

CARUNA

Investor Report

31 DECEMBER 2021



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Investor Report

H2/2021

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

EUR million or as indicated	2021	2020
Net sales	499.8	475.3
Profit for the period	47.8	36.1
Corporation tax	11.1	11.1
Investments	140.1	143.2
Cash flow after investments	48.5	16.9
Customers	714,000	703,000
Network cabling rate (%)	62	59
Small-scale producers of solar power in the network area	12,000	9,400
System Average Interruption Duration Index per customer (SAIDI), minutes	74	103
Reliability of supply rate (%)	99.99	99.98

Key events during the financial period

The number of Caruna's customers was 714 (703) thousand at the end of 2021. A total of 2,800 (2,400) new connection agreements were signed, 14 (10) of which were for medium- or high-voltage connections. Customer satisfaction dropped slightly, as the cumulative NPS, which is a measure of customer satisfaction, stood at 19.1 (22.6) at the end of December.

From January to December, the total electricity supply volume in the distribution network increased to 10.1 (9.2) TWh. The increase was mainly due to a colder winter at the start of the year as well as frosts in November and December compared with the same period in the previous year. The reliability of supply rate for electricity distribution was excellent at 99.99 (99.98) per cent.

Two major storms hit Finland during the year, more 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 electricity network was modernised cost-effectively, taking into consideration the needs and distinctive characteristics of local areas. In 2021, investments of EUR 140.1 million were mainly targeted at urban areas, where the customer benefits from investments are significant due to the large number of customers. Development of the network in sparsely populated areas was continued based on age and condition.

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 owners 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 2021, 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.

In June, Caruna refinanced part of a bond due to mature in 2023 with a green bond to fund projects within the green finance framework. Caruna is the first Nordic electricity distribution company to issue a euro-denominated green bond.

In September, Caruna announced price reductions averaging 2.5 per cent for Caruna Espoo Oy's customers from 1 November 2021. The average impact on prices excluding tax was 5 per cent. Caruna Oy's prices remained unchanged.

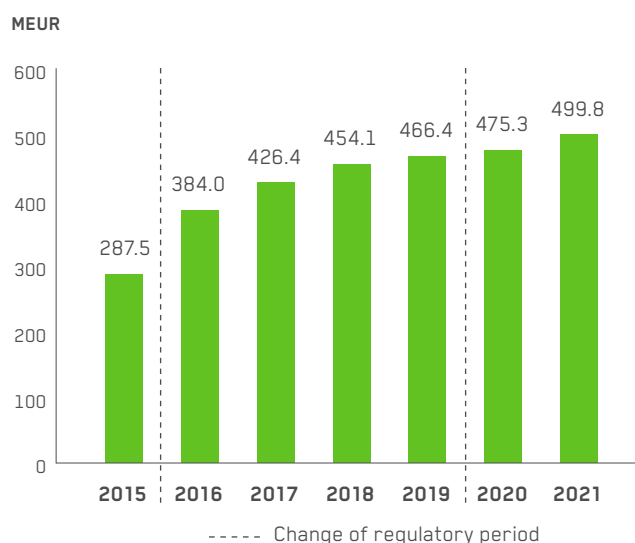
In October, Caruna revised its operating model to align more closely with the company's updated strategy. The new organisation comprises four units, namely Electricity Network Management and Operation, Customer Relations and New Businesses, Corporate Services, and Public Relations and Regulation.

In November, Caruna's CEO Tomi Yli-Kyyny announced he would be moving to a new role outside Caruna.

FINANCIAL DEVELOPMENT

In 2021, Caruna Group's net sales amounted to EUR 499.8 (475.3) million, showing an increase of 5.2 per cent year-on-year. The growth in net sales was attributed to increased electricity consumption at the beginning and end of the year due to cold weather. Higher connection fees also contributed to the increase in net sales.

GRAPH 1: NET SALES

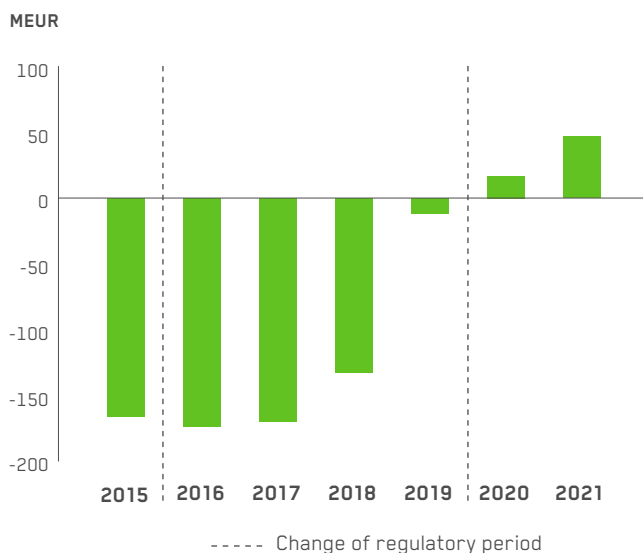


Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 93.8 (85.5) million. The colder early winter and December compared to the previous year increased transmission costs by EUR 6.2 million, and the rise in the price of electricity, especially towards the end of the year, raised the cost of purchasing loss of electricity by EUR 4.1 million. Reactors installed for reactive power offset the increase in costs by a total of EUR 2.0 million. Other operating expenses came to EUR 88.2 (89.7) million. In general, other operating expenses decreased slightly, but the Paula storm that hit the region of Koillismaa in June and the related repair and outage fees totalling approximately EUR 4.8 million had a slightly increasing effect on expenses. Depreciation, amortisation and impairment amounted to EUR 132.2 (133.5) million. This item includes EUR 8.7 (10.5) million in scrapping charges related to overhead power lines.

Consolidated operating profit amounted to EUR 192.4 (170.8) million. Net financial expenses were EUR 131.8 (123.4) million. The increase in net financial expenses is due to the costs related to the issuance of the green bond and the repayment of the old bond included in other financial expenses, totalling EUR 10.8 (2020: -) million in 2021. Profit for the period was EUR 47.8 (36.1) million.

The Group's cash flow developed favourably. For the second time in the Group's history, its cash flow after investments was positive, ending at EUR 48.5 (16.9) million.

GRAPH 2: CASH FLOW AFTER INVESTMENTS



FINANCIAL KEY FIGURES (IFRS)

EUR million or as indicated	2021	2020	2019
Net sales	499.8	475.3	466.4
Operating profit	192.4	170.8	166.8
Operating profit (% of net sales)	38.5	36.0	35.8
Profit for the period	47.8	36.1	29.4
Investments	140.1	143.2	167.3
Cash flow after investments	48.5	16.9	-10.1
Interest-bearing net debt (at the end of the period)	3,316.1	3,258.3	3,283.3

Business activities

Caruna Group includes two network companies: 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 714,000 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 88,100 kilometres at the end of the reporting period.

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 were commissioned at the turn of June–July 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. 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 Närpes. Construction work began at the start of May, and the connection was commissioned in the autumn when the company needed lighting for its greenhouse. The new connection enables the company to expand its production and provide it with reliable electricity distribution.

In November, Caruna and Fortum signed a connection contract for an 11-megawatt air-to-water heat pump plant in Espoo, Vermo, which will be connected to the district heating network in the Espoo, Kauniainen and Kirkkonummi area. The largest plant in Finland will replace the use of

coal by 92 GWh a year in line with the Espoo Clean Heat goals. The connection will be delivered during 2022, and the connection will be implemented to the Vermo substation in the 20 kV distribution network.

Caruna ensured the readiness to deploy Datahub, a centralised information exchange system for the retail electricity market, by participating in industry-wide certifications, Datahub trial runs, and a deployment exercise. Datahub stores data from Finland’s 3.8 million electricity metering points, and its data is used by around 100 electricity suppliers and 80 distribution network companies. Datahub was launched on 21 February 2022.

Caruna’s customer satisfaction decreased compared to 2020. Customer satisfaction is measured among private customers, companies, landowners, municipal customers and contractors. Customer satisfaction among Caruna’s key customers (municipal and corporate customers) has, however, shown excellent improvements, and the NPS (Net Promoter Score) stood at 66.7 at the end of the review period. The cumulative NPS for all customer groups at the end of 2021 was 19.1 (20.9).

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

Company	2021	2020	2019
Caruna Oy	484	479	474
Caruna Espoo Oy	230	224	218
Total	714	703	692

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 the needs of the energy transition into consideration. Automation-based smart networks enable the balancing of electricity consumption and production, energy storage, and large-scale electrification of transport and industry.

COLD WEATHER INCREASED ELECTRICITY CONSUMPTION

From January to December, the total electricity supply volume in the distribution network grew to 10.1 (9.2) TWh. The increase was mainly due to a colder winter at the start of the year as well as frosts in November and December compared with the same period in the previous year. The electricity supply volume on the high-voltage distribution network was 2.7 (2.7) TWh – the same as in the previous year.

RELIABILITY OF SUPPLY REMAINED EXCELLENT DESPITE THE STORMS EARLY IN THE YEAR

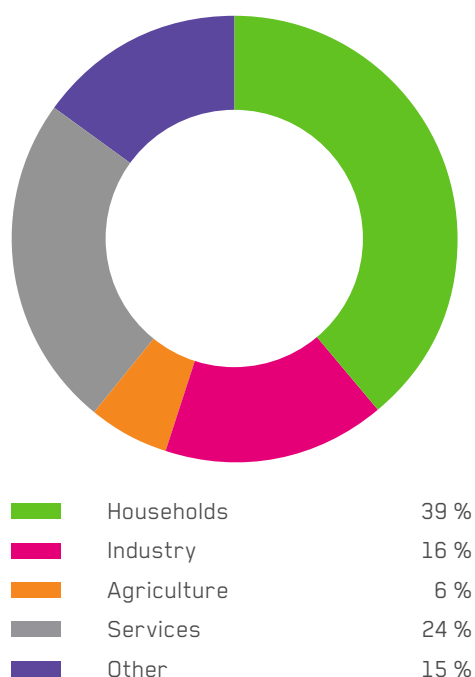
The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). The average interruption time in Caruna’s electricity distribution (SAIDI) was 74 (103) minutes per customer, and the reliability of supply rate was 99.99 (99.98) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 1.4 (1.7) 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.

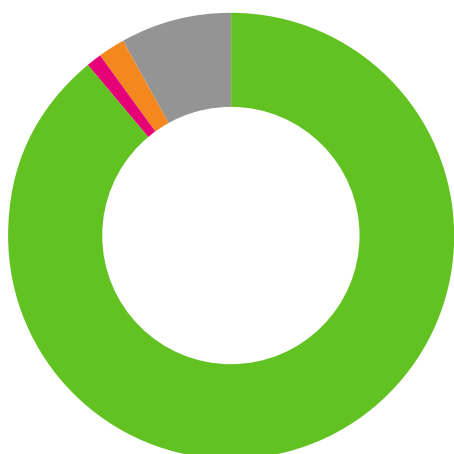
Storm Paula in June also caused electricity distribution outages. The storm was among the most significant storms in the region of Koillismaa in several years. Storm Paula caused power cuts affecting up to 5,300 customers at the same time. The fault locations were identified quickly thanks to attributes such as network automation and ring network connections.

Households are the largest customer group, accounting for 90% of the total number of customers and 39% of all the energy distributed. Industry and services account for 10% of the number of customers and 61% of the energy distributed.

GRAPH 3: CONSUMPTION BY CUSTOMER SEGMENT



GRAPH 4: NUMBER OF CUSTOMERS BY SEGMENT



Households	90 %
Industry	1 %
Agriculture	2 %
Services	8 %
Other	0 %

ELECTRICITY NETWORK PLANNING AND IMPLEMENTATION PROCEEDED AS SCHEDULED – SEVERAL WORKSITES IN PROGRESS

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. To meet the growing demand for electricity, 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 new primary substation will be commissioned in 2022.

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

During the year, the planning of several local cable projects was launched in Central Uusimaa, Häme, Ostrobothnia

and Koillismaa. The aim is to demolish the old low-voltage overhead lines in built-up areas and replace them with new underground cable network. Work will take place in several towns and municipalities. The aim is to build approximately 551 kilometres of new underground cable network in the region between 2022 and 2025.

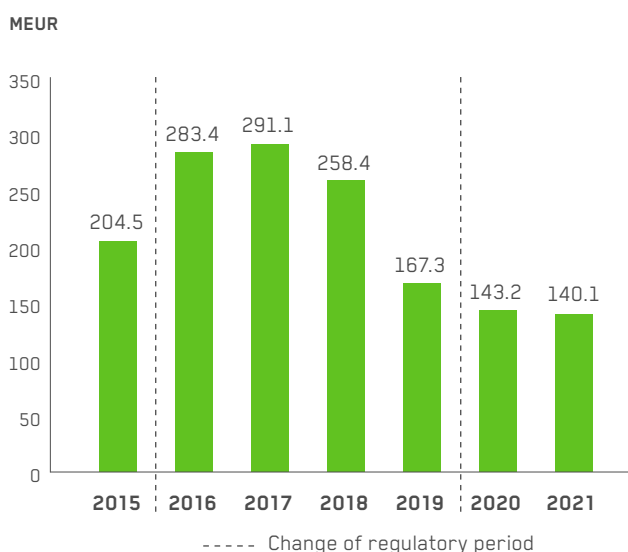
Two wide-ranging electricity network development projects were concluded in Southwestern Finland and Satakunta. The projects focused on making the trunk connections of the medium-voltage network more weatherproof. Almost 8,000 kilometres of the electricity network was modernised, dramatically improving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

The reliability-of-supply requirements changed in 2021 when the new Electricity Market Act took effect in August. The reliability-of-supply requirements were postponed from 2028 to 2036 for companies with medium-voltage networks that had a cabling rate of less than 60 per cent at the end of 2018. The new requirements applied to Caruna Oy within Caruna Group.

Caruna Group’s investments during the reporting period amounted to EUR 140.1 (143.2) million. In 2021, investments were targeted as planned at built-up areas, where the customer benefits from investments are significant due to the large number of customers. Development of the network in sparsely populated areas is continued based on age and condition.

Investments in the high-voltage network enable the implementation of the energy transition. Investments in the high-voltage network are influenced by the growth of electricity use in cities, the connection of decentralised energy production, the electrification of heat production, and the renovation of aged network components. The share of investments in the high-voltage distribution network was 19.3 (12.3) per cent.

GRAPH 5: INVESTMENTS 2015–2021



THE POPULARITY OF SOLAR ENERGY CONTINUED – NEARLY 28 PER CENT GROWTH

In January–December, 2,660 (2,800) new solar power systems (<1 MW) were connected to Caruna’s electricity network. Private customers accounted for approximately 2,280 of these systems, and corporate customers accounted for the remaining 380. In Caruna’s area, the average output of consumer solar power stations is 5 kW. At the end of the review period, the number of small-scale producers of solar power was approximately 12,000 (9,400).

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.

During 2021, Caruna also developed digital services for corporate and municipal customers and electricity contractors.

Research and development

Total research and development costs for the financial period amounted to EUR 0.2 (2020: 0.2 and 2019: 0.2) million, which is 0.20 (2020: 0.19 and 2019: 0.27) per cent of operating expenses.

Financing

Electricity distribution is a capital-intensive sector. The network improvement programme to be completed by the end of 2036 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, the company 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 130 million,

and repaid EUR 90 million of the sum

In June, Caruna refinanced part of a bond due to mature in 2023 with a green bond. The loan taken from Transmission Finance DAC will mature in seven years. The loan amounts repaid and drawn down were EUR 300 million.

At the end of the financial period, the Group’s external loans totalled EUR 2,611.2 (2,566.1) million. At the end of the financial period, 95 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 2.0 (2.1) per cent.

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 220 (260) million, a bank overdraft limit of EUR 30 (30) million and a liquidity facility of EUR 6.7 (6.7) million.

Net financing costs recognised on the income statement for the financial period totalled EUR 131.8 (123.4) million, and the interest liabilities recognised on the balance sheet were EUR 34.1 (36.2) million.

Caruna complied with the covenant terms of all loan agreements.

In October, Standard & Poor’s changed Caruna’s long-term credit rating from “BBB+ and a stable outlook” to “BBB+ and a significantly weakened outlook” due to proposed changes to the regulation model.

In 2021, we also carried out an assessment of the sustainability of our operations in the areas of climate change mitigation and adaptation. According to the assessment, 99.7% of Caruna’s net sales and 99.1% of investments are in line with the EU sustainable finance taxonomy. The assessment was carried out in accordance with the criteria for assessing the electricity distribution industry.

Personnel

Caruna Group had 308 (314) employees at the end of the year, 85 (67) of whom were employed by the Group’s parent company.

	2021	2020	2019
Number of employees 31 Dec	308	314	313
Average number of employees during the year	317	323	313
Wages and salaries (EUR million)	22.2	22.7	20.6

Each Caruna employee spent an average of 3.7 (10.8) hours in training, the change being mainly due to the COVID-19. Absences due to illness decreased slightly at an average level of 1.5 (1.7) per cent of working time.

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

Information on personnel can be found in Caruna's annual report at caruna.fi/en.

Corporate responsibility

The information can be found in Caruna's annual report 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 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 at caruna.fi/en.

FINANCIAL RISKS

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

Statement on changes in shareholders' equity

Caruna Networks BV distributed a total dividend of EUR 103,485,005.00 to its shareholders.

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 13 April 2021. The meeting approved Caruna's financial statements for 2020, 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's Extraordinary General Meetings were held on 2 March 2021, 12 May 2021, 8 June 2021, 6 September 2021, 11 November 2021 and 21 December 2021. Decisions on changes to the composition of the Board of Directors were made in March, May, June and November. In September, the Board's proposal for the payment of a dividend to the share-holders was approved. In December, the meeting decided on the changes to the remunerations of the board members.

BOARD OF DIRECTORS

The Board convened seven times during the financial period. At the end of 2021, Caruna Networks Oy's Board of Directors consisted of Matti Ruotsala (Chair), James Adam, Andrew Furze, Jouni Grönroos, Shankar Krishnamoorthy, Kerron Lezama, Fredrik Lundeborg and Laura Tarkka.

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

In conjunction with the changes of ownership, there were several changes to the composition of the Board.

Board members	Time
Adam James	From 2.3.2021
Furze Andrew	From 11.11.2021
Giese Julia	12.5.-8.6.2021
Grönroos Jouni	old member, no changes
Krishnamoorthy Shankar	From 8.6.2021
Lezama Kerron	From 12.5.2021
Liddle Matthew	Until 11.5.2021
Lundeborg Fredrik	From 2.3.2021
McNicholas Michael	Until 11.5.2021
Mills Niall	Until 1.3.2021
Richardson Ellen	Until 1.3.2021
Ruotsala Matti	old member, no changes
Shamovsky Oleg	2.3.2021-11.11.2021
Tarkka Laura	old member, no changes

Deputy Board members	Time
Davies Tara	From 13.4.2021
Gawron Agnieszka	Until 11.5.2021
Grant Nicolas	Until 1.3.2021
Romberg Katarina	From 13.4.2021
Thomazi Charles	From 13.4.2021

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.

At the end of 2021, the Audit Committee consisted of Jouni Grönroos (Chair) and Shankar Krishnamoorthy, Kerron Lezama and Fredrik Lundeberg (members). There were several changes to the composition of the Audit Committee during the financial period.

Members of the Audit Committee	Time
Adam James	10.3.-3.11.2021
Grönroos Jouni	old member, no changes
Krishnamoorthy Shankar	From 1.9.2021
Lezama Kerron	From 3.11.2021
Liddle Matthew	Until 11.5.2021
Lundeberg Fredrik	From 10.3.2021
Richardson Ellen	Until 1.3.2021
Shamovsky Oleg	10.3.-1.9.2021

At the end of the year, the Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair) and James Adam and Andrew Furze (members). There were several changes to the composition of the Nomination and Remuneration Committee during the financial period.

Members of the Nomination and Remuneration Committee	Time
Adam James	From 10.3.2021
Furze Andrew	From 11.11.2021
Grant Nicolas	Until 10.3.2021
McNicholas Michael	Until 11.5.2021
Ruotsala Matti	old member, no changes
Shamovsky Oleg	10.3.-11.11.2021

At the end of 2021, the Health, Safety and Environment Committee consisted of Shankar Krishnamoorthy (Chair) and Kerron Lezama and Laura Tarkka (members).

Members of the Health, Safety and Environment Committee	Time
Adam James	10.3.-3.11.2021
Grant Nicolas	Until 10.3.2021
Krishnamoorthy Shankar	From 1.9.2021
Lezama Kerron	From 3.11.2021
Liddle Matthew	Until 11.5.2021
Lundeberg Fredrik	10.3.-1.9.2021
Richardson Ellen	Until 10.3.2021
Shamovsky Oleg	10.3.-1.9.2021
Tarkka Laura	old member, no changes

Management Team

On 1 October 2021, Caruna revised its operating model to align more closely with the company's updated strategy. The new organisation consists of four units: Management and Operation of the Electricity Network, headed by Elina Lehtomäki; Customer Relationships and New Businesses, headed by Kostu Rautiainen; Corporate Services, headed by Jyrki Tammivuori; and Public Relations and Regulation, headed by Noora Neilimo-Kontio.

The company's Management Team consisted of CEO Tomi Yli-Kyyny and the above-mentioned unit heads.

Head of Customer Relations Katriina Kalavainen, Head of People and Culture Tommi Saikkonen and Head of Communications and Public Affairs Anne Pirilä were on the Management Team until 30 September 2021.

Auditing

At Caruna Networks Oy's Annual General Meeting 2021, audit firm Deloitte Oy was elected as auditor. Jukka Vattulainen, Authorised Public Accountant, was the principal auditor between 1 January and 13 April 2021, and Reeta Virolainen, Authorised Public Accountant, from 13 April 2021.

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

The additional 20 per cent surcharge on Caruna's standard compensation for power cuts (outage fee) was removed from 1 January 2022 due to changes in the Electricity Market Act and regulatory methods. Increased outage fee was paid from July 2018 to December 2021.

At its meeting in January, the Board of Directors of Caruna Networks Oy decided to participate in the joint industry Market Court appeal process coordinated by Finnish Energy concerning changes to established regulatory methods in the middle of the regulatory period. The appeal is widely supported, and a total of 71 distribution companies are involved in the appeal.

On 27 January 2022, international credit rating agency Standard & Poor's (S&P) lowered Caruna's credit rating from "BBB + and a significantly weakened outlook" to "BBB and a stable outlook". The drop is due to the exceptional changes made to the regulation model for electricity distribution companies during the regulatory period.

Datahub, a centralised information exchange system for the retail electricity market, was launched on 21 February 2022.

Estimate of probable 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 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. Network development will increasingly focus on the low-voltage network, leading to significantly lower annual investment levels.

The Energy Authority changed the regulatory methods of the electricity distribution network in the middle of the regulatory period in November 2021, which is estimated to have a significant impact on the determination of the reasonable return of Caruna Oy and Caruna Espoo Oy. As a consequential effect, Caruna Group's credit rating was lowered from BBB+ to BBB in January 2022. The drop in credit rating may increase future financing costs and reduce the availability of financing. In the first half of 2022, the Energy Authority will also start developing the regulation model that will enter into force in 2024.

The electricity 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 battery-based 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

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
- 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.

Finnish 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. Energy Authority performed regulatory unit price survey during 2021 and updated regulatory unit prices for years 2022 and 2023 at end of year 2021. The main driver for the intra-period regulatory unit price was profit sharing towards customers by limiting distribution price increase pressure on DSO industry level.

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 development needs for the 6th regulatory period starting in 2024.

Caruna has solid interest promotion plan to secure model 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. The amended Electricity Market Act does not have significant impact on Caruna's financial result.

Caruna has also created proactive stakeholder management program towards politicians, Energy Authority, Energy Industry Association and other DSOs to impact favorably 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 2021

KEY NOTES TO THE INCOME STATEMENT

Net sales EUR 499.8 million (budget EUR 479.5 million): The difference to budget was EUR 20.3 million (4.2 %). The distribution sales were EUR 16.0 million more than budgeted driven by higher volume because of colder than anticipated weather especially at the beginning of the year and in December. Connection fees in other sales were EUR 4.3 million higher than plan due to higher amount of new connections.

Direct costs EUR 93.8 million (budget EUR 85.3 million): Direct costs were EUR 8.5 million higher than in budget. The higher distribution volumes caused by the cold weather drove the direct costs above budget by EUR 5.4 million. Exceptionally high energy market prices especially in December increased grid loss fees by EUR 5.2 million compared to the budget. Lower than planned reactive fees and power reserve fees compensated the variable cost increase by EUR 2.1 million.

Fixed costs EUR 88.2 million (budget EUR 83.7 million): Fixed costs were EUR 4.5 million higher than budgeted. The deviation was driven by higher than planned fault repairing costs related to storms. Paula-storm hit Koillismaa region in the end of June which caused EUR 4.8 million repairing costs and outage fees. Other cost deviations were smaller and netted each other.

Depreciation & amortisation EUR 133.2 million (budget EUR 135.4 million): The depreciation and amortisation were EUR 3.2 million lower than budgeted. The decrease came mostly from the lower amount of scrappings than anticipated. Depreciation includes EUR 30.1 million depreciation of fair value adjustments.

Net financing expenses EUR 131.8 million (budget EUR 121.1 million): The increase in net financing expenses comes mostly from the costs related to the refinancing part of an old bond with a new green bond of EUR 300 million. Interest expenses on shareholder loan were EUR 0.9 lower than in the budget.

KEY NOTES TO THE BALANCE SHEET

Intangible assets EUR 1,644.7 million (budget EUR 1,644.7 million) were at the budgeted level. Intangible assets consist mainly of non-depreciate 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 43.4 million and EUR 9.6 million respectively.

Property, plant and equipment EUR 2,414.8 million (budget EUR 2,455.3) was lower than planned due to lower capital expenditure during 2021. The balance includes fair value adjustment of network assets from purchase price allocation EUR 512.0 million.

Other non-current assets EUR 4.6 million (budget EUR 5.5 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 -107.0 million (budget EUR -108.8 million) remained negative. The equities of the standalone Finnish companies are positive and comply with Finnish Companies Act. Caruna Networks BV paid EUR 103.5 million as dividend income to its shareholder during 2021.

Interest-bearing debt EUR 3,379.4 million (budget EUR 3,356.0 million) was higher than planned. The increase comes mainly from a higher than budgeted RCF draw down at the end of the year.

Derivative financial instruments EUR 19.8 million (budget EUR 30.8 million) were clearly lower than budgeted. The interest rates have increased and thus decreased the market-to-market value of the interest derivatives.

Deferred tax liabilities EUR 511.1 million (budget EUR 499.1 million) were slightly above the budgeted level.

KEY NOTES TO THE CASH FLOW

Net cash from operating activities was EUR 186.8 million (budget EUR 175.4 million), which is EUR 11.4 million higher than assumed in budget. The difference is mainly due to higher EBITDA of EUR 9.2 million due to colder weather. Income taxes paid were EUR 7.8 million lower than in the budget. In addition, change in electricity tax filing and

payment timetable contributed cash flow from operating activities positively with EUR 10.8 million. The one-time costs of EUR 10.8 million related to the refinancing of part of an old bond decreased the cash flow.

Net cash used in investing activities was EUR -138.3 million (budget EUR -144.5 million) which is EUR 6.2 million less than planned due to lower than anticipated capital expenditure spent for network improvements.

Net cash used in financing activities was EUR -63.7 million (budget EUR -78.6 million), which is EUR 14.9 million lower than budgeted. The RCF drawdowns were EUR 33 million higher than planned. Caruna Networks BV paid dividend income of EUR 103.5 million to its shareholder. The amount was EUR 17.9 million higher than budgeted.

1. We confirm that in respect of this Investor Report dated 16 March 2022, 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 2021

EUR million, cumulative	ACT Jan-Dec 2021	BUD Jan-Dec 2021	Diff	ACT Jan-Dec 2020	Change	BUD Jan-Dec 2022
Distribution sales	483.0	467.0	16.0	456.5	26.5	465.0
Other sales	16.8	12.5	4.3	18.8	-2.0	16.5
NET SALES	499.8	479.5	20.3	475.3	24.5	481.5
Direct costs	-93.8	-85.3	-8.5	-85.5	-8.3	-91.1
SALES MARGIN	406.0	394.2	11.8	389.8	16.2	390.4
Other Income	6.8	4.9	1.9	4.2	2.6	5.0
Personnel costs	-27.1	-23.3	-3.8	-25.9	-1.2	-23.1
Repairs & Maintenance	-25.1	-21.7	-3.4	-26.3	1.2	-21.0
External Services	-22.2	-24.0	1.8	-20.3	-1.9	-20.3
Other expenses	-13.8	-14.7	0.9	-17.2	3.4	-16.7
Total fixed costs	-88.2	-83.7	-4.5	-89.7	1.5	-81.1
EBITDA	324.6	315.4	9.2	304.3	20.3	314.3
Depreciation and amortisation	-132.2	-135.4	3.2	-133.5	1.3	-129.3
OPERATING PROFIT	192.4	180.0	12.4	170.8	21.6	185.0
Finance income	2.2	-	2.2	2.2	0.0	-
Interest expenses on Senior loan	-54.4	-54.5	0.1	-56.9	2.5	-49.2
Interest expenses on Shareholder loan	-64.9	-65.8	0.9	-65.1	0.2	-65.8
Ongoing fees	-0.8	-0.8	0.0	-0.8	0.0	-0.6
Loan arrangement fee amortisation	-1.6	0.0	-1.6	-1.0	-0.6	-0.2
Other financial items	-12.3	-	-12.3	-1.8	-10.5	-
Total financial income / expense	-131.8	-121.1	-10.7	-123.4	-8.4	-115.8
PROFIT BEFORE TAX	60.6	58.9	1.7	47.4	13.2	69.2
Income taxes	-11.1	-20.8	9.7	-11.1	0.0	-12.0
Deferred taxes	-1.7	12.4	-14.1	-0.2	-1.5	-2.5
PROFIT FOR THE PERIOD	47.8	50.5	-2.7	36.1	11.7	54.7

BALANCE SHEET

EUR million	ACT 31 Dec, 2021	BUD 31 Dec, 2021	ACT 31 Dec, 2020	BUD 31 Dec, 2022
ASSETS				
Non-current assets				
Intangible assets	1,644.7	1,644.7	1,648.5	1,591.7
Property, plant and equipment	2,414.8	2,455.3	2,403.8	2,494.0
Other non-current assets	4.6	5.5	9.5	6.7
Total non-current assets	4,064.1	4,105.5	4,061.8	4,092.4
Current assets				
Trade receivables	127.7	117.5	111.1	117.2
Other current receivables	4.3	-	4.0	5.6
Cash and cash equivalents	63.4	10.0	78.6	62.7
Total current assets	195.4	127.5	193.7	185.5
TOTAL ASSETS	4,259.5	4,233.0	4,255.5	4,277.9
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	47.8	50.5	36.1	54.7
Retained earnings	-310.5	-308.6	-243.1	-314.2
Other equity components	-15.6	-21.9	-29.3	-20.8
Total equity	-107.0	-108.8	-65.0	-109.1
LIABILITIES				
Non-current liabilities				
Senior loan	2,613.8	2,588.5	2,568.8	2,626.1
Loan arrangement fees	-8.0	-6.1	-5.8	-8.4
Shareholder loan	773.6	773.6	773.6	773.6
Derivative financial instruments	19.8	30.8	43.4	34.4
Deferred tax liabilities	511.1	499.1	509.4	509.0
Other non-current liabilities	305.3	305.7	305.2	305.7
Total non-current liabilities	4,215.6	4,191.6	4,194.6	4,240.4
Current liabilities				
Trade payables	46.0	47.1	35.2	53.2
Accrued interest expenses	34.1	36.5	36.2	35.5
Other current interest-free payables	70.8	66.6	54.5	57.9
Total current liabilities	150.9	150.2	125.9	146.6
TOTAL LIABILITIES	4,366.5	4,341.8	4,320.5	4,387.0
TOTAL EQUITY AND LIABILITIES	4,259.5	4,233.0	4,255.5	4,277.9

CASH FLOW STATEMENT

EUR million	ACT Jan-Dec 2021	BUD Jan-Dec 2021	Diff.	ACT Jan-Dec 2020	Change	BUD Jan-Dec 2022
CASH FLOW FROM OPERATING ACTIVITIES						
Result for the period	47.8	50.5	-2.7	36.1	11.7	54.7
Adjustments:						
Income tax expenses	12.8	8.4	4.4	11.3	1.5	14.5
Finance costs-net	131.8	121.1	10.7	123.4	8.4	115.8
Depreciation, amortisation and impairment charges	132.2	135.4	-3.2	133.5	-1.3	129.3
Operating profit before depreciations (EBITDA)	324.6	315.4	9.2	304.3	20.3	314.3
Non-cash flow items and divesting activities	0.0	0.0	0.0	-0.1	0.1	-
Interest received	2.1	-	2.1	2.2	-0.1	-
Interest paid, Senior loan	-56.6	-55.5	-1.1	-55.6	-1.0	-48.9
Interest paid, Shareholder loan	-64.9	-64.9	0.0	-65.1	0.2	-64.9
Ongoing fees, paid	-0.8	0.6	-1.4	-0.8	-	-0.7
Other financial expenses paid	-16.0	0.0	-16.0	-2.8	-13.2	-0.4
Taxes	-13.0	-20.8	7.8	-11.6	-1.4	-12.0
Funds from operations	175.4	174.8	0.6	170.5	4.9	187.4
Change in working capital	11.4	0.6	10.8	-2.9	14.3	0.9
Total net cash from operating activities	186.8	175.4	11.4	167.6	19.2	188.3
CASH FLOW FROM INVESTING ACTIVITIES						
Capital expenditures	-139.1	-144.5	5.4	-150.9	11.8	-154.4
Proceeds from sales of fixed assets	0.8	-	0.8	0.2	0.6	-
Total net cash used in investing activities	-138.3	-144.5	6.2	-150.7	12.4	-154.4
Cash flow before financing activities	48.5	30.9	17.6	16.9	31.6	33.9
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from long-term liabilities	430.0	7.0	423.0	75.0	355.0	148.0
Payments of long-term liabilities	-390.0	-	-390.0	-108.0	-282.0	-130.0
Dividends paid	-103.5	-85.6	-17.9	-	-103.5	-35.1
Other financing items	-0.2	-	-0.2	-0.2	0.0	-
Total net cash used in financing activities	-63.7	-78.6	14.9	-33.2	-30.5	-17.1
Total net increase(+) / decrease(-) in cash and cash equivalents	-15.2	-47.7	32.5	-16.3	1.1	16.8
Cash and cash equivalents in the beginning of the period	78.6	57.7	20.9	94.9	-16.3	45.9
Cash and cash equivalents at the end of the period	63.4	10.0	53.4	78.6	-15.2	62.7

EUR million	ACT Jan-Dec 2021	BUD Jan-Dec 2021	Diff.	ACT Jan-Dec 2020	Change
Permitted Acquisition	-	-	-	-	-
Permitted Disposal	0.8	-	0.8	2.1	-1.3
Permitted Distribution	168.4	150.5	17.9	65.1	103.3
Additional Financial Indebtedness	-	-	-	-	-

Ratio ICR	31 Dec 2021, Backward	31 Dec 2021, Forward	31 Dec 2021, Extended Forward
Senior Interest Cover Ratio	5.7x	6.1x	-
Lock-up	1.7x	1.7x	-
Lock-up breach	-	-	-
Default	1.2x	-	-
Default breach	-	-	-
Senior Leverage Ratio	10.1 %	9.9 %	9.9 %
Lock-up	5.0 %	5.0 %	5.5 %
Lock-up breach	-	-	-
Default	4.0 %	-	-
Default breach	-	-	-

LOAN COVENANT RATIO CALCULATION

EUR million	H1/2021	H2/2021	"Backward"		"Forward"		"Extended"
			31 Dec 2021	H1/2022	H2/2022	31 Dec 2022	36 months total
Senior Interest Cover Ratio, Denominator:							
EBITDA	168.8	155.8	324.6	158.3	156.0	314.3	
+ Taxes	-6.3	-4.8	-11.1	-6.0	-6.0	-12.0	
Consolidated EBITDA - taxes, total	162.5	151.0	313.5	152.3	150.0	302.3	
Senior Interest Cover Ratio, Numerator:							
Interest Costs, Senior	-28.0	-26.4	-54.4	-24.6	-24.6	-49.2	
Ongoing fees, Senior	-0.5	-0.3	-0.8	-0.2	-0.4	-0.6	
Net Finance Charges, Senior total	-28.5	-26.7	-55.2	-24.8	-25.0	-49.8	
Senior Interest Cover Ratio			5.7x			6.1x	
Senior Leverage Ratio, Denominator:							
EBITDA	168.8	155.8	324.6	158.3	156.0	314.3	315.7
Interest Costs, Senior	-28.0	-26.4	-54.4	-24.6	-24.6	-49.2	-49.1
Ongoing fees, Senior	-0.5	-0.3	-0.8	-0.2	-0.4	-0.6	-0.9
+ Taxes	-6.3	-4.8	-13.0	-6.0	-6.0	-12.0	-12.0
Funds from Operations, FFO	134.0	124.3	258.3	127.5	125.0	252.5	253.7
Senior Leverage Ratio, Numerator:							
Senior debt		2,613.8	2,613.8		2,626.1	2,626.1	2,632.5
Cash		-63.4	-63.4		-62.7	-62.7	-60.8
Net debt - Senior		2,550.4	2,550.4		2,563.4	2,563.4	2,571.7
Senior Leverage Ratio			10.1 %			9.9 %	9.9 %

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