

A woman with blonde hair, wearing a light blue long-sleeved shirt, patterned leggings, and white sneakers with red accents, is running on a paved path. She is wearing large black headphones. The path is bordered by a dark metal railing on the left and a body of water in the background. The scene is lit with warm, golden light, suggesting late afternoon or early morning. In the background, two other people are visible on the path, one in a black shirt and one in a red shirt.

Caruna Oy

OPERATING AND
FINANCIAL REVIEW AND
FINANCIAL STATEMENTS

2019

Positive energy.

caruna

31 DECEMBER 2019

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The Board's operating and financial review for 2019

Caruna Oy is a part of Caruna Group (Caruna). Caruna Oy is engaged in regulated electricity distribution network operations and high-voltage electricity distribution network operations on the electricity networks it owns, and it is a distribution network and high-voltage distribution network company as referred to in the Electricity Market Act, within its area of responsibility.

Key events during the financial period

In 2019, construction of the electricity network continued in Caruna Oy's network area, and approximately 3,600 kilometres of the network was built underground, protected from the elements. The cabling rate increased to 54 (49) per cent of the network. The reliability of the electricity network was also improved through other measures, such as clearing trees for power line corridors and increasing the amount of network automation to speed up fault rectification. In addition, poles were replaced by new ones to extend the life cycle of overhead lines in sparsely populated areas.

In September, the company signed an agreement with Fortum Power and Heat Oy on a pilot project involving electricity storage in Inkoo. The batteries used to store electricity will enable electricity to be distributed to approximately 1,500 residents in Inkoo for an average of four hours in the event of problems elsewhere on the electricity distribution network.

A total of 2,200 new solar power systems were connected to Caruna Oy's electricity network. By the end of the year, the number of small-scale producers exceeded 5,600.

In December, Caruna Oy sold its 110-kV overhead line network in the City of Pori to Pori Energia Sähköverkot Oy. The transaction will enable both companies to enhance their high-voltage distribution networks in the future. The agreement also included a new network connection for the Impola substation, which will reinforce the back-up connection between Harjavalta and Impola.

Caruna Oy's increased electricity distribution prices took effect on 1 November 2019. The price increases affected customers' total electricity distribution fees, including tax, by an average of 3.9 per cent.

Caruna Oy received conditional decision from Energy Authority in March 2019, which allows Caruna Oy to extend the recovery period for its cumulative under income from four to eight years. This decision is aligned with now proposed updates in Energy Market Act, which would

provide the same opportunity to all distribution service operators.

Financial development

In 2019, Caruna Oy's net sales amounted to EUR 381.0 (369.2) million, showing an increase of 3.2 per cent year-on-year. The increase in net sales was mainly due to higher electricity distribution prices and volume growth.

Variable costs, consisting of transmission costs and grid loss electricity purchases, were EUR 68.8 (73.5) million. The decrease of EUR 4.7 million in costs came mainly from the lower electricity supply volume.

Operating expenses, including external services, employee costs and other operating expenses, were EUR 59.4 (61.1) million, which is EUR 1.7 million lower than in the comparison period. Depreciations, amortisations and impairment charges amounted to EUR 91.3 (88.1) million. Depreciations, amortisations and impairment charges also include scrapping costs arising from dismantling overhead lines in a total amount of EUR 13.8 (16.3) million.

The company's operating profit was EUR 167.2 (153.7) million, and the loss for the financial period was EUR 6.5 (2018: loss of 7.8) million.

The company gave EUR 143.4 (149.0) million in group contributions to the mother company Caruna Networks Oy.

Financial key figures

	2019	2018	2017
Net sales (EUR million)	381.0	369.2	343.2
Operating profit (EUR million)	167.2	153.7	143.4
Operating profit (% of net sales)	43.9	41.6	41.8
Loss for the period (EUR million)	-6.5	-7.8	-7.6
Investments (EUR million)	144.4	232.5	275.6
Return on equity (%)	26.5	24.5	22.7
Equity ratio (%)	29.5	30.7	34.8

Business activities

Caruna Oy has approximately 79,400 kilometres of electricity network in its operating area of South, Southwest and West Finland, and in the regions of Koillismaa and Satakunta. The electricity supply volume during the year decreased slightly, amounting to 6.7 (6.8) TWh on the distribution network and to 2.7 (2.8) TWh on the high-voltage distribution network.

Caruna Oy's customer base has grown steadily during the past years. The total number of customers was 474 (471) thousand at the end of 2019. A total of 1,400 (1,600) new connection contracts were signed.

The reliability of electricity supply is measured by the System Average Interruption Duration Index (SAIDI). The average interruption time in Caruna Oy's electricity distribution was 103 (132) minutes per customer in 2019, and the reliability of electricity supply was 99.98 (99.98) per cent. The System Average Interruption Frequency Index (SAIFI) per customer was 1.74 (2.4) events.

The highest number of supply interruptions was caused by the storm known as Aapeli in January, during which the highest number of customers simultaneously affected by an interruption of supply was 28,900 in West Finland. Fault locations were identified quickly, and thanks to network automation and ring network connections in particular, electricity was restored to most customers quickly.

Caruna Oy's performance-based investments during the financial period amounted to EUR 144.4 (232.5) million.

A total of 2,200 new solar power systems were connected to Caruna Oy's electricity network. By the end of the year, the number of small-scale producers exceeded 5,600.

Caruna Oy's increased electricity distribution prices took effect on 1 November 2019. The impact of the price increase on individual customers' bills varied depending on the type of housing and the energy consumption. These changes affected customers' total electricity distribution fees, including tax, by an average of 3.9 per cent.

Climate change is increasing the number of storms and heavy snowfalls, causing power outages, and society is increasingly dependent on electricity. Price changes are necessary to fund the network improvement projects needed to boost the reliability of supply. The investments in network improvements aim to achieve the security of supply commitments in accordance with the Electricity Market Act by the end of 2028. Customers in urban and rural areas must have access to electricity in such a way that in the event of an outage, the power supply must be resumed within 6 hours in urban areas and within 36 hours in sparsely populated areas.

Research and development

Total research and development expenditure for the financial period amounted to EUR 0.2 (2018: 0.1 and 2017: 0.2) million, which is 0.37 (2018: 0.14 and 2017: 0.29) per cent of operating expenses.

Employees

Caruna Oy employed an average of 242 (2018: 231 and 2017: 218) personnel, and it had 241 (2018: 219 and 2017: 222). During the financial year, the company paid EUR 13.8 (2018: 13.2 and 2017: 11.4) million in wages and salaries.

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

Corporate responsibility

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

Risks

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

STRATEGIC RISKS

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

OPERATIONAL RISKS

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

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. Caruna Oy's customers can have supply or connection contracts including a collateral or advance payment to cover any contractual amounts that remain outstanding. Collaterals hedge against potential credit losses and the accumulation of credit losses is closely monitored. Credit losses amounted to EUR 437 (124) thousand in 2019.

Price risk

In previous years, price risks related to grid loss electricity purchases have been hedged using electricity derivatives. In 2017, following a re-evaluation of the impact of price risks related to grid loss electricity purchases, Caruna Oy

decided that no new electricity derivatives will be purchased and, where necessary, the risk will be hedged by signing physical electricity purchase agreements.

Changes in equity

Caruna Oy's share capital amounts to EUR 2 million. Caruna Oy's invested unrestricted equity fund was expanded by EUR 10 million, and the fund now totals EUR 73.4 million. 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 term of office commencing at the Annual General Meeting and ending at the next Annual General Meeting.

The Board convened six times during the financial period. The Board members were Matti Ruotsala (Chair as of 27 March 2019) and Juha Laaksonen (Chair until 27 March 2019), Jouni Grönroos, John Guccione, Gregor Kurth, Matt Little, Niall Mills and Laura Tarkka (as of 1 August 2019). The deputy members were Ellen Richardson, Delphine Voeltzel (until 27 March 2019), Nicolas Grant (starting 27 March 2019) and Ines Grund (starting 27 March 2019).

Auditors

Caruna Oy's audit firm was Deloitte Oy, with Reeta Virolainen, Authorised Public Accountant, acting as the auditor with principal responsibility.

Shares and ownership

The company has 470,671 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 Government's draft bill on amending the Electricity Market Act was given for statements at the beginning of 2020. The proposal includes a reduction in the annual price increase limit to 12.5 per cent, an extension of the deficit levelling period from four to eight years, and an extension of the deadline for implementing the reliability requirements for electricity distribution for companies operating in the most challenging areas, with the new deadline set at the end of 2036.

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. Caruna Networks Oy will continue to operate as the parent company, offering administrative services to Caruna Oy, along with other services to support electricity distribution, such as Caruna's electronic service platform and fibre construction for customers and partners. The operations are expected to continue in accordance with normal business principles and conditions.

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

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

The Government's draft bill on amending the Electricity Market Act was given for consultation at the beginning of January 2020. The draft bill proposes postponing the reliability of supply requirements from 2028 to 2036 for companies with medium-voltage networks that had a cabling rate of less than 60% at the end of 2018. Within Caruna Group, Caruna Oy meets this criterion, so Caruna Oy's investments will be rescheduled on the basis of the draft bill.

Caruna is concerned with combating the impacts of climate change and ensuring that the Finnish energy system develops to address future needs. Caruna wants to act as a pioneer in promoting the increased use of renewable energy and the electrification of transport. The electricity network will be developed into a reliable platform on which these solutions can be rapidly and efficiently deployed.

Board of Directors' proposal for dividend distribution

Caruna Oy's distributable assets totalled EUR 17,992,041.11. The company's net loss for the financial period was EUR 6,463,541.44. The Board of Directors proposes to the annual general meeting that no dividends be paid for 2019 and that the losses be transferred to retained earnings.

PROFIT AND LOSS STATEMENT

EUR	NOTE	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Net sales	3	380,984,798.26	369,165,411.49
Capitalised own work		1,497,101.76	1,827,953.22
Other operating income	4	5,617,263.06	5,492,631.06
Materials and supplies	5	-92,727,926.42	-98,994,482.45
Personnel expenses	6	-17,070,855.94	-15,904,453.58
Depreciation and impairment	7	-91,287,885.34	-88,144,963.97
Other operating expenses	8	-19,789,375.21	-19,710,259.57
Operating profit		167,223,120.17	153,731,836.20
Financial income and expenses	9	-26,493,136.86	-23,345,238.65
Profit before appropriations and taxes		140,729,983.31	130,386,597.55
Appropriations	10	-147,027,305.96	-138,007,141.47
Income taxes	11	-166,218.79	-205,238.22
Loss for the period		-6,463,541.44	-7,825,782.14

BALANCE SHEET

EUR	NOTE	31 Dec 2019	31 Dec 2018
ASSETS			
Non-Current Assets	12		
Intangible assets		42,681,934.97	43,417,434.22
Tangible assets		1,552,898,499.19	1,499,339,093.24
Investments		48,973.96	48,973.96
Total Non-Current Assets		1,595,629,408.12	1,542,805,501.42
Current assets			
Current receivables	13	175,972,842.71	139,990,886.30
Cash and cash equivalents	14	38,300,000.00	36,600,000.00
Total Current Assets		214,272,842.71	176,590,886.30
TOTAL ASSETS		1,809,902,250.83	1,719,396,387.72
EQUITY AND LIABILITIES			
Equity	15		
Share capital		2,000,000.00	2,000,000.00
Other reserves			
Invested distributable equity fund		73,387,669.09	63,387,669.09
Retained earnings (cumulative loss)		-48,932,086.54	-41,106,304.40
Loss for the financial year		-6,463,541.44	-7,825,782.14
Total equity		19,992,041.11	16,455,582.55
Appropriations	16	339,959,239.16	336,331,933.20
Provisions	17	21,419.98	-
Liabilities			
Non-current liabilities	19	1,180,258,710.15	1,081,277,533.90
Current liabilities	20	269,670,840.43	285,331,338.07
Total liabilities		1,449,929,550.58	1,366,608,871.97
TOTAL EQUITY AND LIABILITIES		1,809,902,250.83	1,719,396,387.72

CASH FLOW STATEMENT

EUR	1 Jan 2019- 31 Dec 2019	1 Jan 2018- 31 Dec 2018
Cash flows from operating activities		
Net profit before appropriations and taxes	140,729,983.31	130,386,597.55
Financial income and expenses	26,493,136.86	23,345,238.65
Adjustments to operating profit:		
Depreciation and impairment	91,287,885.34	88,144,963.97
Proceeds on sale of fixed assets and write-offs	-1,744,874.10	-44,065.31
Other non-cash adjustments	1,384,429.98	-797,577.47
Changes in working capital		
Increase/decrease in trade and other current receivables	-4,982,999.75	-1,833,586.46
Increase/decrease in current liabilities	4,491,950.72	3,760,350.86
Changes in working capital total	-491,049.03	1,926,764.40
Interest and other financial expenses paid	-26,005,532.23	-22,092,907.40
Interest received	96,854.63	50,334.06
Income taxes paid	107,483.88	-332,030.33
Cash flows from operating activities	231,858,318.64	220,587,318.12
Cash flows from investments		
Purchase of tangible and intangible items	-147,969,102.94	-238,432,765.70
Proceeds from sale of tangible and intangible assets	2,062,162.00	117,465.00
Change in cash pool account	-44,251,377.70	-80,172,017.42
Cash flows from investments	-190,158,318.64	-318,487,318.12
Cash flows from financing activities		
Withdrawal of non-current borrowings	-	100,000,000.00
Repayment of non-current borrowings	-40,000,000.00	-
Cash flows from financing activities	-40,000,000.00	100,000,000.00
Net increase in cash and cash equivalents	1,700,000.00	2,100,000.00
Cash and cash equivalents as at 1 Jan	36,600,000.00	34,500,000.00
Cash and cash equivalents as at 31 Dec	38,300,000.00	36,600,000.00

Notes

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 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. Customer-based services include eg. relocation fees, connections and meterings in construction sites, installation of new meters, connections and disconnections.

1.4 OUTAGE FEES

Starting from 1 January 2019 outage fees to customers, in compliance with the Electricity Market Act, for disruptions in electricity distribution lasting longer than 12 hours are recorded as other operating expenses in the statement of profit or loss. Previously outage fees were recorded as a deduction from sales. The change to the accounting principle does not have any impact on the comparative period.

1.5 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.

1.6 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
Wayleave compensations	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 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 and depreciates them in 35 years.

1.7 DERIVATIVES

Caruna Oy 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 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.

1.8 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and measurement

Caruna Oy has terminated the hedge accounting of electricity derivative contracts on 30 September 2017. The company books changes in the fair value of electricity derivatives directly to the income statement.

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.

1.9 INCOME TAXES

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

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

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

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

1.10 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.

1.11 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. Caruna Networks Oy owns 100 % of Caruna Oy's shares.

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 %).

3. Net sales

EUR	2019	2018
Distribution sales		
Regional distribution network	342,667,677.23	327,898,512.66
High-voltage distribution network	29,096,955.69	29,036,135.97
Connection fees		
Regional distribution network	7,784,265.34	10,374,056.35
High-voltage distribution network	1,435,900.00	1,856,706.51
Total	380,984,798.26	369,165,411.49

4. Other operating income

EUR	2019	2018
Income from sale of scrapped material	1,865,438.22	2,282,316.51
Customer based services and relocation of connections	1,277,860.58	1,571,391.22
Rental income	597,291.33	739,428.24
Income from electricity hedging	-	700,328.00
Proceeds from sales of fixed assets	1,758,676.34	44,815.67
Other	117,996.59	154,351.42
Total	5,617,263.06	5,492,631.06

5. Materials and supplies

EUR	2019	2018
Raw materials and consumables	-68,825,202.17	-73,513,907.70
External services	-23,902,724.25	-25,480,574.75
Total	-92,727,926.42	-98,994,482.45

6. Personnel and other personnel related expenses

PERSONNEL EXPENSES

EUR	2019	2018
Wages and salaries	-13,787,465.10	-13,181,153.76
Indirect personnel expenses		
Pensions	-2,794,598.78	-2,208,873.68
Other personnel expenses	-488,792.06	-514,426.14
Total	-17,070,855.94	-15,904,453.58

NUMBER OF PERSONNEL

	2019	2018
Average number of personnel during the financial year	242	231

7. Depreciation and impairment

EUR	2019	2018
Depreciation according to plan	-77,442,868.37	-71,879,898.44
Scrappings	-13,845,016.97	-16,265,065.53
Total	-91,287,885.34	-88,144,963.97

8. Other operating expenses

EUR	2019	2018
Rents	-460,535.45	-339,018.32
Losses from sales of fixed assets	-13,802.24	-750.36
Other services	-10,081,274.51	-13,620,719.56
Other expenses	-9,233,763.01	-5,749,771.33
Total	-19,789,375.21	-19,710,259.57

AUDITOR'S FEES, DELOITTE OY, AUDIT FIRM

EUR	2019	2018
Audit fees	-86,900.00	-15,000.00
Total	-86,900.00	-15,000.00

9. Financial income and expenses

EUR	2019	2018
Other interest and financial income	97,176.69	52,386.78
Total financial income	97,176.69	52,386.78
Other financial expenses		
Group companies	-26,575,959.99	-23,316,395.76
Others	-14,353.56	-81,229.67
Total financial expenses	-26,590,313.55	-23,397,625.43
Total	-26,493,136.86	-23,345,238.65

10. Appropriations

EUR	2019	2018
Group contribution given	-143,400,000.00	-149,000,000.00
Difference between depreciation according to plan and tax depreciation	-3,627,305.96	10,992,858.53
Total	-147,027,305.96	-138,007,141.47

11. Income taxes

EUR	2019	2018
Income taxes from group contributions	28,680,000.00	29,800,000.00
Income taxes from ordinary activities	-28,846,218.79	-30,005,238.22
Total	-166,218.79	-205,238.22

12. Non-current assets

INTANGIBLE ASSETS

EUR	Intangible rights	Way leaves	Other non-current expenditure	Total
Acquisition cost 1 Jan 2019	1,056,496.13	30,641,953.81	40,539,474.79	72,237,924.73
Transfers	882.70	2,922,739.16	4,514,393.12	7,438,014.98
Disposals	-931.55	-510,853.44	-6,501.53	-518,286.52
Acquisition cost 31 Dec 2019	1,056,447.28	33,053,839.53	45,047,366.38	79,157,653.19
Accumulated amortisation and impairment 1 Jan 2019	-431,123.99	-7,157,395.19	-21,231,971.33	-28,820,490.51
Accumulated amortisation relating to disposals and transfers	931.55	510,853.44	6,501.53	518,286.52
Depreciation for the period	-60,208.67	-1,239,825.55	-6,873,480.01	-8,173,514.23
Accumulated amortisation and impairment 31 Dec 2019	-490,401.11	-7,886,367.30	-28,098,949.81	-36,475,718.22
Carrying amount 31 Dec 2019	566,046.17	25,167,472.23	16,948,416.57	42,681,934.97
Carrying amount 31 Dec 2018	625,372.14	23,484,558.62	19,307,503.46	43,417,434.22

TANGIBLE ASSETS

EUR	Land	Buildings	Machinery and equipment	Transmission and distribution network	Prepayments and construction in progress	Total
Acquisition cost 1 Jan 2019	4,212,495.34	25,141,342.21	7,300,834.23	2,031,902,119.05	112,137,994.23	2,180,694,785.06
Additions	-	-	-	-	144,473,931.49	144,473,931.49
Transfers	24,740.56	216,443.75	2,284,115.39	164,488,703.89	-174,452,018.57	-7,438,014.98
Disposals	-44,851.55	-1,167,039.14	-446,387.91	-34,529,522.73	-	-36,187,801.33
Acquisition cost 31 Dec 2019	4,192,384.35	24,190,746.82	9,138,561.71	2,161,861,300.21	82,159,907.15	2,281,542,900.24
Accumulated amortisation and impairment 1 Jan 2019	-	-9,297,890.48	-3,682,282.73	-668,375,518.61	-	-681,355,691.82
Accumulated depreciation relating to disposals and transfers	-	1,143,111.43	231,420.26	34,451,130.19	-	35,825,661.88
Depreciation for the period	-	-1,019,375.06	-1,264,064.52	-80,830,931.53	-	-83,114,371.11
Accumulated amortisation and impairment 31 Dec 2019	-	-9,174,154.11	-4,714,926.99	-714,755,319.95	-	-728,644,401.05
Carrying amount 31 Dec 2019	4,192,384.35	15,016,592.71	4,423,634.72	1,447,105,980.26	82,159,907.15	1,552,898,499.19
Carrying amount 31 Dec 2018	4,212,495.34	15,843,451.73	3,618,551.50	1,363,526,600.44	112,137,994.23	1,499,339,093.24
Carrying amount of machinery and equipment used for production						
31 Dec 2019						1,447,105,980.26
31 Dec 2018						1,363,526,600.44

INVESTMENTS

EUR	Other shares and interests	Total
Acquisition cost 1 Jan 2019	48,973.96	48,973.96
Additions	-	-
Acquisition cost 31 Dec 2019	48,973.96	48,973.96
Carrying amount 31 Dec 2019	48,973.96	48,973.96
Carrying amount 31 Dec 2018	48,973.96	48,973.96

OTHER SHARES AND INTERESTS

Company name	Registered office	No of shares	Carrying amount
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 Nummelan Väinämöisentie	Vihti	8	1,702.06
Asunto Oy Suurlohjankatu 18-22	Lohja	8	3,417.57
Kiinteistö Oy Järvenpään Asemamäen paikoitustalo	Järvenpää	1	252.28
Kiinteistö Oy Jumpinpelto	Merikarvia	25	4,204.70
Kiinteistö Oy Kimitobacken	Kemiö	240	4,036.51
Kiinteistö Oy Suulivainio	Merikarvia	15	2,522.82
Kiinteistö Oy Tammitori	Lohja	50	15,891.75
Salon Golfkeskus Oy	Salo	1	370.01
Kiinteistö Oy Alavuden Säästökeskus	Alavus	14	1.00
Karjaan Puhelin Oy	Karjaa	330	-
Total			48,973.96

TOTAL NON-CURRENT ASSETS

EUR	2019	2018
Total non-current assets	1,595,629,408.12	1,542,805,501.42

13. Current receivables

EUR	2019	2018
Trade receivables	108,387,117.80	104,476,947.38
Other receivables	20,000.00	58,488.00
Prepayments and accrued income		
Electricity derivatives	-	1,418,420.00
Income tax receivables	90,753.90	364,456.57
Insurance prepayments	44,950.03	70,198.82
Indirect personnel expenses	-	57.66
Other prepayments and accrued income	446,572.56	28,360.60
Prepayments and accrued income total	582,276.49	1,881,493.65
Receivables from group companies		
Trade receivables	832,962.33	114,550.51
Other receivables from group companies		
Cash pool account	66,150,486.09	33,459,406.76
Receivables from group companies total	66,983,448.42	33,573,957.27
Total current receivables	175,972,842.71	139,990,886.30

Cashpool receivables of EUR 66,150,486.09 (33,459,406.76) 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.

14. Cash and cash equivalents

EUR	2019	2018
OP Corporate Bank Plc	38,300,000.00	36,600,000.00

15. Equity

EUR	2019	2018
Restricted equity		
Share capital 1 Jan	2,000,000.00	2,000,000.00
Share capital 31 Dec	2,000,000.00	2,000,000.00
Total restricted equity	2,000,000.00	2,000,000.00
Unrestricted equity		
Invested distributable equity fund 1 Jan	63,387,669.09	53,387,669.09
Additions for invested distributable equity fund	10,000,000.00	10,000,000.00
Invested distributable equity fund 31 Dec	73,387,669.09	63,387,669.09
Retained earnings 1 Jan	-48,932,086.54	-41,106,304.40
Retained earnings 31 Dec	-48,932,086.54	-41,106,304.40
Loss for the period	-6,463,541.44	-7,825,782.14
Total unrestricted equity	17,992,041.11	14,455,582.55
Total equity	19,992,041.11	16,455,582.55

DISTRIBUTABLE UNRESTRICTED EQUITY

EUR	2019	2018
Invested distributable equity fund	73,387,669.09	63,387,669.09
Retained earnings	-48,932,086.54	-41,106,304.40
Loss for the period	-6,463,541.44	-7,825,782.14
Total	17,992,041.11	14,455,582.55

16. Appropriations

EUR	2019	2018
Accumulated depreciation difference	339,959,239.16	336,331,933.20

17. Provisions

EUR	2019	2018
Other provisions	21,419.98	-

18. Deferred tax liabilities

EUR	2019	2018
From appropriations	67,991,847.83	67,266,386.64
From timing differences and temporary differences	8,772,740.00	8,772,740.00
Total	76,764,587.83	76,039,126.64

Deferred tax liabilities are only recognised in group accounts.

19. Non-current liabilities

EUR	2019	2018
Liabilities to group companies		
Loans from group companies	937,453,258.00	838,453,258.00
Connection fees	242,601,302.15	242,824,275.90
Other non-current liabilities	204,150.00	-
Total non-current liabilities	1,180,258,710.15	1,081,277,533.90

20. Current liabilities

EUR	2019	2018
Trade payables	33,489,047.93	41,190,519.65
Other current liabilities	32,878,176.87	26,899,152.40
Accrued expenses		
Accrued employee expenses	4,535,077.09	3,582,820.35
Advance payments	4,362,562.38	3,571,772.12
Electricity derivatives	-	55,410.00
Other accrued expenses and deferred revenue	311,840.02	340,097.55
Accrued expenses total	9,209,479.49	7,550,100.02
Liabilities to group companies		
Trade payables	41,124.46	1,240,558.23
Other current liabilities	19,090,782.13	16,912,939.11
Cash pool account	25,793,631.11	37,353,929.48
Group contribution liability	143,400,000.00	149,000,000.00
Accrued expenses		
Accrued interest expenses	5,768,598.44	5,184,139.18
Liabilities to group companies total	194,094,136.14	209,691,566.00
Total current liabilities	269,670,840.43	285,331,338.07
Non-interest bearing liabilities	486,682,661.47	490,801,684.49
Interest bearing liabilities	963,246,889.11	875,807,187.48
Total	1,449,929,550.58	1,366,608,871.97

Liabilities to group companies include cash pool account of EUR 25,793,631.11 (37,353,929.48). The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

21. Fair value hierarchy of financial derivatives valued at fair value

EUR	2019	2018
Derivative receivables recognised at fair value through profit and loss		
	Level 2	Level 2
Electricity derivatives	-	1,418,420.00
Derivative liabilities recognised at fair value through profit and loss		
	Level 2	Level 2
Electricity derivatives	-	55,410.00

22. Maturity of electricity derivative liabilities

EUR	2019	2018
On demand	-	-
Less than 3 months	-	55,410.00
4 to 12 months	-	-
1 to 5 years	-	-
> 5 years	-	-
Total	-	55,410.00

23. Commitments and contingent liabilities

EUR	2019	2018
Operating lease liability		
Payable during one year	7,031.90	11,103.00
Total	7,031.90	11,103.00
Other leases		
Payable during one year	300,999.61	281,706.61
Payable later than one year	1,557,665.83	1,502,364.67
Total	1,858,665.44	1,784,071.28
Other commitments		
Pledges and other assets given on behalf of group companies		
Floating charges	2,220,000,000.00	2,220,000,000.00
Pledges given	2,604,761,616.52	2,430,502,183.40
Mortgages	19,208,977.06	20,055,947.07
Total	4,843,970,593.58	4,670,558,130.47

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	2019	2018
Property, plant and equipment	247,878,378.88	225,567,946.00
Total	247,878,378.88	225,567,946.00

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	2011	2012	2013	2014	2015
Last review period	2020	2021	2022	2023	2024
Cost on real estate investment (net)	32,662,290.82	75,108,785.75	43,513,673.62	36,554,028.44	76,907,654.34
VAT on real estate investment	7,512,326.89	17,275,020.72	10,443,281.67	8,772,966.83	18,457,837.04
Net of VAT	7,512,326.89	17,275,020.72	10,443,281.67	8,772,966.83	18,457,837.04
Amount on annual review	751,232.69	1,727,502.07	1,044,328.17	877,296.68	1,845,783.70
Contingent liability subject to review 31 Dec 2019 (Left at 31 Dec 2019)	751,232.69 (1/10)	3,455,004.14 (2/10)	3,132,984.50 (3/10)	3,509,186.73 (4/10)	9,228,918.52 (5/10)

EUR	2016	2017	2018	2019
Last review period	2025	2026	2027	2028
Cost on real estate investment (net)	130,153,862.54	161,447,212.19	182,990,724.88	117,401,701.45
VAT on real estate investment	31,236,927.01	38,747,330.93	43,917,773.97	28,176,408.35
Net of VAT	31,236,927.01	38,747,330.93	43,917,773.97	28,176,408.35
Amount on annual review	3,123,692.70	3,874,733.09	4,391,777.40	2,817,640.83
Contingent liability subject to review 31 Dec 2019 (Left at 31 Dec 2019)	18,742,156.21 (6/10)	27,123,131.65 (7/10)	35,134,219.18 (8/10)	25,358,767.51 (9/10)

Contingent liability subject to review

Contingent liability subject to review 31 Dec 2019	126,435,601.13
Contingent liability subject to review 31 Dec 2018	119,365,427.90

OTHER PURCHASE COMMITMENTS

EUR	2019	2018
Electricity purchase commitments	7,832,910.00	5,549,936.00
Total	7,832,910.00	5,549,936.00

24. 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.

25. 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-%

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

EQUITY RATIO-%

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

26. 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 company's 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

in EUR thousands	1 Jan 2019– 31 Dec 2019	1 Jan 2018– 31 Dec 2018
NET SALES	380,985	369,165
Work performed for own use	1,497	1,828
Other operative income	2,497	5,447
Proceeds of sale of investments	1,745	44
Materials and supplies		
Raw materials and consumables		
Purchases during the period		
Loss electricity	-11,997	-11,567
External services		
Fees paid for grid and network services	-56,829	-61,947
Other external services	-26,504	-32,352
Personnel expenses		
Wages and salaries	-13,787	-13,181
Social security expenses		
Pension expenses	-2,795	-2,209
Other social security expenses	-489	-514
Depreciation and impairment		
Depreciation according to plan		
On electricity network assets	-83,248	-80,211
On other non current assets	-8,040	-7,934
Other operating expenses		
Rental expenses	-461	-339
Other expenses	-15,351	-12,498
OPERATING PROFIT	167,223	153,732
Other interest income and other financial income		
From others	97	50
Interest expense and other financial expenses		
To group companies	-26,576	-23,316
To others	-14	-79
PROFIT BEFORE APPROPRIATIONS AND TAXES	140,730	130,387
Appropriations		
Group contributions	-143,400	-149,000
Change in depreciation difference		
Change in depreciation difference on electricity network assets	-1,416	10,795
Change in depreciation difference on other non current assets	-2,212	198
Income taxes	-166	-205
LOSS FOR THE PERIOD	-6,464	-7,825

BALANCE SHEET FOR NETWORK OPERATION

in EUR thousands	31 Dec 2019	31 Dec 2018
ASSETS		
Non current assets		
Intangible assets		
Intangible assets of electricity network	31,474	32,017
Other intangible assets	11,208	11,401
Tangible assets		
Tangible assets of electricity network	1,390,144	1,313,652
Other tangible assets	80,595	73,550
Prepayments and constructions in progress	82,160	112,138
Investments	49	49
Total non current assets	1,595,630	1,542,807
Current assets		
Receivables		
Current receivables		
Cash pool receivables	66,150	33,459
Receivables from others	109,822	106,531
Cash and cash equivalents	38,300	36,600
Total current assets	214,272	176,590
TOTAL ASSETS	1,809,902	1,719,397

in EUR thousands	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES		
Equity		
Share capital	2,000	2,000
Other reserves	73,388	63,388
Retained earnings (loss)	-48,932	-41,107
Loss for the period	-6,464	-7,825
Total equity	19,992	16,456
Appropriations		
Depreciation difference	339,959	336,332
Provisions	21	-
LIABILITIES		
Non current liabilities		
Non current interest bearing liabilities		
To group companies	937,454	838,453
Non current non-interest bearing liabilities		
Refundable connection fees	242,601	242,824
Liabilities to others	204	-
Current liabilities		
Current interest bearing liabilities		
To group companies		
Cash pool account	25,794	37,354
Current non-interest bearing liabilities		
To group companies	168,361	172,375
To others	75,516	75,603
Total liabilities	1,449,930	1,366,609
TOTAL EQUITY AND LIABILITIES	1,809,902	1,719,397

KEY FIGURES FOR NETWORK OPERATION

	2019	2018
Average number of personnel during the period	242	231
Investments (EUR thousand):		
Net investments of electricity network		
Intangible assets	2,414	5,926
Tangible assets	127,282	212,282
Other intangible assets	4,580	2,204
Other tangible assets	10,077	12,064
Investments total	144,353	232,476
Return on investments %:	13.1	13.8

The key figure is calculated in accordance with the decision nr 79/2005 9§ 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 :

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

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 the financial statements and operating and financial review

Espoo, 11 March 2020

Matti Ruotsala
Chairman of the Board

Jouni Grönroos
Member of the Board

John Guccione
Member of the Board

Gregor Kurth
Member of the Board

Matthew Liddle
Member of the Board

~~Niall Mills~~ Ellen Richardson
~~Member of the Board~~ *Deputy Member of the Board*

Laura Tarkka
Member of the Board

Tomi Yli-Kyyny
Managing Director

Auditor's note

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

Espoo, 11 March 2020

Deloitte Oy
Audit Firm

Reeta Virolainen
APA

List of ledgers, types of vouchers and their archiving methods

	Method
Financial statements and operating and financial review	Bound book
Note vouchers	Electronically
Balance sheet specifications	Electronically
Accounting documents	
Income statement and balance sheet	Electronically
General ledger	Electronically
Journal	Electronically
Supporting ledgers	
Trade debtors ledger	Electronically
Trade creditors ledger	Electronically
Payroll accounting	Electronically
Fixed Assets	Electronically
Commitments	Electronically
Bank vouchers	Electronically
Adjusting journal entries	Electronically
Trade debtors ledger	Electronically
Trade creditors ledger	Electronically
Payroll vouchers	Electronically
Fixed assets vouchers	Electronically
Vouchers for travel expenses	Electronically

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