In March, the City of Espoo and Caruna signed an agreement on strategic cooperation. The aim of the cooperation is to support Espoo's growth and carbon-neutrality targets with a strong electricity network that meets future energy needs, enabling clean energy solutions for Espoo residents and companies.

Construction work on a new primary substation in the Sinimäki area of Espoo began in spring 2021. The Sinimäki primary substation will distribute electricity to approximately 15,000 customers directly and another 140,000 indirectly. An underground cable will be installed during the project to connect the primary substations in Leppävaara and Sinimäki. The total value of the project is approximately EUR 30 million. The construction of the primary substation will be completed in 2023.

Planning for a local cable project in Central Uusimaa and Häme began in June 2021. The aim is to demolish the old low-voltage overhead lines in built-up areas and replace them with new underground cable networks. Work will take place in several towns and municipalities. In addition, Caruna is seeking joint construction sites with telecoms operators in order to expand fibre-optic connections. Caruna is also studying the opportunities for the joint construction of the street-light network in the region. The aim is to build approximately 250 kilometres of new underground cable routes in the region between 2022 and 2025.

An extensive network improvement programme that began in 2014 in the Espoo, Hanko, Hausjärvi, Hyvinkää, Inkoo, Järvenpää, Kirkkonummi, Lohja, Loppi, Raasepori, Riihimäki, Siuntio and Tuusula areas was completed in May. The project involved converting approximately 2,000 kilometres of the old overhead line network into a weatherproof network to meet the needs of the future. At the same time, network automation was added to improve network

availability. The modernised electricity network will improve the reliability and capacity of electricity distribution for private customers, companies and municipal customers.

Two wide-ranging electricity network development projects were concluded in Southwestern Finland and Satakunta. The projects focused on making the main connections of the medium-voltage network more weatherproof. Almost 8,000 kilometres of the electricity network was modernised, dramatically improving the quality of electricity distribution for the approximately 100,000 customers in the area.

SOLAR POWER GENERATION CONTINUES TO RISE – MORE THAN 10,000 SMALL-SCALE SOLAR POWER PRODUCERS IN CARUNA'S NETWORK

In the period from January to June, 1,400 (1,400) new solar power systems (<2 MVA) were connected to Caruna's electricity network. Private customers accounted for approximately 1,185 of these systems, and corporate customers accounted for the remaining 215. At the end of the review period, the number of small-scale producers of solar power was approximately 10,800 (8,000).

A legislative amendment took effect on 1 January 2021, enabling housing companies to establish local energy communities, which are considered equivalent to small-scale electricity producers. Since 1 January 2021, Caruna has provided its Solar Community service to housing companies in its network areas, enabling the companies and residents to reduce their electricity invoices by making use of jointly operated solar panels. The service is free of charge for housing companies and their residents. Solar Communities can be established on Caruna's digital Virtane service, which makes it easy for housing companies to monitor their activities.

Since January 2021, Caruna has offered its customers the opportunity to use a free load control service. The service enables customers to manage their electricity consumption by making more efficient use of devices that consume electricity – for example, by scheduling consumption at night.

In March and April, Caruna held an innovation contest known as the Great Propeller Hat Competition. Caruna sought to encourage young Finnish talents to come up with interesting services, apps and technologies with the potential to be used throughout society or to accelerate the energy transition. More than 160 ideas and solutions were entered into the competition, and two competitors shared first place: Polar Night Energy, which stores energy generated by wind and solar power as heat in sand, and Valaa Technologies, which builds software robotics related to building automation systems.

Financing

Electricity distribution is a capital-intensive sector. 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. Caruna has EUR 3,246 million in interest-bearing debt, of which EUR 2,472 million is external to the Group and EUR 774 million is a shareholder loan.

In June, Caruna issued a green bond worth EUR 300 million. The company will use the bond to finance projects under its recently established green financing framework. The projects are related to increases in the capacity of the electricity network, modernising underground cables and overhead lines, investments in electricity storage technology projects, research and development. The bond maturity is seven years, and the bonds yield a fixed interest of 0.375 per cent. This is the first euro-denominated green bond to be issued by a Nordic electricity distribution company.

In June, in conjunction with the issuance of the green bond, Caruna repaid EUR 300 million of a EUR 500 million bond due to mature in 2023.

In the first half of the year, Caruna also repaid a total of EUR 90 million in investment and working capital loans. The aim of liquidity risk management is to safeguard the Group's finances under all circumstances. At the end of June, the Group has EUR 404 million in liquid assets, undrawn committed credit facilities and financial investments.

Net financing expenses recognised in the income statement for the reporting period were EUR 72.0 (61.1) million, and accrued interest expenses in the balance sheet were EUR 33.1 (33.5) million. Non-recurring costs totalling EUR 10.8 million were recorded in relation to a bond repayment when the new green bond was issued. All of Caruna's debt has a fixed rate of interest. At the end of the reporting period, the average interest rate of external loans was 2.1 per cent (2.2 per cent). Caruna met all of the covenants attached to its loan agreements.

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

Personnel

Approximately 95 per cent of Caruna's employees continued to work remotely from January to June during the coronavirus pandemic. A Pulse measurement is conducted quarterly to gauge how well the personnel are able to cope with their work. In the Pulse measurement taken in June, Caruna's employees assessed their capacity to cope at 77*, which was higher than in March.

In June, the employee commitment index stood at 76.1, which is almost two percentage points higher than in March 2021.

Caruna hired 19 summer interns and two work experience trainees for summer 2021. At the end of June, Caruna had 330 employees, including the summer interns and trainees.

* On a scale from 0% to 100%

Corporate responsibility

The Zero Accidents Forum again awarded Caruna the classification of "Level I – at the world's forefront". Contractor safety and the improvement of safety culture throughout the entire supply chain are a central part of Caruna's overall safety.

The comparable 12-month cumulative injury frequency (LWIF) in the company's supply chain stood at 7.0 (3.3) at the end of June. Caruna's employment impact in terms of the number of working hours among its contractors was 0.7 million hours, which equates to more than 400 person-work years.

In February, Caruna awarded its 2020 safety prize to contractors and subcontractors for outstanding contributions to occupational safety. The award winners were Eltel Networks' Team Leader Jussi-Pekka Tiilikka and his team, Puskapojat Oy and A-Products Oy.

In April, an electrical accident occurred on a Caruna construction site, resulting in the death of a contractor's subcontractor. An accident investigation has been initiated to identify the causes of the accident. Caruna is further intensifying its efforts to improve safety throughout its supply chain to prevent similar accidents from occurring in the future.

Caruna decided to extend its Kärkirymä (Top Team) training programme for electricity network technicians which began in 2020. Caruna is working with Barona and the Tampere Adult Education Centre on the programme. The first trainees in the Kärkirymä programme began training in May.

Caruna also supported employment among young people and helped municipalities to hire young people for summer jobs in various parts of Finland. A Duunienergia (Work Energy) campaign was conducted for the second year running, and 38 municipalities were involved, which is more than in 2020. The campaign helped a total of 70 people aged 16–20 to find summer employment. An important part of the young people's work was to highlight the climate actions taken by municipalities and citizens in the municipal communication channels and social media.

No oil spills exceeding 100 kilograms occurred in Caruna's electricity network. A programme launched in 2016 to prevent oil spills in groundwater areas was concluded.

Approximately 99 per cent of the material removed from Caruna's network is recycled. From January to June, 6.8 million kilograms of material was removed from the

electricity network. The largest dismantled items were poles, cables and various iron structures.

Caruna has held an environmental certificate based on the ISO 14001 standard since 2000, an occupational health and safety certificate based on the ISO 45001 standard since 2016, and an asset management certificate based on the ISO 55001 standard since 2017.

Risks

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

STRATEGIC RISKS

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

OPERATIONAL RISKS

The most significant risks to operations are related to abnormal weather conditions, supplier risk and safety. For example, abnormal weather conditions may affect the reliability of the supply and distribution network. The key means of preventing interruptions are to replace overhead lines with underground cables, manage the forests near overhead lines and develop remote network control. 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 for 2020.

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.

ANNUAL GENERAL MEETING

Caruna Networks Oy's annual general meeting was held on 13 April 2021. The Annual General Meeting approved the Financial Statements and the Consolidated Financial Statements for the financial period 1 January–31 December 2020 and discharged from liability the members of the Caruna Board of Directors and CEO for the year 2020. A decision was made not to pay dividends.

EXTRAORDINARY GENERAL MEETINGS

Extraordinary general meetings were held on 2 March 2021, 12 May 2021 and 8 June 2021 to decide on changes to the composition of the Board of Directors.

Board of Directors

Caruna Networks Oy's Board of Directors consisted of Matti Ruotsala (Chair), James Adam, Joun Grönroos, Shankar Krishnamoorthy, Kerron Lezama, Fredrik Lundeberg, Oleg Shamovsky and Laura Tarkka.

The deputy members were Tara Davies, Katarina Romberg and Charles Thomazi.

In conjunction with the changes of ownership, the composition of the Board of Directors changed as follows: Matthew Liddle and Michael McNicholas (until 11 May 2021), Niall Mills, Ellen Richardson and deputy member Nicholas Grant (until 1 March 2021), James Adam, Oleg Shamovsky and Fredrik Lundeberg (since 2 March 2021), Julia Giese (12 May–8 June 2021), Kerron Lezama (since 12 May 2021), Shankar Krishnamoorthy (since 8 June 2021) and deputy members Agnieszka Gawron (until 11 May 2021) and Tara Davies, Katarina Romberg and Charles Thomazi (since 13 April 2021).

Management Team

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

Auditing

This Investor report is not audited.

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 reporting period

The amended Electricity Market Act took effect on 1 August 2021. The principal change was to extend the deadline for meeting the reliability of supply requirements to 2036 for most companies, including Caruna Oy. In addition, the outage fee compensation levels increased, and the maximum price rise was reduced from the previous 15 per cent to 8 per cent. In addition, a transitional provision was introduced to extend the period for balancing the 2019 deficit from four years to eight years. Caruna Oy was already entitled to this extension by virtue of a separate decision. It will also become easier to establish energy communities when connection cables are permitted to cross real estate boundaries to connect to small-scale energy production equipment. The amended Electricity Market Act does not have significant impact on Caruna's financial result.

In relation to the electricity network development plans reported to the Energy Authority every two years, electricity distribution companies are required to provide more detailed descriptions and justifications of the cost-efficiency of their chosen solutions (including cost comparison calculations) from the customer's viewpoint. Furthermore, network operators are required to provide an analysis of the utilisation of demand-side management as an alternative to investments in network development, as well as customer consultations in relation to the contents of development plans.

At a meeting held on 1 September 2021, the Board of Directors decided to propose to an extraordinary general meeting that Caruna Networks Oy pay a dividend of EUR 34,240 per share in September. An extraordinary general meeting will be held on 6 September 2021.

Regulatory and Business Update

Regulatory framework was updated in June as the Finnish parliament accepted government's proposal for Energy Market Act. The amended Electricity Market Act took effect on 1 August 2021. The Government's proposal for Energy Market Act included e.g. the following modifications; annual price increase ceiling to be 8 per cent instead of 15 per cent, 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 utilization of flexibility and similar solutions for capacity and security of supply where suitable.

Parliament also accepted three dictums proposed by Commercial Committee. They were related to further evaluation of the need to guide regulatory framework more via legislation, further legislation amendment needs related to energy communities as well as regular follow-up on impacts of the amended legislation after implementation.

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. Energy Authority has sent a cost questionnaire related to regulatory unit price update. It is probable that regulatory unit prices will be updated in the beginning of 2022.

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 has indicated that they will start the evaluation of the current model. 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–June 2021 (H1/2021)

KEY NOTES TO THE INCOME STATEMENT:

Net sales EUR 258.9 million (budget EUR 248.5 million): The difference to budget was EUR 10.4 million (4.2 per cent). The distribution sales were EUR 8.2 million more than budget driven by higher volume because of colder than anticipated weather in budget. Connection fees in other sales were EUR 2.2 million higher than plan due to higher amount of new connections.

Direct costs EUR 47.0 million (budget EUR 46.7 million): Direct costs were almost at the budgeted level.

Fixed costs EUR 46.3 million (budget EUR 43.3 million): Fixed costs were EUR 3.0 million higher than budget. The deviation was driven by higher than planned fault repairing costs related to severe Paula-storm in June.

Depreciation & amortisation EUR 67.0 million (budget EUR 67.6 million): The depreciation and amortisation were on the budgeted level. Depreciation includes EUR 15.1 million depreciation of fair value adjustments.

Net financing expenses EUR 72.0 million (budget EUR 60.5 million): Net interest costs were on the budgeted level. Actual financing costs include a one-time financial cost of EUR 10,8 million related to the repayment of old bond in June 2021.

KEY NOTES TO THE BALANCE SHEET:

Intangible assets EUR 1,646.9 million (budget EUR 1,591.7 million). 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 42.9 million and EUR 11.8 million respectively.

Property, plant and equipment EUR 2,398.8 million (budget EUR 2,478.3) was lower than planned due to lower capital expenditure. The balance includes fair value adjustment of network assets from purchase price allocation EUR 527.1 million.

Other non-current assets EUR 7.6 million (budget EUR 11.5 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 -47.8 million (budget EUR -56.4 million) remained negative. The equities of the standalone Finnish companies are positive and comply with Finnish Companies Act. Caruna Networks BV paid a EUR 16.0 million dividend income to its owner Suomi Power Networks BV in April.

Interest-bearing debt EUR 3,245.8 million (budget EUR 3,355.1 million). EUR 90 million of RCF-facility was paid back during the H1. A new green bond of EUR 300 million was issued in June. At the same time EUR 300 million was repaid of an old EUR 500 million bond.

Derivative financial instruments EUR 31.2 million (budget EUR 27.1 million). The item relates to mark-to-market-values of the interest and currency swaps.

KEY NOTES TO THE CASH FLOW:

Net cash from operating activities was EUR 108.2 million (budget EUR 72.3 million), which is EUR 35.9 million higher than assumed in budget. The difference is mainly due to higher EBITDA (due to colder weather during winter and spring) and higher change in working capital than anticipated. The change in working capital was driven by lower capital expenditure and prolonged payment time of electricity taxes that came into force at 1 January 2021.

Net cash used in investing activities was EUR -60.7 million (budget EUR -69.7 million) which is EUR 9.0 million less than planned due to lower than anticipated capital expenditure spend for network improvements.

Net cash used in financing activities was EUR -106.0 million (budget EUR -0.0 million). The difference of EUR 106.0 million consists of EUR 90 million repayment of RCF-loans and EUR 16 million dividend payment.

1. We confirm that in respect of this Investor Report dated 2 September 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 per cent, (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 JAN 2021 – 30 JUN 2021

EUR million, cumulative	ACT Jan-Jun 2021	BUD Jan-Jun 2021	Diff	ACT Jan-Jun 2020	FCT Jan-Dec 2021	BUD Jan-Dec 2021	Diff	ACT Jan-Dec 2020	PLAN Jan-Jun 2022	FCT Jul-Dec 2021	ACT Jul-Dec 2020
Distribution sales	250.9	242.7	8.2	236.6	475.2	467.0	8.2	456.5	240.1	224.3	219.9
Other sales	8.0	5.8	2.2	7.6	13.7	12.5	1.2	18.8	8.2	5.7	11.2
NET SALES	258.9	248.5	10.4	244.3	488.9	479.5	9.4	475.3	248.3	230.0	231.0
Direct costs	-47.0	-46.7	-0.3	-44.8	-84.8	-85.3	0.5	-85.5	-41.1	-37.8	-40.7
SALES MARGIN	211.9	201.8	10.1	199.4	404.1	394.2	9.9	389.8	207.2	192.2	190.4
Other Income	3.2	2.4	0.8	2.1	4.9	4.9	0.0	4.2	2.5	1.7	2.1
Personnel costs	-14.4	-13.7	-0.7	-14.6	-26.5	-23.3	-3.2	-25.9	-13.7	-12.1	-11.3
Repairs & Maintenance	-14.2	-10.6	-3.6	-11.2	-26.0	-21.7	-4.3	-26.3	-11.1	-11.8	-15.1
External Services	-10.9	-12.1	1.2	-10.2	-24.3	-24.0	-0.3	-20.3	-15.4	-13.4	-10.1
Other expenses	-6.8	-6.9	0.1	-7.6	-14.1	-14.7	0.6	-17.2	-1.0	-7.3	-9.6
Total fixed costs	-46.3	-43.3	-3.0	-43.7	-90.9	-83.7	-7.2	-89.7	-41.2	-44.6	-46.0
EBITDA	168.8	160.9	7.9	157.8	318.1	315.4	2.7	304.3	168.6	149.3	146.5
Depreciation and amortisation	-67.0	-67.6	0.6	-66.7	-134.0	-135.4	1.4	-133.5	-68.1	-67.0	-66.8
OPERATING PROFIT	101.8	93.3	8.5	91.1	184.1	180.0	4.1	170.8	100.4	82.3	79.7
Financial Income	1.1	-	1.1	1.1	1.0	-	1.0	2.2	-	-0.1	-
Interest expenses on Senior loan	-28.0	-27.2	-0.8	-28.2	-54.6	-54.5	-0.1	-56.9	-27.4	-26.6	-28.7
Interest expenses on SHL loan	-32.2	-32.9	0.7	-32.4	-65.8	-65.8	0.0	-65.1	-32.9	-33.6	-32.7
Ongoing fees	-0.5	-0.4	-0.1	-0.3	-0.8	-0.8	0.0	-0.8	-0.4	-0.3	-0.5
Loan arrangement fee amortisation	-0.9	0.0	-0.9	-0.5	-1.4	0.0	-1.4	-1.0	0.0	-0.5	-0.5
Other Financial Items	-11.5	-	-11.5	-0.9	-10.4	-	-	-1.8	-	1.1	-0.9
Total financial income / expense	-72.0	-60.5	-11.5	-61.1	-132.0	-121.1	-10.9	-123.4	-60.7	-60.0	-63.3
RESULT BEFORE TAX	29.8	32.8	-3.0	30.0	52.1	58.9	-6.8	47.4	39.8	22.3	16.4
Income taxes	-6.3	-10.4	4.1	-5.5	-12.8	-20.8	8.0	-11.1	-11.9	-6.5	-5.6
Deferred taxes	1.3	4.1	-2.8	3.3	1.1	12.4	-11.3	-0.2	3.7	-0.2	-3.5
RESULT FOR THE PERIOD	24.8	26.5	-1.7	27.8	40.4	50.5	-10.1	36.1	31.6	15.6	7.3

BALANCE SHEET

EUR million	ACT 30 Jun 2021	BUD 30 Jun 2021	ACT 30 Jun 2020	FCF 31 Dec 2021	BUD 31 Dec 2021	ACT 31 Dec 2020	PLAN 30 Jun 2022
ASSETS							
Non-current assets							
Intangible assets	1,646.9	1,591.7	1,647.3	1,605.2	1,644.7	1,648.5	1,642.6
Property, plant and equipment	2,398.8	2,478.3	2,401.0	2,469.2	2,455.3	2,403.8	2,456.8
Other non-current assets	7.6	11.5	8.3	7.8	5.5	9.5	5.5
Total non-current assets	4,053.3	4,081.5	4,056.6	4,082.2	4,105.5	4,061.8	4,104.9
Current assets							
Trade receivables	80.0	81.6	80.6	116.4	117.5	111.1	80.0
Other current receivables	4.1	-	2.1	4.1	-	4.0	0.5
Cash and cash equivalents	20.1	60.4	7.7	48.4	10.0	78.6	36.2
Total current assets	104.2	142.0	90.4	168.9	127.5	193.7	116.7
TOTAL ASSETS	4,157.5	4,223.5	4,147.0	4,251.1	4,233.0	4,255.5	4,221.7
EQUITY							
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Invested distributable funds	171.3	171.2	171.3	171.3	171.2	171.3	171.2
Result for the period	24.8	26.5	27.8	40.4	50.5	36.1	31.6
Retained earnings	-223.0	-232.3	-243.1	-308.6	-308.6	-243.1	-258.1
Other equity components	-20.9	-21.8	-27.9	-20.9	-21.9	-29.3	-21.9
Total equity	-47.8	-56.4	-71.9	-117.8	-108.8	-65.0	-77.2
LIABILITIES							
Non-current liabilities							
Senior loan	2,480.7	2,587.8	2,515.0	2,610.7	2,588.5	2,568.8	2,574.5
Shareholder loan	773.6	773.6	773.6	773.6	773.6	773.6	773.6
Loan arrangement fees	-8.5	-6.3	-6.1	-7.9	-6.1	-5.8	-6.1
Derivative financial instruments	31.2	27.1	34.3	31.2	30.8	43.4	30.8
Deferred tax liabilities	508.1	505.0	505.9	508.3	499.1	509.4	495.4
Provisions	-	-	-	-	-	-	1.1
Other non-current liabilities	304.1	302.9	304.6	303.8	305.7	305.2	304.5
Total non-current liabilities	4,089.2	4,190.1	4,127.3	4,219.7	4,191.6	4,194.6	4,173.8
Current liabilities							
Trade payables	26.3	18.6	18.7	43.1	47.1	35.2	30.0
Accrued interest expenses	33.1	33.0	33.5	34.3	36.5	36.2	36.5
Other current interest-free payables	56.7	38.2	39.4	71.8	66.6	54.5	58.6
Total current liabilities	116.1	89.8	91.6	149.2	150.2	125.9	125.1
TOTAL LIABILITIES	4,205.3	4,279.9	4,218.9	4,368.9	4,341.8	4,320.5	4,298.9
TOTAL EQUITY AND LIABILITIES	4,157.5	4,223.5	4,147.0	4,251.1	4,233.0	4,255.5	4,221.7

CASH FLOW STATEMENT

EUR million	ACT Jan-Jun 2021	BUD Jan-Jun 2021	ACT Jan-Jun 2020	FCT Jan-Dec 2021	BUD Jan-Dec 2021	ACT Jan-Dec 2020	PLAN Jan-Jun 2022
CASH FLOW FROM OPERATING ACTIVITIES							
Result for the period	24.8	26.5	27.8	40.4	50.5	36.1	31.6
Adjustments:							
Income tax expenses	5.0	6.3	2.2	11.7	8.4	11.3	8.1
Finance costs-net	72.0	60.5	61.1	132.0	121.1	123.4	60.7
Depreciation, amortisation and impairment charges	67.0	67.6	66.7	134.0	135.4	133.5	68.1
Operating profit before depreciations (EBITDA)	168.8	160.9	157.8	318.1	315.4	304.3	168.6
Non-cash flow items and divesting activities	0.0	-	-0.1	0.0	-	-0.1	-
Interest received	1.1	-	1.5	2.0	-	2.2	-
Interest paid, Senior Loan	-30.0	-33.2	-30.7	-55.0	-55.5	-55.6	-27.4
Interest paid, Shareholder Loan	-32.4	-32.9	-33.0	-65.6	-64.9	-65.1	-32.9
Ongoing fees, paid	-0.4	0.0	-0.4	-0.8	0.0	-0.8	-0.4
Other financial expenses paid	-16.1	-	-0.9	-16.7	0.6	-2.8	-
Taxes	-7.1	-10.4	-6.2	-13.2	-20.8	-11.6	-11.9
Funds from operations	83.9	84.4	88.0	168.8	174.8	170.5	96.0
Change in working capital	24.3	-12.1	3.6	13.9	0.6	-2.9	17.4
Total net cash from operating activities	108.2	72.3	91.6	182.7	175.4	167.6	113.4
CASH FLOW FROM INVESTING ACTIVITIES							
Capital expenditures	-61.2	-69.7	-85.7	-151.6	-144.5	-150.9	-73.2
Proceeds from sales of fixed assets	0.5	-	0.1	0.5	-	0.2	-
Total net cash used in investing activities	-60.7	-69.7	-85.6	-151.1	-144.5	-150.7	-73.2
Cash flow before financing activities	47.5	2.6	6.0	31.6	30.9	16.9	40.2
CASH FLOW FROM FINANCING ACTIVITIES							
Proceeds from long-term liabilities	300.0	-	15.0	430.0	7.0	75.0	-
Payments of long-term liabilities	-390.0	-	-108.0	-390.0	0.0	-108.0	-14.0
Dividends paid	-16.0	-	-	-101.6	-85.6	-	-
Other financing items	0.0	-	-0.2	-0.2	-0	-0.2	-
Total net cash used in financing activities	-106.0	0.0	-93.2	-61.8	-78.7	-33.2	-14.0
Total net increase(+) / decrease(-) in cash and cash equivalents	-58.5	2.6	-87.2	-30.2	-47.8	-16.3	26.2
Cash and cash equivalents in the beginning of the period	78.6	57.8	94.9	78.6	57.8	94.9	10.0
Cash and cash equivalents at the end of the period	20.1	60.4	7.7	48.4	10.0	78.6	36.2

Ratio ICR	30 Jun 2021, Backward	30 Jun 2021, Forward	30 Jun 2021, Extended Forward
Senior Interest Cover Ratio	5.3x	5.5x	-
Lock-up	1.7x	1.7x	-
Lock-up breach	-	-	-
Default	1.2x	-	-
Default breach	-	-	-
Senior Leverage Ratio	10.0 %	9.6 %	10.0 %
Lock-up	5.0 %	5.0 %	5.5 %
Lock-up breach	-	-	-
Default	4.0 %	-	-
Default breach	-	-	-

LOAN COVENANT RATIO CALCULATION

EUR million	H2/2020	H1/2021	"Backward"		"Forward"		"Extended"
			30 Jun 2021	H2/2021	H1/2022	30 Jun 2021	36 months total
Senior Interest Cover Ratio, Denominator:							
EBITDA	146.5	168.8	315.3	149.3	168.6	317.9	
+ Income Taxes	-5.6	-6.3	-11.9	-6.5	-11.9	-18.4	
Consolidated EBITDA - taxes, total	140.9	162.5	303.4	142.8	156.7	299.5	
Senior Interest Cover Ratio, Numerator:							
Interest Costs, Senior	-28.7	-28.0	-56.7	-26.6	-27.4	-54.0	
Ongoing fees, Senior	-0.5	-0.5	-1.0	-0.3	-0.4	-0.7	
Net Finance Charges, Senior total	-29.2	-28.5	-57.7	-26.9	-27.8	-54.7	
Senior Interest Cover Ratio			5.3x			5.5x	
Senior Leverage Ratio, Denominator:							
EBITDA	146.5	168.8	315.3	149.3	168.6	317.9	340.0
Interest Costs, Senior	-28.7	-28.0	-56.7	-26.6	-27.4	-54.0	-56.9
Ongoing fees, Senior	-0.5	-0.5	-1.0	-0.3	-0.4	-0.7	-0.8
+ Income Taxes	-5.6	-6.3	-11.9	-6.5	-11.9	-18.4	-23.5
Funds from Operations, FFO	111.7	134.0	245.7	115.9	128.9	244.8	258.8
Senior Leverage Ratio, Numerator:							
Senior debt		2,480.7	2,480.7		2,574.5	2,574.5	2,606.2
Cash		-20.1	-20.1		-36.2	-36.2	-10.0
Net debt - Senior		2,460.6	2,460.6		2,538.3	2,538.3	2,596.2
Senior Leverage Ratio			10.0 %			9.6 %	10.0 %

EUR million	ACT H1/2021	ACT H1/2020	ACT Jan-Dec 2020
Permitted Acquisition	-	-	-
Permitted Disposal	0.5	0.1	0.2
Permitted Distribution	-32.4	-33.0	-65.1
Additional Financial Indebtedness	-	-	-

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