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31 DECEMBER 2017

# Caruna Oy

OPERATING AND FINANCIAL REVIEW  
AND FINANCIAL STATEMENTS 2017

TRANSLATION

**FINANCIAL PERIOD**

**1 JANUARY 2017–31 DECEMBER 2017**

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# The Board's Operating and Financial Review 2017

*Caruna Oy is a part of Caruna Networks Group (Caruna).  
The company is owned by Caruna Networks Sähkösiirto Oy.  
Caruna Oy practises regional and distribution network operations  
in the electrical power systems it owns and is a regional and  
distribution network company referred to in the Electricity Market  
Act, within its area of responsibility.*

## Key Events

In 2017, Caruna Oy's electricity supply volume was 6.7 terawatt hours (TWh) in the distribution network and 2.7 terawatt hours in the regional network. The number of customers increased by 0.9 percent to 467,000 (463,000) at year end. The operating environment remained stable and weather conditions did not cause any wide-spread interruptions. Of the four storms that occurred during the year, the most power cuts were caused by the storm Niina at the end of October, which caused damage especially in Western Uusimaa, and the snow storm Tove in mid-December. However, the scale of the storms remained at a moderate level resulting for the most part in short power cuts only.

Caruna Oy met the annual targets for reliability of supply and continued the major investments it is making in the reliability of the network as planned. Caruna Oy's total investments, totalling EUR 276 million, focused on increasing underground cabling and network automation.

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

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

Tomi Yli-Kyyny started as Caruna Oy's new CEO on 1 May 2017.

## Economic development

In 2017, Caruna Oy's net sales amounted to EUR 343,223 thousand, showing an increase of 3.1 percent year on year. This growth in net sales was largely attributed to the ending of discounted fixed basic fees in electricity distribution on 1 March 2017.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 70,325 (64,613) thousand. This growth of costs, EUR 5,712 thousand, is due to the increase of 7 percent in transmission costs in January 2017 and new reactive energy fees introduced at the beginning of the year.

Operating expenses including external services, employee costs and other operating expenses were EUR 58,275 (58,166) thousand, largely unchanged from previous year. Depreciations, amortisations and impairment charges were EUR 78,696 (67,513) thousand, including a non-recurring item of EUR 4,256 thousand, concerning a change in the depreciation method for wayleaves (power-line corridors). Depreciations, amortisations and impairment charges also include scrapping costs resulting from the dismantling of overhead lines totalling EUR 9,157 (4,724) thousand.

Operating profit amounted to EUR 143,417 (150,096) thousand, and the loss for the period to EUR 7,647 (2016: loss of 7,090) thousand.

The company gave Caruna Networks Sähkösiirto Oy a group contribution of EUR 190,850 (193,300) thousand.

## FINANCIAL KEY FIGURES

	2017	2016	2015
Net sales, EUR thousand	343,223	332,775	225,749
Operating profit, EUR thousand	143,417	150,096	39,566
Operating profit of net sales, %	41.8	45.1	17.5
Loss for the period, EUR thousand	-7,647	-7,090	-10,246
Return of equity, ROE, %	22.7	22.6	4.0
Equity ratio, %	34.8	44.3	56.7

## Business activities

Caruna Oy owns approximately 77,000 kilometres of electricity network in its operating area in South, Southwest and West Finland, and in the regions of Koillismaa and Satakunta. The volume of electricity supplied during the year slightly decreased to 6.7 (6.8) TWh in the distribution network and to 2.7 (2.8) TWh in the regional network.

In 2017, Caruna Oy's customer volumes increased by 0.9 percent to 467 thousand customers. Approximately 1,656 new connection contracts were signed. Growth was strongest in Järvenpää, Hyvinkää and Tuusula. Of the customers, 98 percent were small customers and two percent were power customers.

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

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

isolated and power restored to undamaged parts of the network quickly, using remote control.

During the reporting period for electricity supply, Caruna Oy's reliability of supply projects focused on rural areas. New projects were launched in Ranua, Pudasjärvi, Sastamala, Kuusamo, Lohja and Raasepori, for instance. In addition to cabling and network automation, Caruna Oy also began major forest clearance across its network area to improve reliability of supply. Over the year, Caruna Oy built approximately 5,900 (4,195) kilometres of small and medium-voltage underground cable network. By the end of the year, 43 (36) percent of the network was cabled. Currently, approximately 70 percent of customers are covered by the weatherproof network.

Caruna Oy aims to secure the supply of electricity to all customers in all situations, and has been able to continuously reduce the number and duration of interruptions. The most significant interruptions were caused by exceptional weather conditions, which in 2017 included the storm Päiviö in June, Kiira in August and Niina at the end of October. Reliability of supply, measured by SAIDI, was 146 minutes in 2017. SAIDI refers to System Average Interruption Duration per customer. At the most, 1,028,000 customers experienced interruptions longer than three minutes, and the highest number of customers without any electricity supply at the same time was 14,500. The reliability of supply rate remained at 99.97 percent in 2017. Caruna Oy offers a 24/7 phone line for assistance in case of faults.

Introduced at the beginning of September, the new customer information and invoicing system (CIS) will facilitate several functions, such as invoicing. Previously, Fortum Asiakaspalvelu Oy invoiced Caruna Oy's customers, but with the new system Caruna Oy will invoice its own customers directly, unless their electricity is supplied by Fortum Markets. This will enable Caruna Oy to forge direct contacts with its customers. Of Caruna Oy's customers, over 205,000 have transferred to the new system

## Investments

Caruna Oy's performance-based investments for the financial period amounted to EUR 275,623 (258,638) thousand that were mostly directed to projects improving reliability of the network. Approximately 5,900 (4,195) kilometres of small and medium-voltage underground cable network was installed. A large portion of the cabling investments were focused on distribution areas in South and Southwest Finland.

## Research and development activities

The cost of Caruna Oy's research and development activities for the financial period amounted to EUR 169 (2016: 704 and 2015: 1,445) thousand, corresponding to 0.29 (2016: 0.37 and 2015: 0.75) percent of operating expenses.

## Employees

During the financial period, Caruna Oy employed an average of 218 (2016: 213 and 2015: 233) people. The number of employees at year-end was 222 (2016: 213 and 2015: 207). During the financial year, the company paid EUR 11,416 thousand (2016: 11,453 and 2015: EUR 12,368) in wages and salaries. More information can be found in Caruna Group's corporate responsibility report published at [caruna.fi/en](http://caruna.fi/en).

## Corporate responsibility

Caruna Oy's corporate responsibility is presented in greater detail in a separate corporate responsibility report published at [caruna.fi/en](http://caruna.fi/en).

## Risks

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

## Financial risks

### LIQUIDITY RISK

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

### CREDIT RISK

Caruna Group's policies determine the credit rating requirements for

customers and derivative financial instrument counterparties, as well as the investment transaction principles. A customer's supply or connection contract can include a collateral or advance payment to cover any contractual amounts that remain outstanding. Collaterals hedge against possible credit losses, and the accumulation of credit losses is closely monitored. The amount of credit losses in 2017 was EUR 597 (EUR 293) thousand.

## PRICE RISK

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

# Operative risks

## EXCEPTIONAL WEATHER CONDITIONS

The most significant operative risks relate to exceptional weather conditions, such as storms, heavy snowfall and exceptionally severe frosts, which can affect the reliability of supply in transmission and distribution networks. The key method of preventing interruptions is to replace overhead lines with underground cables, forest management near overhead lines and development of remote network control. Network structures are also being developed in such a way that, in a disturbance, the damaged part can be isolated from the rest of the network and the range of the distribution interruption reduced. Careful prior planning enables adequate preparation, which is essential in case of a disturbance.

## REGULATORY ENVIRONMENT

The Energy Authority monitors the operations of electricity network companies and reasonable pricing of electricity distribution. The regulatory procedures enable network companies to improve the reliability of supply by investing in the electricity network. The Finnish regulatory environment can be considered stable. The current regulation period commenced at the beginning of 2016, providing an 8-year perspective. In the long term, operational risks often emerge as a result of changes in regulations but also, in the short term, from differing interpretations of regulations and decisions.

## SUPPLIER RISK

The company's suppliers may, due to liquidation or other reasons, become

unable to deliver commissioned network projects and services. Caruna Oy's purchase model aims to ensure it has a favourable and sound position for competition in each of its network areas. A systematic management model for contractors and services allows the company to become aware of any contractor-specific problems promptly, making it possible to step in and take necessary corrective actions without delay.

## Changes in equity

Caruna Oy's issued share capital is EUR 2 million and invested distributable equity fund is EUR 53.4 million. No increases in equity were made during the period. The company has no subordinated loans as defined in the Limited Liability Companies Act.

## Board of Directors

The Annual General Meeting appoints the members of the Board of Directors for a continuous term of office commencing at the Annual General Meeting and ending at the next Annual General Meeting.

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

After the Annual General Meeting, the following members were elected to the board: Chairman Juha Laaksonen, Kenton Bradbury, Jouni Grönroos, John Guccione, Gregor Kurth ja Niall Mills and deputy members Tomas Pedraza and Delphine Voeltzel. The board convened six times during the financial period.

## Auditors

Audit firm Deloitte Oy, with APA Reeta Virolainen as the main Auditor, has acted as Caruna Oy's auditing firm.

## Shares and ownership

The company has 470,671 shares, of which each has an equal right to dividend and to the company's assets. Each share entitles the holder to one vote at the Annual General Meeting.

## Essential events after the financial year

Caruna Networks Sähkösiirto Oy, the mother company of Caruna Oy, was merged into Caruna Networks Oy on 1 January 2018. Caruna Networks Oy became the new mother company to Caruna Oy.

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

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

## Estimate of probable future developments

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

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

Finland's National Energy and Climate Strategy, approved by the Government in November 2016, will affect the long-term operational planning of electricity distribution companies. Concern about Finland's energy self-sufficiency and the effectiveness of its energy systems in the future has led the company to explore how distribution system operators could contribute to achieving climate change targets and securing the supply of energy.

## Board of Directors' proposal for dividend distribution

Caruna Oyj's distributable unrestricted equity totalled EUR 12,281,364.69. The net loss for the company's financial period was EUR 7,647,191.21. The Board of Directors proposes to the annual general meeting that no dividends be paid for 2017, but rather that the losses be transferred to retained earnings.

PROFIT AND LOSS STATEMENT

EUR	Note	1 January 2017- 31 December 2017	1 January 2016- 31 December 2016
<b>NET SALES</b>	3	343,223,363.43	332,774,956.22
Capitalised own work		3,609,958.36	3,141,035.48
Other operating income	4	3,879,272.88	4,472,498.90
Materials and supplies	5	-96,676,364.77	-92,677,910.59
Personnel expenses	6	-13,869,334.50	-14,174,727.60
Depreciation and impairment	7	-78,696,291.39	-67,513,236.24
Other operating expenses	8	-18,053,760.11	-15,927,085.54
<b>OPERATING PROFIT</b>		143,416,843.90	150,095,530.63
Financial income and expenses	9	-15,707,611.39	-13,008,152.44
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>		127,709,232.51	137,087,378.19
Appropriations	10	-135,282,345.75	-143,761,368.51
Income taxes	11	-74,077.97	-416,138.94
<b>LOSS FOR THE PERIOD</b>		-7,647,191.21	-7,090,129.26

**BALANCE SHEET**

EUR	NOTE	31 December 2017	31 December 2016
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
	12		
Intangible assets		43,421,373.91	39,971,194.40
Tangible assets		1,355,077,825.10	1,161,947,649.05
Investments		48,972.96	48,972.96
Total non-current assets		1,398,548,171.97	1,201,967,816.41
<b>CURRENT ASSETS</b>			
Non-current receivables	13	709,690.00	591,049.00
Current receivables	14	104,954,592.83	95,181,022.60
Cash and cash equivalents	15	34,500,000.00	31,000,000.00
Total current assets		140,164,282.83	126,772,071.60
<b>Total assets</b>		<b>1,538,712,454.80</b>	<b>1,328,739,888.01</b>
<b>Equity and liabilities</b>			
<b>EQUITY</b>			
	16		
Share capital		2,000,000.00	2,000,000.00
Other reserves			
Invested distributable equity fund		53,387,669.09	53,387,669.09
Hedging reserve		-	393,660.00
Total Other reserves		53,387,669.09	53,781,329.09
Retained earnings		-33,459,113.19	-26,368,983.93
Loss for the financial year		-7,647,191.21	-7,090,129.26
Total equity		14,281,364.69	22,322,215.90
<b>APPROPRIATIONS</b>	17	347,324,791.73	402,892,445.98
<b>PROVISIONS</b>	18	97,248.47	-
<b>LIABILITIES</b>			
Non-current liabilities	20	800,811,510.61	566,218,455.01
Current liabilities	21	376,197,539.30	337,306,771.12
Total liabilities		1,177,009,049.91	903,525,226.13
<b>Total equity and liabilities</b>		<b>1,538,712,454.80</b>	<b>1,328,739,888.01</b>

## CASH FLOWS FROM OPERATING ACTIVITIES

EUR	1 January 2017– 31 December 2017	1 January 2016– 31 December 2016
<b>Cash flows from operating activities</b>		
Profit before appropriations and taxes	127,709,232.51	137,087,378.19
Financial income and expenses	15,707,611.39	13,008,152.44
Adjustments to operating profit		
Depreciation and impairment	78,696,291.39	67,513,236.24
Proceeds on sale of fixed assets and retirements	-107,301.69	-188,246.47
Other non-monetary adjustments	-177,339.53	-1,425,287.00
<b>Changes in working capital</b>		
Increase/decrease in trade and other current receivables	-8,788,311.37	-22,903,240.38
Increase/decrease in current liabilities	14,724,824.65	-16,741,438.42
	5,936,513.28	-39,644,678.80
Interest and other financial expenses paid	-14,393,007.44	-14,454,182.90
Interest received	174,678.50	164,923.34
Income taxes paid	-661,028.44	-71,274.63
Cash flow from operating activities	212,885,649.97	161,990,020.41
<b>Cash flow from investments</b>		
Purchase of tangible and intangible items	-276,931,074.65	-250,068,001.82
Proceeds from sale of tangible and intangible assets	453,228.00	464,347.00
Divestments of other shares	-	4,000.00
Change in cash pool account	25,392,196.68	5,909,634.41
Cash flow from investments	-251,085,649.97	-243,690,020.41
<b>Cash flow from financing activities</b>		
Withdrawal of non-current borrowings	41,700,000.00	100,000,000.00
Cash flow from financing activities	41,700,000.00	100,000,000.00
<b>Net increase/decrease in cash and cash equivalents</b>	<b>3,500,000.00</b>	<b>18,300,000.00</b>
Cash and cash equivalents as at 1.1.	31,000,000.00	12,700,000.00
Cash and cash equivalents as at 31.12.	34,500,000.00	31,000,000.00

# Notes to the financial statements

## 1. Accounting principles

The financial statements of Caruna Oy have been prepared in accordance with Finnish Accounting Standards and other regulation and legislation governing preparing of financial statements.

### 1.1 NET SALES

The revenue includes mainly income from transmission and distribution of electricity. The revenue from distribution of electricity is recognised at delivery.

Energy Authority regulates the price charged from customers for the distribution of electricity in Finland. Any over or under income decided by the regulatory body is regarded as regulatory assets or liabilities that do not qualify for balance sheet recognition due to the fact that no contract defining the regulatory aspect has been entered into with a specific customer and thus the receivable is contingent on future delivery. The over or under income is credited or charged over a number of years in the future to the customer using the electricity connection at that time.

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

### 1.2 REASONABLENESS OF THE PRICING OF NETWORK SERVICE

The Finnish Energy Authority confirms principles for the pricing of transmission services and supervises the reasonableness of the pricing of network service. The length of the supervision period is four years. The decisions are issued after the end of each supervision period. Energy Authority confirms the possible over/under income with a separate supervision decision. Over income and possible interest need to be taken into account in pricing in the following supervision period and under income could be considered in pricing decisions. According to KILA statement, Accounting treatment of over income determined by the Electricity Market

Act (1957/2016) and the guidelines from Energy Authority, Caruna Oy has not accrued the possible income because it is not confirmed yet. The current supervision period includes years 2016-2019 and the outcome of the supervision period is confirmed in 2020.

### 1.3 OTHER OPERATING INCOME

Proceeds from sales of assets and activities outside normal operations is reported in other operating income. This includes recurring items such as rental income and customer based services.

### 1.4 FOREIGN CURRENCY ITEMS

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

### 1.5 BASIS OF MEASUREMENT OF NON-CURRENT ASSETS

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

**Depreciation periods:**

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

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

Wayleave compensations (previously street cable compensations) are one-time compensations paid to the land owners on harm and damage caused by Caruna Oy's electricity network and equipment. Caruna Oy records the paid compensations to the intangible assets in the balance sheet. Caruna Oy changed the concept of the economic lifetime of wayleave compensations from infinite lifetime to 35 years. Wayleave compensations are depreciated over the expected lifetime in 35 years. The change in the economic lifetime was made

retroactively, and a one-time item was booked in the depreciation for the financial year.

## 1.6 DERIVATIVES

The Company measures electricity derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## 1.7 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

### **Initial recognition and measurement**

Caruna Oy has terminated the hedge accounting of electricity derivative contracts on September 30, 2017. The company will book changes in the fair value of derivatives of electricity derivatives directly to the income statement. In 2016, the company has applied the IFRS approach according to the KILA 1963/2016 statement and booked the changes in fair values of electricity derivatives to the hedging reserve.

The company uses derivative financial instruments, such as electricity derivatives, to hedge its price risk on the purchase of grid losses. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to price risk associated with a recognised liability.

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

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

- The effective portion of the gain or loss on the hedging instrument is recognised in hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognised as hedge reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

- If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively.

When hedge accounting is discontinued, any cumulative gain or loss previously recognised in hedge reserve is reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedged item does no longer exist (i.e. prematurely) any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when effective is reclassified from equity to profit or loss as a reclassification adjustment.

## 1.8 INCOME TAXES

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

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

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

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

## 1.9 PENSIONS

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

## 1.10 PROVISIONS

Provisions are recognised when Caruna Oy has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised as an expense in the statement of profit or loss.

## 2. Group information

Caruna Oy is consolidated in Suomi Power Networks TopCo B.V. group's sub group Caruna Networks Oy.

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

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

Caruna Networks Sähkönsiirto Oy holds 100% of Caruna Oy's shares on 31st of December 2017. Caruna Networks Sähkönsiirto Oy was merged with parent company Caruna Networks Oy on 1st of January 2018. Since then, Caruna Networks Oy owns 100 % of Caruna Oy's shares.

## 3. Net sales by geographical markets

EUR	2017	2016
Finland	343,223,363.43	332,774,956.22
Total	343,223,363.43	332,774,956.22

## 4. Other operating income

EUR	2017	2016
Proceeds from sales of fixed assets	171,190.48	188,246.47
Rental income	863,205.14	1,015,917.97
Customer based services	1,232,830.83	1,567,104.32
Income from electricity hedging	274,588.00	1,266,827.00
Other	1,337,458.43	434,403.14
Total	3,879,272.88	4,472,498.90

## 5. Materials and supplies

EUR	2017	2016
Raw materials and consumables		
Purchases during the period	70,324,802.85	64,613,448.68
External services	26,351,561.92	28,064,461.91
Total	96,676,364.77	92,677,910.59

## 6. Personnel and other personnel related expenses

Personnel expenses (EUR)	2017	2016
Wages and salaries	11,416,234.76	11,452,673.43
Indirect personnel expenses		
Pensions	1,924,329.00	1,978,307.50
Other personnel expenses	528,770.74	743,746.67
Total	13,869,334.50	14,174,727.60

## NUMBER OF PERSONNEL

Number of personnel	2017	2016
Average number of personnel during the period	218	213

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

## 7. Depreciation and impairment

EUR	2017	2016
Depreciation according to plan	78,696,291.39	67,513,236.24

Caruna Oy has continued the scrapping of its overhead lines and has booked 9,156,964.73 € depreciation for the financial year 2017. This is related to the ensure the supply of improvement program of electricity distribution. The value of the scrapping corresponding to the 2016 financial year was 4,723,550.42 EUR.

During the financial year 2017, Caruna Oy changed the concept of the economic lifetime of the wayleave compensations (previously called as street cable compensation) from indefinite lifetime to 35 years. Wayleave compensations are depreciated over the expected lifetime in 35 years. The change in the economic life time was made retroactively, and a one-time item, 4,255,998.28 EUR, was booked for depreciation for the financial year.

## 8. Other operating expenses

EUR	2017	2016
Other operating expenses		
Rents	391,344.81	401,433.25
Losses from sales of fixed assets	63,888.79	-
Other services	17,010,794.79	14,039,491.75
Other expenses	587,731.72	1,486,160.54
<b>Total</b>	<b>18,053,760.11</b>	<b>15,927,085.54</b>

### AUDITOR'S FEES

EUR	2017	2016
Deloitte Oy, Audit Firm	60,426.56	21,454.39
Other services	-	91,127.87
<b>Total</b>	<b>60,426.56</b>	<b>112,582.26</b>

## 9. Financial income and expenses

EUR	2017	2016
Other interest and financial income	175,194.00	167,379.05
<b>Total interest income</b>	<b>175,194.00</b>	<b>167,379.05</b>
Other financial expenses		
Group companies	15,766,565.21	13,017,014.36
Others	116,240.18	158,517.13
<b>Total other financial expenses</b>	<b>15,882,805.39</b>	<b>13,175,531.49</b>
<b>Total financial income and expenses</b>	<b>15,707,611.39</b>	<b>13,008,152.44</b>

## 10. Appropriations

EUR	2017	2016
Group contribution to Caruna Networks Sähkönsiirto Oy	190,850,000.00	193,300,000.00
Difference between depreciation according to plan and tax depreciation	55,567,654.25	49,538,631.49
Total	135,282,345.75	143,761,368.51

## 11. Income taxes

EUR	2017	2016
Income taxes from group contributions	-38,170,000.00	-38,660,000.00
Income taxes from ordinary activities	38,244,077.97	39,044,446.94
Change in deferred tax liabilities/receivables	-	31,692.00
Total	74,077.97	416,138.94

## 12. Non-current assets

### INTANGIBLE ASSETS

EUR	Intangible rights	Way leaves	Other non-current expenditure	Total
Acquisition cost 1 Jan 2017	576,317.39	20,859,814.79	43,080,704.40	64,516,836.58
Additions	9,018.39	4,862,376.50	11,557,836.36	16,429,231.25
Disposals	-867.45	-621,050.75	-107,234.32	-729,152.52
Acquisition cost 31 Dec 2017	584,468.33	25,101,140.54	54,531,306.44	80,216,915.31
Accumulated amortisation and impairment 1 Jan 2017	-371,412.59	-1,902,375.94	-22,271,853.65	-24,545,642.18
Accumulated amortisation relating to disposals and transfers	-	621,050.75	107,234.32	728,285.07
Depreciation for the period	-28,164.17	-5,169,877.19	-7,780,142.93	-12,978,184.29
Accumulated amortisation and impairment 31 Dec 2017	-399,576.76	-6,451,202.38	-29,944,762.26	-36,795,541.40
Carrying amount 31 Dec 2017	184,891.57	18,649,938.16	24,586,544.18	43,421,373.91
Carrying amount 31 Dec 2016	204,904.80	18,957,438.85	20,808,850.75	39,971,194.40

TANGIBLE ASSETS

EUR	Land and water	Buildings	Machinery and equipment	Transmission and distribution network	Prepayments and construction in progress	Total
Acquisition cost 1 Jan 2017	4,188,373.04	24,733,937.15	107,112,126.06	1,490,143,484.03	143,162,466.63	1,769,340,386.91
Additions	36,004.32	443,879.52	3,484,120.74	241,056,500.19	343,201,689.11	588,222,193.88
Transfers	-	-	-	-	-329,028,851.87	-329,028,851.87
Disposals	-79,975.77	-126,570.71	-3,237,976.33	-29,535,553.23	-	-32,980,076.04
Acquisition cost 31 Dec 2017	4,144,401.59	25,051,245.96	107,358,270.47	1,701,664,430.99	157,335,303.87	1,995,553,652.88
Accumulated depreciation and impairment 1 Jan 2017	-	-7,647,569.09	-33,238,915.01	-566,506,253.76	-	-607,392,737.86
Accumulated depreciation relating to disposals and transfers	-	126,570.71	2,996,257.38	29,512,189.09	-	32,635,017.18
Depreciation for the period	-	-1,034,582.15	-11,930,460.87	-52,753,064.08	-	-65,718,107.10
Accumulated depreciation and impairment 31 Dec 2017	-	-8,555,580.53	-42,173,118.50	-589,747,128.75	-	-640,475,827.78
Carrying amount 31 Dec 2017	4,144,401.59	16,495,665.43	65,185,151.97	1,111,917,302.24	157,335,303.87	1,355,077,825.10
Carrying amount 31 Dec 2016	4,188,373.04	17,086,368.06	73,873,211.05	923,637,230.27	143,162,466.63	1,161,947,649.05
Carrying amount of machinery and equipment used for production						
31 Dec 2017	1,111,917,302.24					
31 Dec 2016	923,637,230.27					

**INVESTMENTS**

<b>EUR</b>	<b>Other shares and interests</b>	<b>Total</b>
Acquisition cost 1 Jan 2017	48,972.96	48,972.96
Additions	-	-
Disposals	-	-
Acquisition cost 31 Dec 2017	48,972.96	48,972.96
Carrying amount 31 Dec 2017	48,972.96	48,972.96
Carrying amount 31 Dec 2016	48,972.96	48,972.96

**OTHER SHARES AND INTERESTS**

<b>Company name (EUR)</b>	<b>Registered office</b>	<b>No of shares</b>	<b>Carrying amount</b>
Asunto Oy Keskilohja	Lohja	14	4,613.73
Asunto Oy Laurintorni	Lohja	7	4,271.97
Asunto Oy Linnaistenkuja	Lohja	51	7,689.56
Asunto Oy Nummela Väinä	Vihti	8	1,702.06
Asunto Oy Suurlohjankatu 1	Lohja	8	3,417.57
Kiinteistö Oy Asemanmäen	Järvenpää	1	252.28
Kiinteistö Oy Jumpinpelto	Merikarvia	25	4,204.70
Kiinteistö Oy Kimitoacken	Kemiö	240	4,036.51
Kiinteistö Oy Suulivainio	Merikarvia	15	2,522.82
Kiinteistö Oy Tammitori	Lohja	50	15,891.75
Salon Golf ry	Salo	1	370.01
Total			48,972.96

<b>EUR</b>	<b>2017</b>	<b>2016</b>
Total non-current assets	1,398,548,171.97	1,201,967,816.41

## 13. Non-current receivables

EUR	2017	2016
Electricity derivatives	709,690.00	591,049.00

## 14. Current receivables

EUR	2017	2016
Trade receivables	102,252,914.11	93,857,443.04
Other receivables	-	3,500.00
Prepayments and accrued income		
Indirect personnel expenses	67.65	182,869.04
Insurance prepayments	68,157.34	64,893.06
Electricity derivatives	130,112.00	958,281.00
Income tax receivables	237,664.46	-
Other prepayments and accrued income	167,495.40	18,000.00
Prepayments and accrued income total	603,496.85	1,224,043.10
Receivables from group companies		
Trade receivables	426,382.01	-
Prepayments and accrued income from group companies		
Cash pool account	1,671,799.86	96,036.46
Receivables from group companies total	2,098,181.87	96,036.46
<b>Total current receivables</b>	<b>104,954,592.83</b>	<b>95,181,022.60</b>

Cashpool receivables of 1,671,799.86 EUR (96,036.46) are part of the group cash pool arrangements and the company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

## 15. Cash and cash equivalents

EUR	2017	2016
OP Yrityspankki Oyj	34,500,000.00	31,000,000.00

## 16. Equity

EUR	2017	2016
<b>Restricted equity</b>		
Share capital 1 Jan.	2,000,000.00	2,000,000.00
Share capital 31 Dec.	2,000,000.00	2,000,000.00
Hedging reserve 1 Jan.	393,660.00	-3,408,540.54
Change in hedging reserve	-393,660.00	3,802,200.54
Hedging reserve 31 Dec.	-	393,660.00
<b>Total restricted equity</b>	<b>2,000,000.00</b>	<b>2,393,660.00</b>
<b>Unrestricted equity</b>		
Reserve for invested unrestricted equity 1 Jan.	53,387,669.09	38,387,669.09
Additions in reserve for invested unrestricted equity	-	15,000,000.00
Reserve for invested unrestricted equity 31 Dec.	53,387,669.09	53,387,669.09
Retained earnings 1 Jan.	-33,459,113.19	-26,368,983.93
Retained earnings 31 Dec.	-33,459,113.19	-26,368,983.93
Loss for the period	-7,647,191.21	-7,090,129.26
<b>Total unrestricted equity</b>	<b>12,281,364.69</b>	<b>19,928,555.90</b>
<b>Total equity</b>	<b>14,281,364.69</b>	<b>22,322,215.90</b>

<b>Distributable unrestricted equity (EUR)</b>	<b>2017</b>	<b>2016</b>
Reserve for invested unrestricted equity	53,387,669.09	53,387,669.09
Loss from previous periods	-33,459,113.19	-26,368,983.93
Loss for the period	-7,647,191.21	-7,090,129.26
<b>Total</b>	<b>12,281,364.69</b>	<b>19,928,555.90</b>

Caruna Oy has terminated the hedge accounting of electricity derivative contracts on 30 of September 2017. The company will book changes in the fair value of derivatives of electricity derivatives directly to the income statement. In 2016, the company has applied IFRS approach according to the KILA 1963/2016 statement and booked the changes in fair values of electricity derivatives to the hedging reserve.

## 17. Appropriations

EUR	2017	2016
Appropriations comprise from the accumulated depreciation difference	347,324,791.73	402,892,445.98

## 18. Provisions

EUR	2017	2016
Other provisions	97,248.47	-
Total	97,248.47	-

## 19. Deferred tax liabilities

EUR	2017	2016
Presented as notes to the financial statements		
From appropriations	69,464,958.35	80,578,489.20
From timing differences and temporary differences	8,866,282.12	9,585,789.39
Total	78,331,240.47	90,164,278.58

Deferred tax liabilities are only recognised in group accounts.

## 20. Non-current liabilities

EUR	2017	2016
Loans from group companies	557,603,258.00	322,603,258.00
Connection fees	243,039,530.61	243,384,387.01
Electricity derivatives	168,722.00	230,810.00
<b>Total non-current liabilities</b>	<b>800,811,510.61</b>	<b>566,218,455.01</b>

## 21. Current liabilities

EUR	2017	2016
Trade payables	48,699,589.43	45,246,463.72
Other current liabilities	22,425,374.54	22,548,799.27
Accrued expenses		
Accrued employee expenses	3,178,064.67	4,245,033.61
Accrued income tax liabilities	-	349,286.01
Electricity derivatives	8,398.00	536,766.00
Other accrued expenses and deferred revenue	4,311,938.80	9,917,851.17
<b>Accrued expenses total</b>	<b>7,498,401.47</b>	<b>15,048,936.79</b>
<b>Liabilities to group companies</b>		
Trade payables	631,234.46	-
Other current liabilities	16,473,125.53	-
Cash pool account	85,738,340.00	58,770,379.92
Group contribution liability to Caruna Networks Sähkönsiirto Oy	190,850,000.00	193,300,000.00
Accrued expenses		
Accrued interest expenses	3,881,473.87	2,392,191.42
<b>Liabilities to group companies total</b>	<b>297,574,173.86</b>	<b>254,462,571.34</b>
<b>Total current liabilities</b>	<b>376,197,539.30</b>	<b>337,306,771.12</b>
Non-interest bearing liabilities	533,667,451.91	522,151,588.21
Interest bearing liabilities	643,341,598.00	381,373,637.92
<b>Total</b>	<b>1,177,009,049.91</b>	<b>903,525,226.13</b>

Liabilities to group companies include cash pool account of 85,738,340.00 (58,779,379.92) EUR. The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

## 22. Fair value hierarchy of financial derivatives valued at fair value

EUR	2017	2016
<b>Derivative receivables recognised at fair value</b>	<b>Level 2</b>	<b>Level 2</b>
Electricity derivatives	839,802.00	1,549,330.00
<b>Derivative liabilities recognised at fair value</b>	<b>Level,2</b>	<b>Level,2</b>
Electricity derivatives	177,120.00	767,576.00

## 23. Maturity of electricity derivative liabilities

EUR	2017	2016
On demand	-	-
Less than 3 months	-	-
4 to 12 months	8,398.00	536,766.00
1 to 5 years	168,722.00	230,810.00
> 5 years	-	-
<b>Total</b>	<b>177,120.00</b>	<b>767,576.00</b>

## 24. Commitments and contingent liabilities

EUR	2017	2016
<b>Commitments and contingent liabilities</b>		
Operating lease liability		
Payable during one year	-	776.00
Total	-	776.00
<b>Other leases</b>		
Payable during one year	242,751.00	711,229.00
Payable later than one year	1,247,434.00	3,775,292.00
Total	1,490,185.00	4,486,521.00

Other commitments (EUR)	2017	2016
<b>Pledges and other assets given on behalf of group companies</b>		
Floating charges	2,220,000,000.00	2,220,000,000.00
Pledges given	2,247,536,479.61	2,106,150,744.71
Mortgages	20,640,067.02	21,274,741.10

Caruna Oy has given guarantees and security for the obligations of other group companies as well as Caruna Networks B.V. and Suomi Power B.V. under the finance documents. This guarantee and security liability has expressly not been assumed by Caruna Oy to the extent such assumption would constitute unlawful distribution of assets within the meaning of Chapter 13, Section 1 of the Finnish Companies Act, unlawful financial assistance within the meaning of Chapter 13, Section 10 of the Finnish Companies Act or be otherwise in breach of any other applicable mandatory provisions of Finnish law.

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

Capital Commitments (EUR)	2017	2016
Property, plant and equipment	267,435,978.00	315,108,244.00

### Real estate investments

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

10 year review period (EUR)	2009	2010	2011	2012	2013
Last review period	2018	2019	2020	2021	2022
Cost on real estate investment (net)	40,388,958.70	29,179,378.54	32,662,290.82	75,108,785.75	43,513,673.62
VAT on real estate investment	8,846,812.08	6,522,477.84	7,512,326.89	17,275,020.72	10,443,281.67
Net of VAT	8,846,812.08	6,522,477.84	7,512,326.89	17,275,020.72	10,443,281.67
Amount on annual review	884,681.21	652,247.78	751,232.69	1,727,502.07	1,044,328.17
Contingent liability subject to review 31 Dec 2017	884,681.21	1,304,495.57	2,253,698.07	6,910,008.29	5,221,640.83
(Left at 31 Dec 2017)	(1/10)	(2/10)	(3/10)	(4/10)	(5/10)

	2014	2015	2016	2017
Last review period	2023	2024	2025	2026
Cost on real estate investment (net)	36,554,028.44	76,907,654.34	130,153,862.54	161,447,212.19
VAT on real estate investment	8,772,966.83	18,457,837.04	31,236,927.01	38,747,330.93
Net of VAT	8,772,966.83	18,457,837.04	31,236,927.01	38,747,330.93
Amount on annual review	877,296.68	1,845,783.70	3,123,692.70	3,874,733.09
Contingent liability subject to review 31 Dec 2017	5,263,780.10	12,920,485.93	24,989,541.61	34,872,597.83
(Left at 31 Dec 2017)	(6/10)	(7/10)	(8/10)	(9/10)

  

Contingent liability subject to review 31 Dec 2017	94,620,929.43
Contingent liability subject to review 31 Dec 2016	71,273,431.49

Other purchase commitments (EUR)	2017	2016
Electricity purchase commitments	2,119,853	-
Total	2,119,853	-

## 25. Related party transactions

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

## 26. Formulas for key figures

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

### Operating profit %

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

### Return on equity %

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

### Equity ratio %

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

## 27. Information required by Electricity Market Act

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

### Differentiated operations

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

PROFIT AND LOSS STATEMENT FOR NETWORK OPERATION (EUR in thousands)	1.1.2017- 31.12.2017	1.1.2016- 31.12.2016
<b>NET SALES</b>	<b>343,223</b>	<b>332,775</b>
Work performed for own use	3,610	3,141
Other operative income	3,708	4,284
Proceeds of sale of investments	107	188
Materials and supplies		
Raw materials and consumables		
Purchases during the period		
Loss electricity	-10,867	-12,473
External services		
Fees paid for grid and network services	-59,457	-52,141
Other external services	-38,463	-37,478
Personnel expenses		
Wages and salaries	-11,416	-11,453
Social security expenses		
Pension expenses	-1,924	-1,978
Other social security expenses	-529	-744
Depreciation and impairment		
Depreciation according to plan		
Depreciation and amortisation according to plan on electricity network assets	-71,839	-62,893
Depreciation and amortisation according to plan on other non-current assets	-6,857	-4,620
Other operating expenses		
Rental expenses	-392	-405
Network rents	-	3
Other expenses	-5,487	-6,111
<b>OPERATING PROFIT</b>	<b>143,417</b>	<b>150,096</b>
Other interest income and other financial income		
From others	175	165
Interest expense and other financial expenses		
To group companies	-15,723	-13,017
To others	-160	-156
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>127,709</b>	<b>137,087</b>
Appropriations		
Group contributions	-190,850	-193,300
Change in depreciation difference		
Change in depreciation difference on electricity network assets	53,071	47,559
Change in depreciation difference on other non-current assets	2,497	1,979
Income taxes	-74	-384
Other direct taxes	-	-32
<b>LOSS FOR THE PERIOD</b>	<b>-7,647</b>	<b>-7,090</b>

<b>BALANCE SHEET FOR NETWORK OPERATION (in thousands) (EUR)</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
<b>Assets</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Intangible assets of electricity network	29,179	25,212
Other intangible assets	14,242	14,760
Tangible assets		
Tangible assets of electricity network	1,135,089	997,435
Other tangible assets	62,653	21,351
Prepayments and constructions in progress	157,335	143,163
Investments	49	49
Total non-current assets	1,398,547	1,201,968
<b>CURRENT ASSETS</b>		
Receivables		
Non-current receivables		
Receivables from others	710	591
Current receivables		
Cash pool receivables	1,672	96
Receivables from others	103,283	95,085
Cash and cash equivalents	34,500	31,000
Total current assets	140,165	126,772
<b>TOTAL ASSETS</b>	<b>1,538,712</b>	<b>1,328,740</b>

(in thousands) (EUR)	31 Dec 2017	31 Dec 2016
<b>Equity and liabilities</b>		
<b>EQUITY</b>		
Share capital	2,000	2,000
Other reserves	53,388	53,388
Hedging reserve	-	394
Retained earnings	-33,460	-26,369
Loss for the period	-7,647	-7,090
<b>Total equity</b>	<b>14,281</b>	<b>22,322</b>
<b>APPROPRIATIONS</b>		
Depreciation difference	347,325	402,892
<b>PROVISIONS</b>		
	97	-
<b>LIABILITIES</b>		
Non-current liabilities		
Non-current interest bearing liabilities		
To group companies	557,603	322,603
Non-current non-interest bearing liabilities		
Refundable connection fees	243,040	243,384
Liabilities to others	169	231
Current liabilities		
Current interest bearing liabilities		
To group companies		
Cash pool account	85,738	58,770
Current non-interest bearing liabilities		
To group companies	211,847	195,692
To others	78,612	82,844
<b>Total liabilities</b>	<b>1,177,009</b>	<b>903,525</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,538,712</b>	<b>1,328,740</b>

## KEY FIGURES FOR NETWORK OPERATION

	2017	2016
Average number of personnel during the period	218	213
Investments, EUR thousand		
Net investments of electricity network		
Intangible assets	12,774	10,088
Tangible assets	246,322	194,215
Other intangible assets	3,654	3
Other tangible assets	12,873	-74
Investment total	275,623	204,232
Return on investments %	15.9	20.2

The key figure is calculated in accordance with the decision nr 79/2005 96 issued by the Ministry of Trade and Industry. The decision guides calculation of key figures regarding differentiated operations within the electricity business.

Formula for calculation :

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

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

# Signatures to Operating and Financial Review and Financial Statements

Espoo, 6 March 2018

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Juha Laaksonen  
*Chairman of the Board*

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Kenton Bradbury  
*Member of the Board*

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Jouni Grönroos  
*Member of the Board*

---

John Guccione  
*Member of the Board*

---

Gregor Kurth  
*Member of the Board*

---

Niall Mills  
*Member of the Board*

---

Tomi Yli-Kyyny  
*Managing Director, CEO*

## Auditor's note

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

Espoo, 6 March 2018

Deloitte & Touche Oy  
Audit Firm

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Reeta Virolainen  
*APA*



**caruna**

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