

AUDITOR'S REPORT (Unofficial Translation from Finnish original)

To the Annual General Meeting of Caruna Networks Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Caruna Networks Oy for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Espoo, 11th of March 2016

Deloitte & Touche Oy
Authorised Public Audit Firm

Jukka Vattulainen
Authorised Public Accountant

Caruna Networks Oy Group

FINANCIAL STATEMENTS 2015

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Caruna Networks Oy

The Board's Annual Report for 2015

Company operations

Caruna Networks Oy is Caruna Group's parent company. The parent company of Caruna Networks Oy is Suomi Power BV with domicile in The Netherlands. In addition to Caruna Networks Oy, Caruna Group includes Caruna Networks Sähkösiirto Oy, Caruna Networks Espoo Oy, Caruna Oy and Caruna Espoo Oy. Caruna Networks Oy owns Caruna Networks Sähkösiirto Oy and Caruna Networks Espoo Oy, which in turn own Caruna Oy and Caruna Espoo Oy.

Of all the companies in the Group, Caruna Oy and Caruna Espoo Oy practise regional and distribution network operations in the electrical power systems they own and are two of the regional and distribution network operators referred to in the Electricity Market Act, within their areas of responsibility. Caruna Networks Oy, Caruna Networks Espoo Oy and Caruna Networks Sähkösiirto Oy provide supportive services for the entire Caruna Group.

In August Caruna Oy acquired Lapin Sähköverkko Oy's entire capital stock, and the 110 kV and 220 kV networks related to the business, of Kemijoki Oy. Lapin Sähköverkko Oy was merged with Caruna Oy at December 30, 2015.

Relevant events during the financial period

The year 2015 was the first complete operating year for Caruna Group. During the year we continued the completion of our separation and development projects and adapting the operations to the needs of the electricity distribution company operating locally in Finland.

During this past financial period, the weather was exceptionally warm, which is reflected in the electricity distribution volumes in comparison to the previous year. The storm Aapeli, which occurred during new year's and Suoma, which occurred in April, formed the strongest storms that also caused electricity distribution outages in 2015. In order to minimize the damage caused by storms and heavy snowfall in the most optimal fashion, we are improving the reliability of electricity distribution in many ways, for example, with cabling. By intensifying the management of adjacent forest areas along power lines, we aim to minimize the amount of outages caused by storms and heavy snowfall. By increasing network automatization, we are able to limit faults and their effects as well as switch the power back on quickly to those areas of the network that remain undamaged.

We continued our reliability improvement projects, which were launched the year before, on an even larger scale than previously. During this past financial period the main focus shifted from urban areas to sparsely populated areas in southwestern Finland, Satakunta, southern Finland, Ostrobothnia and Koillismaa.

During the financial period, the company conducted development projects such as establishing and building its own IT-infrastructure, as well as a structure for basic services. In September we moved into our own premises in the district of Perkkää in Espoo. Simultaneously the company left several real estate services, office services and IT-environments that were previously linked to Fortum. The renewal of our Network Information System (NIS), which

improves the reliability and accuracy of our network information, formed another significant reform during the financial period.

In the beginning of the year we initiated employee cooperation negotiations that aimed to disassemble old structures from our time as part of Fortum and adapt our operations and processes to the needs of an independent company. The need for people made redundant was 48 people, which was slightly less than the anticipated figure of 65 people.

In May we developed our customer service for our electricity distribution clients by insourcing customer services to Caruna. This in-house service replaced a previously outsourced service and created jobs for 19 customer advisors. In addition, we developed our customer services by renewing our online customer service channels as well as our website.

As part of developing our operations and focusing on our core business we outsourced our project management supervision through a transfer of a business to the expert organisation Rejlers. Due to the sale 23 staff members were transferred to Rejlers as from 1 September 2015. An outsourced project management supervision has a better ability to adapt to the company's increasing investment volumes and the solution will provide more flexibility during seasonal changes to the network business. In addition, we are better able to develop the Finnish markets for project management services tailored to the electricity network business when working together with a partner, and offer new career opportunities for those staff members that were transferred to Rejlers.

In August Caruna Oy acquired 100% of the shares in Lapin Sähköverkko Oy's and bought the 110 kV and 220 kV networks related to the business, of Kemijoki Oy. Due to the acquisition, approximately 150 km of high voltage network in Kemijärvi, Rovaniemi and Sodankylä areas were transferred to Caruna. Lapin Sähköverkko Oy merged with Caruna Oy in late December 2015. No staff was transferred as part of the acquisition.

We wish to share positive energy with all our stakeholders. We are committed to acting responsibly within all our operations. During the past year we systematically developed a system for good governance. Each staff member committed to the company's Code of Conduct which creates a foundation for our way of working.

A very important part of our independency process has been to create a unique corporate culture. During 2015 we invested in developing an open and homogenous corporate culture and focused on systematically listening to our staff members and allowing the positive energy to become visible in our daily operations. In 2015 we measured our employee satisfaction with regular surveys and research. In addition, we activated our personnel to develop our corporate culture and normal daily working conditions; we collected feedback and posted them on a project wall and the ideas that were collected were processed and refined in workshops for managers and during a strategy day for our entire personnel.

The regulatory period of four years ended at the end of 2015. The Energy Authority will give the decision on the allowed income for the years 2012-2015 during the autumn 2016. The estimated allowed income at the end of 2015 show overincome for Caruna Oy. Caruna Espoo Oy did not show any cumulative overincome at the end of the regulatory period.

Electricity supply volume

During the financial period the electricity supply volume in the distribution network amounted to a total of 9.1 TWh while the supply volume in the regional network amounted to a total of 2.8 TWh. During 2014 the electricity supply volume in the distribution network amounted to 6.4 TWh while the supply volume in the regional network amounted to 1.9 TWh during the financial period from 1 April 2014 to 31 December 2014.

Our customer base

Caruna's customer base has grown steadily during the past years. By the end of the financial period, the group had 655 thousand customers, while the same figures were 649 thousand in 2014.

By the end of the financial year the customer figures were split between the companies as follows (thousand customers):

Company	2015	2014
Caruna Oy	459	456
Caruna Espoo Oy	196	193

The growth was formed by the sales of new electricity connections and other additional connections. During 2015 Caruna sold a total of 3,692 connections. In 2014 the company sold 3,948 connections. One single electricity connection may apply to a several-story building with several customers linked to the connection.

With the Net Promoter Score we are now able to measure customer satisfaction on a monthly basis. In 2015 we developed our enquiry further so that it could be applied to an even larger group of respondents, which will provide a more comprehensive result.

The continuity of electricity supply and securing electricity distribution for customers is imperative

Securing continuity of electric supply is a cornerstone for our operations. Our aim is to ensure our customers have a reliable electricity supply and that our 24/7 fault service phone line provides assistance in the case of a fault. In 2015 our network was spared any major damages caused by storms or heavy snowfall.

The CAIDI value that reflects electric supply reliability, i.e., the average time a customer experiences an outage remained at a good duration level of 56 minutes (2014: 52 minutes). The Suoma storm in April, however, formed the main reason for an extension of the average fault repair duration. The rate of the continuity of electricity supply was 99.98% and remained on the same level as the year before.

In 2015 we continued our extensive reliability improving investment programs in all our network areas. The levels of investment, for which we reached all set targets, increased. The network improvement investments had an estimated total value of MEUR 173 in all our network areas.

The main focus for all network improvement projects remained on repairing the medium voltage network, for which power lines are being substituted with cabling underground where they are safe from harsh storms and snowfall. In addition, we continued our structural and technical improvements that will speed up the duration of fault repairs; thanks to, e.g., circuit networks and automatization we are now better able to limit faults and to switch the power back on quickly to undamaged parts of the network.

A total of approximately 4,026 km of low and medium voltage cable network was built in the Caruna companies' network area. By the end of the financial period 36% of the network was cabled (2014: 34%).

We continued the power line corridor maintenance program that commenced in 2014. When vegetation is cut back along and around power line corridors and power lines, we are able to limit power cuts caused by trees falling over power lines due to heavy wind, storms or snowfall.

During the project, vegetation around power line corridors were cut back in Caruna's all network areas: in total, approximately 4,100 km around medium voltage network power lines and 660 km around high voltage network power lines were cut back in addition to 2,200 km of other clearance. In 2015 we cut back along approximately 3,475 km of power line corridors and approximately 450 km of border zones. In addition, we pursued several other clearance projects that extended approximately 835 km. The project was completed on time in December 2015.

Financial key figures

The year 2015 was the Caruna Group's first financial period when all companies were consolidated for the entire financial period. In 2014 Caruna Oy and Caruna Espoo Oy have been consolidated into group during April 1st - December 31st, Suomi Power Networks Sähkösiirto et Cie SNC during April 1st - June 18th and the other companies for the whole year of 2014. Therefore, the figures for 2015 and 2014 are not fully comparable.

In 2015 net sales amounted to EUR 287,523 (180,438) thousand. The operating profit was EUR 25,608 (operating losses in 2014 EUR -60,362) thousand and the period's losses were EUR -140,393 (-151,020) thousand. The unprofitable financial performance of the period resulted mainly from financing costs and fair value adjustments.

The following key figures represent the group's financial position and performance (EUR thousands):

	2015	2014
Net Sales	287,523	180,438
Operating profit / loss	25,608	-60,362
Operating profit / loss, % of sales	8.9%	-33,5%
ROE, %	216.7%*	5136.2%*
Equity-to-assets ratio, %	-3.34%	-0.16%

*) Both equity and profit before extraordinary items are negative

Total equity of Caruna Group continued to be negative mainly due to financing expenses and fair value adjustments.

It is possible for the companies to strengthen the equity when necessary. Caruna Group's impairment testing made at the end of December did not indicate any need for impairment bookings.

Financing

During the financial period Caruna has raised external floating rate Investment loan for a total of EUR 174,000 (1,458, 000) thousand, which matures together with all other external loans in March 2019. By the end of the year the group's external loan amounted to a total of EUR 1,632,000 (1,458,000) thousand. The external loan is always paid in full when due. The interest for the loan is paid quarterly. The company has hedged against these fluctuating interest rates with interest rate swap contracts.

During the financial year the group had a total of EUR 150,000 (150,000) thousand in floating rate junior loans from its parent company Suomi Power BV and a total of EUR 1,040,349 (997,485) thousand in fixed rate shareholder loans. Both loans are paid in total on demand but at the latest in March 2021 (junior loans) and March 2022 (shareholder loans). The interest for the junior loans and shareholder loan are paid biannually.

The financial expenses for the financial period were EUR 170,021 (102,241) thousand and interest loans in the balance sheet as EUR 24,734 (21,720) thousand.

Investments

During the financial period the Caruna Group invested a total of EUR 204,527 (111,690) thousand, mainly in improving reliability of the network. We are renewing the network and improving its reliability mainly by cabling the network underground.

In August Caruna Oy acquired Lapin Sähköverkko Oy's shares and all networks operated by the business of Kemijoki Oy. The acquired high voltage network extended Caruna's electricity distribution network in Lapland where Caruna already had network. Due to the acquisition approximately 150 km of high voltage network in Kemijärvi, Rovaniemi and Sodankylä areas were transferred to Caruna.

Employees

The average age of the employees in the Caruna Group's companies at the end of 2015 was 39.1 years (37.4 years in Caruna Oy and 50.6 in Caruna Espoo Oy).

Out of all the employees, 30.3% had a higher academic degree, 27.8% had a lower academic degree, 20.1 % had a college degree and 19% had completed upper secondary school or technical college and 2.6% had a primary school degree.

The companies' employee turnover rate was approximately 6.5% in 2015. Changes to previous figures were mainly caused by the employee cooperation negotiations, which resulted in 48 people being made redundant and 32 people being transferred within the company.

In May we founded an internal customer service unit, which created 19 jobs. Caruna Oy and Caruna Espoo Oy outsourced our project management to the expert organisation Rejlers, which resulted in 23 people being transferred from Caruna to Rejlers Oy as from 1 September 2015.

By the end of the financial period Caruna Group's number of employees were divided between the companies as follow:

Company	Number of employees 31 Dec 2015	Number of employees 31 Dec 2014
Caruna Oy	207	255
Caruna Espoo Oy	11	21
Caruna Networks Oy	17	13
Caruna Networks Sähkösiirto Oy	31	37
Caruna Networks Espoo Oy	8	11
Total:	274	337

During the financial period Caruna Group's average number of employees were divided between the companies as follow:

Company	Average 2015	Average 2014
Caruna Oy	233	300
Caruna Espoo Oy	15	26
Caruna Networks Oy	17	3
Caruna Networks Sähkösiirto Oy	33	8
Caruna Networks Espoo Oy	9	2
Total:	307	339

During the financial period Caruna Group paid EUR 19,462 thousand in wages and salaries (2014: EUR 14,798 thousand).

Caruna's board of directors decided on 8 December 2015 to establish a bonus fund. The employees may choose to place either all or part of their annual bonus in the fund.

Corporate responsibility

Caruna's corporate responsibility is presented in greater detail in a separate responsibility report which will be published on our website.

Research and development activities

Our investments regarding research and development activities remained on the same level in 2015 as it did in the previous year. With these investments we aim to secure that we apply technologies and operational models that are best suited to our current and future operational environment when developing and maintaining the electricity network. We are an active member of both Finnish and European branch-specific organisations and numerous other industry related development groups.

In 2015 we continued to develop network automatization of our medium voltage network and began to apply technologies that we utilize when building the large cable network.

The two-year long ADA-project (Asset Data Acquisition) that commenced in 2015 formed one of our most important research projects. The project improves the quality and usability of condition and data assets related to the network components. As part of the project we photographed 3,606 transformer substation and 19,366 cable cabinets, which will help us to improve the safety of our electricity network and the reliability of electric supply.

The total cost of the Caruna Group's research and development activities amounted to EUR 1,876 thousand, which corresponded to 0.7% of net sales (2014: EUR 1,534 thousand/0.6% of net sales).

Financial risk

Interest rate risk

Changes in the market rate have an influence on the Group's net interest rates, as well as on the fair values of interest-bearing receivables, liabilities and derivative financial instruments. The aim of hedging the interest rate risk exposure is to reduce the effect of changes in interest rates on the income statement, balance sheet and cash flow, while also taking into account the market value of the net debt position.

Caruna has hedged interest rate risks with interest rate swaps through which flexible-interest loans have been changed into fixed-interest loans.

Liquidity risk

We manage the Group's liquidity risk by ensuring the flexibility and availability of financing with sufficient binding credit limits. The Group uses several sources of financing and its liabilities are mainly long-term. The Group has binding credit limits and other credit facilities that it can use to balance liquidity.

Credit risk

The Caruna Group's policies determine the credit rating requirements for the counterparties of customers, investment transactions and derivative financial instruments. When preparing a supply contract or connection contract, collateral or advance payment can be set for Caruna's customers for the payment of outstanding claims based on the supply contract. The collateral provides security against possible credit losses.

Despite the challenging market situation in 2015 the level of credit losses was lower than in the previous year. With the current management of monitoring of receivables, it has become clear that we are also able to monitor the creation of credit losses also in the future.

Price risk

Caruna has hedged the price risks of purchasing electricity for grid losses by hedging such purchases with electricity derivatives.

The most significant identified operational risks relative to operations

Exceptional weather conditions

The most significant operational risks relate to exceptional weather conditions, such as storms, heavy snowfall and exceptionally severe frosts, which can affect the supply continuity of the transmission and distribution network. The most important method of protection against distribution disturbances is to clear power-line corridors and build networks beside roads and underground, where they remain protected from the wind and trees, bent or felled by snow. In addition, we develop the structure of our networks in such a way that a faulty part can be secluded during an outage, which again improves our ability to minimise the number of customers affected by it.

In case of a disturbance, it is essential to be adequately prepared, based on pre-planning.

Unfavourable changes in the regulation environment

In the long run, operational risk is formed especially by changes in regulations but also, in the short term, interpretations of regulation decisions and rules. However, the Finnish regulatory environment can be considered stable. The new regulation period that commenced in 2016 offers an 8-year long prognosis instead of a 4-year one.

Supply disturbances

The suppliers we use may, for example, due to liquidation be unable to deliver ordered network project and services. Caruna's purchase model will ensure Caruna a beneficial and healthy position for competition in each of its network areas. A systematic control model for contractors and services will provide fast signals from the market of any contractor-specific problems, consequently providing the opportunity to step in and perform the necessary corrective actions in time.

The composition of Caruna Networks Oy's Board of Directors and committees

The composition of Caruna Network Oy's Board of Directors

Board of Directors 1 January 2015 - 31 December 2015

Juha Laaksonen (Chairman), Marcus Ayre, Ralph Berg, John McManus (resigned 9 December 2015), Colin Hood (resigned 4 November 2015), Niall Mills, Jouni Grönroos (24 March 2015 onwards) and Tomas Pedraza. Deputy members: Alejandro Lopez Delgado and Gregor Kurth.

The Board assembled eight times during the financial period.

Committees of the Board of Directors

Caruna Networks Oy's committees of the Board of Directors are Audit Committee, Nomination and Remuneration Committee, Health, Safety and Environment Committee.

The committees support the Board of Directors by preparing and handling matters which in more detail belong to the Board. The Board of Directors appoints its members to the committees.

Audit Committee

During the Caruna Network Oy's board meeting on 24 March 2015 the board appointed the following board members for the Audit Committee: Chairman Juha Laaksonen and Committee Members Marcus Ayre, Ralph Berg and Jouni Grönroos.

Nomination and Remuneration Committee

During the Caruna Network Oy's board meeting on 24 March 2015 the board appointed the following board members for the Nomination and Remuneration Committee: Chairman Juha Laaksonen and Committee Members Ralph Berg and Niall Mills.

Health, Safety and Environment Committee

During the Caruna Network Oy's board meeting on 24 March 2015 the board appointed the following board members for the Health, Safety and Environment Committee: Chairman Niall Mills and Committee Members Colin Hood (resigned 4 November 2015) and Tomas Pedraza.

Auditors

The Authorised Public Audit firm Deloitte & Touche Oy, with APA Jukka Vattulainen as the main Auditor, has acted as Caruna Network Oy's auditing firm.

Changes in equity

Caruna Network Oy's issued share capital is EUR 2,500 and the reserve of invested non-restricted equity is EUR 171,204,000. The company has no subordinated loans as defined in the Limited Liability Companies Act. Caruna Networks Oy's losses for the financial year amounted to EUR -45,310,476.25 (-6,185,558.99).

Company shares

The company has 2,500 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.

Relevant events after the end of the financial period

Changes to the business environment

On the 30 November 2015 the Energy Authority issued an official decision that confirmed regulatory methods for electricity distribution companies for 2016 to 2019 and 2020 to 2023. The new regulatory methods started to apply 1 Jan 2016. The decisions contain detailed descriptions of how the reasonableness of the distribution prices are monitored over the following regulatory period that will last for four years. The regulatory methods will remain the same over the two upcoming periods, and changes to the regulatory period from 2020 to 2023 are merely mechanical updates mainly to starting levels for incentives.

The central changes to the regulatory model concerning invested capital relate to unit pricing and the WACC model and its parameters used for calculating a reasonable rate of return. In addition, quality and efficiency incentives are updated. According to our estimate it is possible for Caruna to fulfil the requirements stated in the Electricity Market Act that took effect in 2013 in a new regulatory environment.

Changes to Caruna's business

Price increase

Due to extensive investment projects that improve supply reliability we raised our electricity distribution prices as of 1 March 2016. The effect of the price increase on Caruna Oy's network area is on average 27 % and on Caruna Espoo Oy's network area an average of 22% of the total, including tax, shown on the electricity distribution bill. However, due to the reactions from different stakeholders and the negotiation with the Consumer Ombudsman Caruna will divide the price increases step by step. This division of costs is being realised by reducing the basic fees for electricity distribution by 25% until the end of February 2017. As a result of the change, the rise in annual costs from electricity distribution will remain on average below 15% on the taxable total of the electricity distribution share, depending on the customer's electrical consumption.

Refinancing

Caruna has refinanced its loan agreements in February 2016, which were done when Caruna was formed in March 2014. The new loans will consist of a bank loans and other loans.

During the new financial period Caruna's credit arrangement agreement consist of bank loan and as credit arrangements, investment, working capital, account limit and liquidity credit arrangements.

Caruna borrows part of the funding from a group external company Transmission Finance DAC. Transmission Finance DAC launches public bonds, private placements and other loans. The company has a bond program worth EUR 10 billion and public bonds are listed in the Irish stock market.

All Caruna loans have the same general terms and conditions. The financial covenants are ICR (interest coverage ratio) and FFO/Net debt (funds from operations in relation to the net debt).

Refinancing enables the implementation of the Caruna strategy and the development of the company according to set targets.

Caruna has pledged its most significant properties in addition to the existing pledges to secure the loans.

Estimate of probable future developments

Caruna Networks Oy continues to act as the Caruna Group's parent company. The company will continue to focus on developing and managing the Caruna Group's companies. In the light of current circumstances, the company has a secured and favourable prerequisite for operation. Caruna Oy operates as part of the Caruna Group and within the framework of the electricity distribution industry in a regulated operational environment. This financial statement is made assuming that the operations will continue according to normal business practice principles and requirements.

The Energy Authority has in its decision concerning the period 2016 to 2019 (as well as the following four-year period) taken into consideration the new Electricity Market Act and its impact to electric supply reliability and electricity distribution industry. Despite the new regulatory methods, the cash flow challenges concerning investment will continue for the companies operating in the business field. However, we believe that we will reach the legislative targets for supply reliability by 2028.

As the largest and leading actor in the field of business in Finland we have developed new procedures for the network construction contractors, with which we aim to secure the long-term completion of large network improvement projects. Our way of working will give contractors an improved ability to plan and provide accurate resources for various projects.

The Paris agreement on climate change set internationally challenging targets in regards to the reduction of carbon dioxide emissions. Simultaneously the increasingly tense political situation globally, causes concern for energy self-sufficiency and the functionality of the energy system.

As a company we have considered the means by which a distribution network company can act on its own behalf to promote climate change targets and secure energy supply.

Board of Directors' proposal for dividend distribution

Caruna Networks Oy's distributable unrestricted equity totalled EUR 119,698,554.46. The net loss for the company's financial period was EUR -45,310,476.25. The Board of Directors proposes to the shareholders' meeting that no dividends be paid for 2015, but rather that the losses be transferred to retained earnings.

Consolidated statement of profit or loss (IFRS)

EUR 1,000	Notes	<u>2015</u>	<u>2014</u>
Net sales		287 523	180 438
Other operating income	5	9 184	4 979
Direct costs		-72 631	-44 126
Personnel expenses	10	-24 001	-18 293
Other operating expenses	6	-69 761	-110 685
Depreciations, amortisations and impairment charges	9	-104 706	-72 675
		<u>-271 099</u>	<u>-245 779</u>
Operating profit/loss		25 608	-60 362
Finance income	7	223	360
Finance costs	8	-170 021	-102 241
Loss before taxes		<u>-144 190</u>	<u>-162 243</u>
Income taxes	11	3 797	11 223
Loss for the period		<u><u>-140 393</u></u>	<u><u>-151 020</u></u>
Attributable to:			
Equity holders of the parent		-140 393	-151 020

Consolidated statement of profit and loss and other comprehensive income (IFRS)

EUR 1,000	Notes	<u>2015</u>	<u>2014</u>
Loss for the period		-140 393	-151 020
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		30 615	-32 784
Income tax effect	11	<u>-6 123</u>	<u>6 557</u>
		24 492	-26 228
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		24 492	-26 228
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans	22	107	275
Income tax effect	11	<u>-21</u>	<u>-55</u>
		86	220
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		86	220
Other comprehensive income for the period, net of tax		<u>24 577</u>	<u>-26 008</u>
Total comprehensive income for the period, net of tax		<u>-115 816</u>	<u>-177 028</u>
Attributable to:			
Equity holders of the parent		<u>-115 816</u>	<u>-177 028</u>

Consolidated statement of financial position (IFRS)

EUR 1,000		31 December	31 December
	Notes	2015	2014
Assets			
Non-current assets			
Goodwill	13	62 468	62 468
Intangible assets	13	1 576 499	1 572 163
Property, plant and equipment	12	1 907 522	1 813 070
Derivative financial instruments	16,17	1 224	756
Other non-current assets	15	50	50
Deferred tax assets	11	104	9 606
Total non-current assets		3 547 868	3 458 113
Current assets			
Trade and other receivables	16,17,19	91 423	95 803
Derivative financial instruments	16,17	2 461	1 355
Cash and cash equivalents	17,20	63 899	55 915
Total current assets		157 783	153 073
Total assets		3 705 651	3 611 186

Consolidated statement of financial position (IFRS)

EUR 1,000	Notes	31 December 2015	31 December 2014
		<u> </u>	<u> </u>
Equity and liabilities			
Share capital		3	3
Invested unrestricted equity fund		171 204	171 204
Other equity fund		-1 430	-26 008
Retained earnings		-293 520	-151 051
Total equity		<u>-123 744</u>	<u>-5 852</u>
Non-current liabilities			
Interest bearing loans and borrowings	16,17	2 804 282	2 581 974
Derivative financial instruments	16,17	38 243	35 908
Deferred tax liabilities	11	562 438	569 385
Provisions	21	247	363
Net employee defined benefit liabilities	22	66	69
Other non-current liabilities	16,17	306 592	305 816
Total non-current liabilities		<u>3 711 867</u>	<u>3 493 515</u>
Current liabilities			
Trade payables	16,17,23	47 174	46 207
Other payables	23	25 727	37 942
Derivative financial instruments	16,17	5 686	4 256
Provisions	21	280	1 799
Other current liabilities	23	38 661	33 320
Total current liabilities		<u>117 528</u>	<u>123 523</u>
Total liabilities		<u>3 829 395</u>	<u>3 617 038</u>
Total shareholders' equity and liabilities		<u><u>3 705 651</u></u>	<u><u>3 611 186</u></u>

Consolidated statement of changes in equity (IFRS)

EUR 1,000	Attributable to the equity holders of the parent					
	Share capital (Note 25)	Invested unrestricted equity fund (Note 25)	Retained earnings	Other equity components		Total
				Cash flow hedge reserve	Other comprehensive income	
As at 1 January 2015	3	171 204	-151 051	-26 228	220	-5 852
Reversal of revaluation	-	-	-2 076	-	-	-2 076
Loss for the period	-	-	-140 393	-	-	-140 393
Other comprehensive income	-	-	-	24 492	86	24 577
Total comprehensive income	-	-	-140 393	24 492	86	-115 816
Issue of share capital	-	-	-	-	-	-
At 31 December 2015	3	171 204	-293 520	-1 736	306	-123 744

EUR 1,000	Attributable to the equity holders of the parent					
	Share capital (Note 25)	Invested unrestricted equity fund (Note 25)	Retained earnings	Other equity components		Total
				Cash flow hedge reserve	Other comprehensive income	
As at 1 January 2014	3	-	-31	-	-	-28
Loss for the period	-	-	-151 020	-	-	-151 020
Other comprehensive income	-	-	-	-26 228	220	-26 008
Total comprehensive income	-	-	-151 020	-26 228	220	-177 028
Issue of share capital	-	171 204	-	-	-	171 204
At 31 December 2014	3	171 204	-151 051	-26 228	220	-5 852

Consolidated statement of cash flows (IFRS)

EUR 1,000	<u>2015</u>	<u>2014</u>
Net loss for the period	-140 393	-151 020
Adjustments:		
Taxes	-3 797	-11 223
Finance costs - net	169 798	101 881
Depreciation, amortisation and impairment charges	104 706	72 675
	<u>270 707</u>	<u>163 333</u>
Operating profit before depreciation (EBITDA)	130 314	12 313
Non-cash flow items	-4 333	66
Interest paid	-82 618	-52 092
Interest received	222	360
Taxes	-366	2 107
	<u>-87 095</u>	<u>-49 559</u>
Funds from operations	43 219	-37 246
Change in working capital:		
Change in trade and other receivables	4 649	-1 674
Change in trade and other payables	-8 650	8 362
Change in connection fee payables	-283	-159
	<u>-4 284</u>	<u>6 529</u>
Net cash flows from operating activities	38 935	-30 717
Acquisition of shares, net of cash acquired	-1 000	-2 539 100
Capital expenditure	-203 977	-98 846
Proceeds from sales of fixed assets	27	23
Net cash flows used in investing activities	-204 950	-2 637 923
Proceeds received from share issues	-	171 204
Loans withdrawal	174 000	2 553 343
Net cash used in financing activities	174 000	2 724 547
Net increase in cash and cash equivalents	7 985	55 907
Cash and cash equivalents at 1 January	55 915	8
Cash and cash equivalents at 31 December	63 899	55 915

1. ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

Caruna Networks Oy is a Finnish limited liability company with its domicile in Espoo, Finland. The registered office is located at Upseerinkatu 2 in Espoo. The operations of Caruna Networks Oy (the Company or Caruna Networks) and its subsidiaries (collectively, the Caruna Group) comprise electricity distribution in Finland.

The consolidated financial statements of the Caruna Networks Oy Group for the year ended 31 December 2014 were approved by the Board of Directors on March 24, 2015.

Information on the Caruna Group's structure is provided in Note 3.

Caruna has adopted the following new standards and interpretations starting from 1.1.2015:

New and amended standards and interpretations

IAS 19 Employee benefits IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19. The amendments clarify the accounting for contributions from employees or third parties in certain situations. The changes had no impact on the Group's financial statements.

Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle (mainly effective for accounting periods beginning on or after). The annual improvements primarily remove inconsistencies and clarify wording of standards. There are separate transitional provisions for each standard. Amendments are not expected to have an impact on Caruna Group's consolidated financial statements.

2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Caruna Group have been prepared in accordance with Inter-national Financial Reporting Standards (IFRS), as adopted by the European Union, including International Accounting Standards (IAS) and Interpretations issued by the IFRS Interpretations Committee (IFRIC) or its predecessor Standing Interpretations Committee (SIC). Additional information to the financial statements also comply with Finnish accounting principles and corporate legislation.

The parent company Caruna Networks Oy, founded in November 28, 2013, prepared its first financial statements in accordance with Finnish generally accepted accounting principles (Finnish GAAP). These consolidated financial statements for the year ended 31 December 2014 are the first the Caruna Group has prepared in accordance with IFRS. As Caruna Group did not prepare consolidated financial statements for the year ended 31 December 2013 due to the Finnish GAAP exception not to prepare such consolidated financial statements as certain threshold criteria for the preparation of consolidated financial statements were not met. Therefore, Caruna Group is not required to present the transition effect from Finnish GAAP to IFRS.

The year 2015 was the Caruna Group's first financial period when all companies were consolidated for the entire financial period. In 2014 Caruna Oy and Caruna Espoo Oy have been consolidated into group during April 1st - December 31st, Suomi Power Networks Sähkösiirto et Cie SNC during April 1st - June 18th and the other companies for the whole year of 2014. Therefore, the figures for 2015 and 2014 are not fully comparable.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and items hedged at fair value.

The consolidated financial statements are presented in euro, which is the parent company's functional currency. All amounts are rounded to the nearest thousand (kEUR), except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the period. The estimates are based on historical experience and various other assumptions that are believed to be reasonable, though actual results and timing could differ from the estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the chapter 3.

2.2 Basis of consolidation

The consolidated financial statements include the parent company, Caruna Networks Oy, and all companies controlled by Caruna Group. Control is achieved when Caruna Group:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power to affect its returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above the Caruna Group reassesses whether or not it controls an entity.

When Caruna Group has less than a majority of the voting rights of an entity, it has power over the entity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the entity unilaterally. Caruna Group considers all relevant facts and circumstances in assessing whether or not its voting rights in an entity are sufficient to give it power, including:

- the size of Caruna Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by Caruna Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that Caruna Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when Caruna Group obtains control over the subsidiary and ceases when Caruna Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Caruna Group gains control until the date when Caruna Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of Caruna Group. Total comprehensive income of subsidiaries is attributed to the owners of Caruna Group.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Caruna Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Caruna Group are eliminated in full on consolidation.

2.3 Summary of significant accounting policies

2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value of the assets given and liabilities incurred or assumed at the date of exchange and the amount of interest in the acquiree. For each business combination, the Caruna Group elects whether to measure the non-controlling interest, if any, in the acquiree at fair value or at the proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

At the acquisition date, the identifiable assets acquired and liabilities assumed in a business combination are recognised and measured initially at their fair values, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of Caruna Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Caruna Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.2 Classification of current and non-current assets and liabilities

An asset or a liability is classified as current when it is expected to be realised in the normal operating cycle or within twelve months after the balance sheet date or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

All other assets and liabilities are classified as non-current assets and liabilities.

2.3.3 Research and development costs

Research and development costs are expensed as incurred and included in operating expenses in the statement of profit or loss.

2.3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Caruna Group and revenue can be readily measured, regardless of when the payment is being made. Revenue comprises the fair value consideration received or receivable at the time of delivery of products and/or upon fulfilment of services. Revenue is shown, net of rebates, discounts, outage fees, value-added tax and selective taxes such as electricity tax. Revenue is recognised as follows:

Sale of distribution of electricity

Sale of distribution of electricity consists of transmission sales, outage fees and connection fees.

The prices charged of customers for the sale of distribution of electricity are regulated. 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 currently credited or charged over a period of four years to the customer using the electricity connection at that time. No retroactive credit or charge can be made.

Electricity tax is levied on electricity distributed to the customers. The tax is calculated on the basis of a fixed amount per kWh. The rate varies between different classes of customers. Transmission sales in the Profit and Loss are shown net of electricity tax.

i. Transmission sales

Transmission of electricity and maintenance of networks are covered by transmission fees. Transmission fees are recognized as income at the time of delivery.

ii. Outage fees

Considerations paid to the customers due to interruption in the electricity distribution (outage fees) has been recorded against revenue.

iii. Connection fees

Connection fees are charged from the customer when connecting to the electricity distribution grid. Connections agreed before August 2003 are refundable and recognized as liability. New connection fees from August 2003 are no longer refundable to customers and recorded as revenue as incurred. In practice the termination of a contract is rare and will only materialize when the property is demolished, abandoned, or otherwise made redundant.

Other Income

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as relocation fees and rental income.

i. Relocation Fees

If Caruna Group is requested to move a piece of the electricity network from its current location to a new one, the customer pays a relocation fee. Revenue is recognised when the new network has been installed and connection has been performed.

ii. Rental income

Rental income is arising from operating leases covering leases of electricity pylons and leased properties. The lease income is recognised on a straight-line basis over the lease term.

Interest income

Interest income is from a financial asset is recognised when it is probable that the economic benefits will flow to Caruna Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is included in finance income in the statement of profit or loss.

Dividends

Dividend income from investments is recognised when Caruna Group's right to receive the payment is established, which is generally when shareholders approve the dividend distribution.

2.3.5 Income Taxes

Current income tax

Current income tax payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Caruna Group’s current tax asset or liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is 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 liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. 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 credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.6 Foreign currencies

The Group’s consolidated financial statements are presented in euros, which is also the functional currency of the parent company and all group entities.

Transactions in foreign currencies are initially recorded by Caruna Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

2.3.7 Property, plant and equipment

Property, plant and equipment comprise mainly electricity distribution networks, machinery, equipment and buildings.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of an item and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are

required to be replaced at intervals, Caruna Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Acquired assets on the acquisition of a new subsidiary or a business are stated at their fair values at the date of acquisition.

Such repairs and maintenance costs that maintain the asset's ability to produce future economic benefits, are recognised in the statement of profit or loss as incurred. The repair and maintenance costs that increase electricity network's ability to produce future economic benefits are recognized as asset according to differentiation principles of Energy Authority. (EMV differentiation principles 3.1.2. Repair investments of the electricity network)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Distribution network	15-40 years
Other buildings and structures	20-40 years
Other tangible assets	20-40 years
Other machinery and equipment	3-20 years
Other non-current investments	5-10 years

Land and lands rights are not depreciated since they have indefinite useful lives.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.3.8 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All leases in Caruna Group are classified as operating leases.

Group as a lessee

The Group has entered into various operating lease contracts. The related payments are treated as rentals and recognized in the statement of profit or loss on a straight-line basis over the lease terms unless another systematic approach is more representative of the pattern of the user's benefit.

Group as a lessor

Leases in which the Caruna Group does not transfer substantially all the risks and benefits of ownership of an asset to the lessee are classified as operating leases. Payments received under operating leases where the Group leases out fixed assets are recognised as other income in the statement of profit and loss.

2.3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective asset, until such time as the assets are substantially ready for their intended use. Investment income earned on the

temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Licences

Licences for the use of intellectual property are granted for periods ranging between 5 and 10 years depending on the specific licences. The licences may be renewed at little or no cost to Caruna Group. As a result, those licences are assessed as having an indefinite useful life. Network licences acquired through business combinations have indefinite useful life and are not amortised.

A summary of the policies applied to Caruna Group's intangible assets is, as follows:

Computer software licenses	3-5 years
Other intangible assets	5-10 years
Street cable compensation	indefinite
Network licenses	indefinite
Goodwill	indefinite

2.3.11 Fair value measurement

The Group measures financial instruments, such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the 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 Group.

The fair value of an asset or a liability 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are 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 categorized 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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.3.12 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in following two categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include derivatives that are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes trade receivables. Trade receivables are recorded on the balance sheet at their nominal value. Trade receivables also include invoiced sales revenue based on estimates.

Caruna Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment is recorded on trade receivables when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the agreements. Such evidence of impairment may include significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments. The impairment amount is measured as the difference between the asset's original balance sheet value and estimated future cash flows. The losses arising from impairment are recognised in the statement of profit or loss in other operating expenses. By definition, trade receivables are considered impaired when they are more than 180 days overdue.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

i) Impairment of financial assets

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced and the loss is recognized in statement of profit or loss. Loan receivables are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the carrying amount of the asset. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, connection fees liabilities, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Caruna Group's financial liabilities include loans and borrowings, trade and other payables and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives that are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 16.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

The Group does not offset financial assets and financial liabilities.

2.3.13 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and electricity hedges against grid losses, to hedge its interest rate risks and commodity price risks, respectively. 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 OCI 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 interest rate risk associated with a recognised liability and electricity price risk associated with purchase of electricity to cover grid losses.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's 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 OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as OCI 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 OCI 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. the loan is repaid prematurely) any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment.

The Group uses interest rate swaps as hedges of its exposure to interest rate risk arising from debt carrying variable interest rate. In February 2016 the group refinanced its loan agreements, which were formed when Caruna was acquired. Therefore the cumulative loss from interest rate swaps in hedge accounting has immediately recognized in the profit and loss statement. Refer to Note 16 for more details.

2.3.14 Impairment of non-financial assets

Caruna Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of thirty years in order to take into account the long term capital expenditure plans which are driven by the security of supply requirements by 2028, set by the Ministry of Employment and Economy.

Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, Caruna Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying amount may be impaired as described earlier in section 2.3.1 .

Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets

Other intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3.15 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

2.3.16 Cash dividend to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in Finland, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.3.17 Provisions

General

Provisions are recognised when Caruna Group 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. When Caruna Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. Caruna Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Caruna Group.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3.18 Pensions and other post-employment benefits

Caruna Group companies have pension schemes in accordance with the local conditions and practices in Finland. The schemes are generally funded through payments to insurance companies. The group has both defined benefit and defined contribution plans.

All employees are eligible to statutory earnings-related pension under the TyEL (The employee's Pensions Act). The company has arranged its TyEL cover with Varma Pension Insurance Company. The TyEL plan, as arranged via a pension insurance company, is treated as an insured plan and as a defined contributions plan according to IAS 19. The employer pays

annually premiums to the pension insurance company and after that the employer carry no risk for the benefits or the depreciation of the insurance premiums invested by the insurance company.

Caruna Group has arranged voluntary pension cover for a limited number of persons and all these plans are closed. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that Caruna Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

2.4 New and revised standards and interpretations not yet adopted

Caruna Group has not applied the following new and revised standards and interpretations that have been issued but are not yet effective:

IFRS 9 Financial instruments issued in July 2014 (effective for annual periods beginning on or after 1 January 2018). The standard has new requirements for the classification and measurement of financial assets and liabilities and hedge accounting and it will replace IAS 39. Caruna Group will apply the new standard from beginning of 2018. The Standard is still subject to endorsement by EU.

IFRS 15 Revenue from contracts with Customers issued in May 2014 (effective for annual periods beginning on or after 1 January 2017). The standard focuses on revenue recognition models and will replace IAS 11 and IAS 18. Caruna Group will apply the new standard from beginning of 2018. The Standard is still subject to endorsement by EU.

IFRS 16 Leases issued in January 2016 (effective for annual periods beginning on or after 1.1.2019). The standard requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. Caruna group will apply the new standard from the beginning of 2019. The Standard is still subject to endorsement by EU.

Annual Improvements to IFRSs 2012-2014 Cycle issued in September 2014 (effective for annual periods beginning on or after 1 January 2016). The improvements primarily remove inconsistencies and clarify wording of standards. There are separate transitional provisions for each standard. Amendments are not expected to have an impact on Caruna Group's consolidated financial statements. The improvements are still subject to endorsement by EU. There are no other IFRSs or IFRIC interpretations already published, but not yet effective, that would be expected to have a material impact on the Group's financial statements.

3 Significant accounting judgements, estimates and assumptions

The preparation of Caruna Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of

contingent assets and liabilities existing at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period. The estimates are based on historical experience and various other assumptions that are believed to be reasonable. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management believes that the accounting policies below represent those matters requiring the exercise of judgment where a different opinion could result in the greatest changes to reported results.

3.1 Fair values of intangible assets and property, plant and equipment acquired in a business combination

In a business combination, the acquired intangible and tangible assets are measured at fair value and their remaining useful lives are determined. The determination of fair values is based on calculation models prepared by an external advisor and who also assists in determining their remaining useful lives. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable and accurately represent the value of the assets. However, different assumptions, assigned values and useful lives could have a significant impact on the reported amounts.

3.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. Caruna Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Caruna Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of thirty years in order to take into account the long term capital expenditure plans which are driven by the security of supply requirements by 2028, set by the Ministry of Employment and Economy. The Board of Directors approve the impairment calculations.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

3.1.2 Deferred Taxes

Caruna Group has deferred tax assets and liabilities which are expected to be realised through the statement of profit or loss over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. Assumptions made include the expectation that future operating performance for Caruna Group entities will be consistent with historical levels of operating results, recoverability periods of tax losses carry-forwards will not change, and that existing tax laws and rates will remain unchanged into foreseeable future.

Notes to the consolidated financial statements (IFRS)

Note 2. Capital management

As the electricity distribution is capital-intensive, the company must ensure it has adequate capital to meet its operating requirements. Business planning includes assessing the adequacy of available capital in relation to the risks arising from business operations and the operating environment.

For the purpose of the Group's capital management, capital includes issued capital, invested distributable equity fund, all other equity reserves attributable to the equity holders of the parent and the shareholder loan.

The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current or previous financial period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. It is possible for the companies to strengthen the equity when necessary

Notes to the consolidated financial statements (IFRS)

Note 3. Group information

The parent company and subsidiaries of the Group

The consolidated financial statements of the Group include the following subsidiaries, in addition to the parent company Caruna Networks Oy:

Name	Principal activity	Country of incorporation and operation	% equity interest 2015
Caruna Networks Sähkösiirto Oy	Management and other services	Finland	100
Caruna Networks Espoo Oy	Management and other services	Finland	100
Caruna Oy	Electricity distribution	Finland	100
Caruna Espoo Oy	Electricity distribution	Finland	100

The ultimate parent of Caruna Group is Suomi Power Networks Topco BV.

The company is incorporated in The Netherlands.

Notes to the consolidated financial statements (IFRS)

Note 4. Business combinations

Acquisitions in 2015

In August Caruna Oy acquired Lapin Sähköverkko Oy's shares and all networks operated by the business of Kemijoki Oy. The acquired high voltage network extended Caruna's electricity distribution network in Lapland where Caruna already had network. Due to the acquisition approximately 150 km of high voltage network in Kemijärvi, Rovaniemi and Sodankylä areas were transferred to Caruna. The acquisition gives the Caruna Group the right to practise electricity distribution business by using its regional networks and to be, by definition in the Electricity Market Act, a local regional network operator within its own area of responsibility in Northern Finland.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired companies as at the date of acquisition

EUR 1,000	Fair value recognised on acquisition
<u>Assets</u>	
Cash and cash equivalents	103
Intangible assets	1 112
Property, plant and equipment	-
Trade receivables	171
Other current assets	97
	<u>1 483</u>
<u>Liabilities</u>	
Trade payables	-119
Deferred tax liabilities	-222
Connection Fee liabilities	-
Other non-interest bearing liabilities	-39
Interest-bearing liabilities	-
	<u>-380</u>
Total identifiable net assets at fair value	<u>1 103</u>
Goodwill arising on acquisition (Note 13.)	-
Purchase consideration transferred	<u>1 103</u>
Gross investment in Lapin Sähköverkko Oy	
Purchase consideration settled in cash	1 103
Cash and cash equivalents in subsidiaries acquired	-103
Cash outflow on acquisition	<u>1 000</u>
Interest-bearing debt in subsidiaries acquired	-
Total	<u>1 000</u>

Lapin Sähköverkko Oy's net sales for 4 months EUR 887 thousand, and loss for the period EUR -1,326 thousand are included in the Group consolidated statements of profit and loss for the year 2015.

Mergers 2015

Lapin Sähköverkko Oy merged with Caruna Oy at 30 December 2015. the assets and liabilities of Lapin Sähköverkko Oy were transferred to the balance sheet of Caruna Oy.

Acquisitions in 2014

On 24 March 2014, the group acquired the electricity network distribution business from Fortum Group (announced in December 2013) by acquiring 100% of the share capital of Caruna Oy (former Fortum Sähkösiirto Oy), Caruna Espoo Oy (former Fortum Espoo Distribution Oy) and Suomi Power Networks Sähkösiirto et Cie SNC (former Fortum Meter Lease SNC). The acquisition of the companies gives the consortium an access to regulated electricity distribution business with a local monopoly market position in a large geographical area in Southern, South-Western, Western and Northern Finland.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired companies as at the date of acquisition

EUR 1,000	Fair value recognised on acquisition
<u>Assets</u>	
Cash and cash equivalents	-
Intangible assets	1 565 791
Property, plant and equipment	1 780 552
Deferred tax assets	148
Other non-current assets	716
Trade receivables	87 097
Other current assets	2 818
	<hr/> 3 437 122 <hr/>
<u>Liabilities</u>	
Trade payables	-29 536
Deferred tax liabilities	-573 225
Connection Fee liabilities	-305 672
Other non-interest bearing liabilities	-53 046
Interest-bearing liabilities	-100 044
	<hr/> -1 061 523 <hr/>
Total identifiable net assets at fair value	<hr/> 2 375 599 <hr/>
Goodwill arising on acquisition (Note 13.)	62 468
Purchase consideration transferred	<hr/> 2 438 067 <hr/>
Gross investment in Caruna companies	
Purchase consideration settled in cash	2 439 056
Cash and cash equivalents in subsidiaries acquired	-
Cash outflow on acquisition	<hr/> 2 439 056 <hr/>
Interest-bearing debt in subsidiaries acquired	100 044
Total	<hr/> 2 539 100 <hr/>

9 months of Caruna companies net sales EUR 180,470 thousand and profit for the period EUR -27,816 thousand are included in the group consolidated statement for the year 2014.

Had Caruna companies been consolidated in the group from 1 January 2014 the consolidated statement of profit or loss would show pro-forma revenue of EUR 274,507 thousand and loss of EUR -171,801 thousand.

Liquidations in 2014

Suomi Power Networks Sähkösiirto et Cie SNC was liquidated on 18 June 2014.

Notes to the consolidated financial statements (IFRS)

Note 5. Other operating income

EUR 1,000

	<u>2015</u>	<u>2014</u>
Proceeds from sale of property, plant and equipment	28	23
Rental Income	1 048	762
Relocation of connections	3 207	1 184
Electricity derivatives with hedge accounting status unrealised	1 763	328
Electricity derivatives without hedge accounting status unrealised	237	1 070
Other	2 901	1 612
Other operating income total	<u>9 184</u>	<u>4 979</u>

Revenue from activities outside normal operations is reported in other operating income.

This includes recurring items such as relocation of connections and rental income and nonrecurring items such as proceeds from sale of property, plant and equipment, unrealised gains and losses of electricity derivatives. The other items in other operating income include customer based services e.g. re-connections and cable guidance.

Notes to the consolidated financial statements (IFRS)

Note 6. Other operating expenses

EUR 1,000

	<u>2015</u>	<u>2014</u>
Repairs and maintenance	34 229	24 857
External services	30 237	24 070
Acquisition related costs	99	55 746
Other	5 196	6 012
Total other operating expenses	<u>69 761</u>	<u>110 685</u>

Other operating expenses include acquisition related costs, repairs and maintenance costs of network, consulting and IT fees, external service fees, communication costs and rental expenses. Acquisition related costs include transfer tax and share purchase related costs and other cost related to raising finance of EUR 99 (55,746) thousand.

External service fees include customer service fees, invoicing fees, consulting fees, IT service fees and automatic meter reading service fees.

Auditor's fees

EUR 1,000

	<u>2015</u>	<u>2014</u>
Audit fees	239	112
Audit related assignments	-	9
Tax advisory	41	178
Other services	-	34
Total auditor's fees	<u>280</u>	<u>334</u>

Deloitte and Touche Oy was appointed as auditor for the 2015 reporting period.

Audit fees include fees for auditing the consolidated financial statements and for auditing the parent company and subsidiaries. Fees for tax services include fees for professional tax services, other services include other assignments and audit related assignments include Tekes assignment.

Notes to the consolidated financial statements (IFRS)

Note 7. Finance income

EUR 1,000

	<u>2015</u>	<u>2014</u>
Interest income	220	360
Exchange rate differences	3	-
Total finance income	<u>223</u>	<u>360</u>

Note 8. Finance costs

EUR 1,000

	<u>2015</u>	<u>2014</u>
Interest on debts and borrowings	114 722	90 304
Interest expenses on interest rate derivatives	44 763	5 763
Total interest expense	<u>159 485</u>	<u>96 067</u>
Exchange rate differences	-	19
Arrangement and commitment fees relating to interest-bearing loans	5 525	4 269
Other financing expenses	5 011	1 886
Total finance costs	<u>170 021</u>	<u>102 241</u>

Interest expenses consist of interest on shareholder loan EUR 88,747 (66,466) thousand and interest on senior-, junior-, revolving credit facility-, and investment loans EUR 25,975 (23,838) thousand and interest swap EUR 44,763 (5,763) thousand.

Caruna refinanced its loan portfolio in February 2016. This is the reason why cumulative loss of the interest rate swaps in hedge accounting has been recognised from interest hedging fund to consolidated statement of profit & loss and therefore explains the significant rise of expenses compared to previous financial period.

Notes to the consolidated financial statements (IFRS)

Note 9. Depreciation, amortisation and impairment charges

EUR 1,000

	<u>2015</u>	<u>2014</u>
Intangible rights	2 140	1 424
Other intangible assets	7 587	3 628
Buildings and constructions	1 299	795
Machinery and equipment	93 670	66 828
Other tangible assets	10	1
Total depreciation	<u><u>104 706</u></u>	<u><u>72 675</u></u>

Notes to the consolidated financial statements (IFRS)

Note 10. Personnel expenses

EUR 1,000

	Note	<u>2015</u>	<u>2014</u>
Wages and salaries		19 462	14 798
Pension costs			
Defined contribution plans	22	3 333	2 529
Defined benefit plans	22	330	82
Social security costs		875	883
Total personnel expenses		<u>24 001</u>	<u>18 293</u>

The total wages and salaries paid by Caruna Group to its employees consist of salaries, fringe benefit and short-term incentives. The employee may choose to place either all or part of the annual bonus in the 2015 established wage fund.

In its meeting 24 March 2015 The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2015-2017. The first operational year for the program is 2015 (2014 will be counted retroactively for nine months using 2015 parameters), and therefore the first payment will occur in April 2016 by the decision of the Board. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros and to achieve it the Board annually sets parameters that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. Mainly the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accumulated amount of the incentive at the end of the employment. There is a detailed guide regarding the LTI program. In 2015 no incentives were paid from the LTI program.

Information regarding management employee-benefits are presented in note 26 Related party transactions.

Notes to the consolidated financial statements (IFRS)

Note 11. Income tax

EUR 1,000

The major components of income tax expense for the year ended 31 December are:

Income tax recognised in the statement of profit or loss

	<u>2015</u>	<u>2014</u>
Current income tax:		
In respect of the current year	-16	4 452
Deferred tax:		
Relating to origination and reversal of temporary differences	3 813	6 771
Total income tax expense recognised in the statement of profit or loss	<u><u>3 797</u></u>	<u><u>11 223</u></u>

Consolidated statement of comprehensive income

Deferred tax related to items recognised in OCI during the year:

Fair value remeasurement of hedging instruments entered into cash low hedges	-6 123	6 557
Remeasurments of post employment benefit liabilities	-21	-55
Income tax charged to other comprehensive income	<u><u>-6 144</u></u>	<u><u>6 502</u></u>

Reconciliation of tax expense and the accounting profit multiplied by Finland's domestic tax rate for:

	<u>2015</u>	<u>2014</u>
Loss before tax	-144 190	-162 243
Tax calculated at nominal Finnish tax rate 20%	28 838	32 449
Non-deductible expenses for tax purposes	-8 310	-528
Tax losses for which no deferred tax was recognised	-7 515	-20 698
	<u><u>13 013</u></u>	<u><u>11 223</u></u>
Income tax expense reported in the statement of profit or loss	<u><u>3 797</u></u>	<u><u>11 223</u></u>

Both income tax and change in deferred taxes recorded in the statement of profit or loss in comparison year are positive (income).

Deferred taxes

Deferred tax receivables	Balance sheet 31 Dec 2014	Business combinations	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2015
Provisions	-542	-	-261	-	-803
Derivative financial instruments	848	-	-	-	848
Expensed acquisition related cost	9 313	-	-9 240	-	73
Defined benefit plans	-14	-	-	-	-14
Total deferred tax receivables	9 605	-	-9 501	-	104

Deferred tax liabilities	Balance sheet 31 Dec 2014	Business combinations	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2015
Derivative financial instruments	-7 115	-	-53	6 123	-1 045
Depreciation difference	125 522	-	-11 068	-	114 454
Measurement of assets at fair value in acquisition	450 921	222	-6 251	-	444 892
Other	57	-	4 059	21	4 137
Total deferred tax liabilities	569 385	222	-13 313	6 144	562 438

Deferred taxes

Deferred tax receivables	Balance sheet 31 Dec 2013	Business combinations	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2014
Provisions	-	29	-571	-	-542
Derivative financial instruments	-	119	729	-	848
Expensed acquisition related cost	-	-	9 313	-	9 313
Defined benefit plans	-	-	-14	-	-14
Total deferred tax receivables	-	148	9 457	-	9 605

Deferred tax liabilities	Balance sheet 31 Dec 2013	Business combinations	Recognised in income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2014
Derivative financial instruments	-	-	-558	-6 557	-7 115
Depreciation difference	-	117 616	7 906	-	125 522
Measurement of assets at fair value in acquisition	-	455 608	-4 688	-	450 921
Other	-	-	2	55	57
Total deferred tax liabilities	-	573 225	2 662	-6 502	569 385

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets have not been recognised in respect of such losses arisen from subsidiaries that are loss-making and there are no other ways to even out taxes or other evidence of recoverability in the near future. The Group has not booked deferred tax assets of EUR 20,510 thousand from tax losses carried forward 2013 and 2014.

The tax losses carried forward are available for ten years and will be offset against future taxable profits.

Notes to the consolidated financial statements (IFRS)

Note 12. Property, plant and equipment

EUR 1,000

	Land and water areas	Buildings and constructions	Machinery and equipments	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost						
At 1 January 2015	5 463	14 084	1 789 995	11	63 856	1 873 409
Business combinations (Note 4)	45	15	12 940	-	-	13 000
Additions	1 723	15 417	111 420	-	178 192	306 752
Transfers between items	-	-	-	-	-128 176	-128 176
Disposals	-71	-613	-112 571	-11	-	-113 266
Acquisition cost 31 December 2015	7 160	28 902	1 801 785	0	113 872	1 951 719
Depreciation and impairment						
At 1 January 2015	-	733	59 605	1	-	60 339
Depreciation charge for the year	-	1 299	93 670	10	-	94 979
Depreciation charge on disposals	-	-613	-110 497	-11	-	-111 121
Accumulated depreciation 31 December 2015	0	1 419	42 777	0	0	44 197
Net book value						
At 31 December 2015	7 160	27 483	1 759 007	0	113 872	1 907 523
At 31 December 2014	5 463	13 351	1 730 390	10	63 856	1 813 070

	Land and water areas	Buildings and constructions	Machinery and equipments	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost						
At 1 January 2014	-	-	-	-	-	-
Business combinations (Note 4)	5 461	14 146	1 704 126	11	56 808	1 780 552
Additions	2	-	93 099	-	7 048	100 150
Disposals	-	-62	-7 230	-	-	-7 292
Acquisition cost 31 December 2014	5 463	14 084	1 789 995	11	63 856	1 873 409
Depreciation and impairment						
At 1 January 2014	-	-	-	-	-	0
Depreciation charge for the year	-	795	66 828	1	-	67 624
Depreciation charge on disposals	-	-62	-7 223	-	-	-7 285
Accumulated depreciation 31 December 2014	0	733	59 605	1	0	60 339
Net book value						
At 31 December 2014	5 463	13 351	1 730 390	10	63 856	1 813 070
At 31 December 2013	-	-	-	-	-	-

Notes to the consolidated financial statements (IFRS)

Note 13. Intangible assets

EUR 1,000

	Goodwill	Intangible rights	Other intangible assets	Total
Acquisition cost				
At 1 January 2015	62 468	4 869	1 572 347	1 639 684
Business combination (Note 4)	-	-	1 112	1 112
Additions	-	-	15 000	15 000
Disposals	-	-892	-17 171	-18 062
Acquisition cost 31 December 2015	62 468	3 977	1 571 289	1 637 734
Amortisation and impairment				
At 1 January 2015	-	881	4 173	5 054
Depreciation for the period	-	2 140	7 587	9 727
Depreciation charge on disposals	-	-1 749	-14 264	-16 013
Accumulated depreciation 31 December 2015	0	1 272	-2 504	-1 232
Net book value				
At 31 December 2015	62 468	2 705	1 573 793	1 638 966
At 31 December 2014	62 468	3 988	1 568 174	1 634 630

As a result of acquisitions in 2015 an EUR 1 112 thousand increase was made to network licenses included in intangible assets. The networks licenses give permission to the company to distribute electricity on the network area for the time being. The network licenses have infinite lifetime and they are not depreciated.

	Goodwill	Intangible rights	Other intangible assets	Total
Acquisition cost				
At 1 January 2014	-	-	-	-
Business combination (Note 4)	62 468	5 362	1 560 429	1 628 259
Additions	-	-493	12 475	11 982
Disposals	-	-	-557	-557
Acquisition cost 31 December 2014	62 468	4 869	1 572 347	1 639 684
Amortisation and impairment				
At 1 January 2014	-	-	-	-
Depreciation for the period	-	1 424	3 628	5 051
Depreciation charge on disposals	-	-543	545	2
Accumulated depreciation 31 December 2014	0	881	4 173	5 054
Net book value				
At 31 December 2014	62 468	3 988	1 568 174	1 634 630
At 31 December 2013	-	-	-	-

As a result of acquisitions in 2014 a goodwill of EUR 62 468 thousand was created. Goodwill is based on the assessment of organisational competence and knowhow which is expected to benefit business operations in coming years.

In the 2014 business combinations a fair value adjustment of EUR 1,528,100 thousand was allocated to the network licenses in other intangible assets. The networks licenses give permission to the company to distribute electricity on the network area for the time being. The network licenses have infinite lifetime and they are not depreciated.

Notes to the consolidated financial statements (IFRS)

Note 14. Impairment testing of goodwill and network license

EUR 1,000

Goodwill acquired through business combinations has been allocated to the two Cash Generating Units (CGU) below for impairment testing purposes:

- Caruna Oy
- Caruna Espoo Oy

Carrying amount of goodwill and network licenses allocated to each of the CGUs:

	Caruna Oy	Caruna Espoo Oy	Total
	2015	2015	2015
Goodwill	53 567	8 901	62 468
Network licenses	1 332 112	197 100	1 529 212

Key assumptions used in value in use calculations

Impairment test is based on value in use which has been estimated to be higher than net selling price. Value in use has been estimated based on cash flow projections for 2016-2045. Of these, cash flows for 2016-2019 are based on the 4 year business plan which has been approved by the Board of Directors. Cash flow projections for 2020-2045 have been prepared by the management and they are based on the allowed regulated revenue which has been modelled for each CGU based on the best knowledge of the regulatory rules and their future development. Applied long term capital expenditure has been prepared taking into account the security of supply requirements by 2028 set by the Ministry of Employment and Economy. A longer calculation period than the 5 years set by IAS 36 has been applied in order to take into account the effect of the security of supply requirements on the allowed regulated revenues.

An annual growth rate of 2% has been applied for operating expenditure for 2020-2045. The terminal value cash flow is expected to grow by 2% annually. Net sales is based on the modelled allowed regulated revenue and its growth rate varies from year to year with the assumption that no regulatory surplus or deficit is generated from 2020 onwards.

Discount rates represent the current market assessment of the risks specific to the business, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The applied discount rate has been derived directly from the regulatory pre-tax WACC. Forecast for the discount rate is based on the calculation methodology set by the regulator and on the forecast for the risk-free rate, 10-year government bond rate. The applied discount rate amounts to 6,07%-7,50%. Long-term discount rate from 2024 onwards amounts to 6,42%.

Sensitivity to changes in assumptions

The headroom remained positive when the sensitivity of the value was tested by decreasing EBITDA by 10% and increasing the discount rate by 10%, except for EBITDA sensitivity for Caruna Espoo Oy. The breakeven point for the EBITDA sensitivity amounts to -15% for Caruna Oy and -9,0% for Caruna Espoo Oy. Due to the stability of the regulated business, the management believes that changes in the business environment causing the carrying amount to materially exceed the recoverable amount are very unlikely.

Notes to the consolidated financial statements (IFRS)

Note 15. Other non-current assets

EUR 1,000	<u>2015</u>	<u>2014</u>
Other investments at 1 January	50	-
Acquired from business combinations (note 4)	-	50
Other investments at 31 December	<u>50</u>	<u>50</u>

Other investments include other shares owned less than 10%. The shares are shown at historical cost since no fair values are available. The shares are related to storage facilities kept for Caruna Group's own purposes for example for transformers etc.

Notes to the consolidated financial statements (IFRS)

Note 16. Financial assets and liabilities
EUR 1,000

Financial assets

	<u>2015</u>	<u>2014</u>
Financial instruments at fair value through OCI		
Cash flow hedges		
Electricity derivatives	3 683	24
Total financial instruments at fair value through OCI	<u>3 683</u>	<u>24</u>
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges		
Electricity derivatives	2	2 087
Total financial instruments at fair value through profit or loss	<u>2</u>	<u>2 087</u>
Loans and receivables		
Trade receivables	91 167	93 170
Total loans and receivables	<u>91 167</u>	<u>93 170</u>
Total financial assets	<u><u>94 852</u></u>	<u><u>95 281</u></u>
Total current	93 628	94 525
Total non-current	1 224	756

Financial instruments through profit or loss reflect positive change in fair value of those electricity derivatives that are not designated in hedge relationships.

Loans and receivables are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

Other financial liabilities

	<u>2015</u>	<u>2014</u>
Cash flow hedges		
Interest rate swap contracts	-	33 551
Electricity derivatives	3 945	4 312
Total financial liabilities at fair value through OCI	<u>3 945</u>	<u>37 863</u>

Financial liabilities at fair value through profit or loss

Derivatives not designated as hedges		
Interest rate swaps	34 807	-
Electricity derivatives	5 177	2 300
Total financial liabilities at fair value through profit or loss	<u>39 984</u>	<u>2 300</u>

Loans and payables

Trade payables	47 174	46 207
Connection fee liability	305 229	305 513
Total loans and receivables	<u>352 403</u>	<u>351 720</u>

Total financial liabilities	<u>396 332</u>	<u>391 883</u>
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Total current	52 860	50 463
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Total non-current	343 472	341 420
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Financial liabilities at fair value through OCI reflects the negative change in fair value of electricity derivatives, designated as cash flow hedges to hedge electricity price risk arising from purchase of grid losses. Interest rate swaps were designated as cash flow hedges to hedge interest rate risk arising from bank loans carrying floating interest rate in 2014. In february 2016 the group refinanced its loans and the fair value of interest rate swaps are recognised at fair value through profit and loss 31.12.2015.

Financial liabilities through the statement of profit or loss reflect negative change in fair value of those interest rate swaps and electricity derivatives that are not designated in hedge relationships.

The Group refinanced its loans at February 2016. Therefore the interest rate swaps are recognised at fair value through profit and loss

Interest-bearing loans and borrowings

	Effective interest rate, %	Maturity	2015
Non-current interest bearing loans and borrowings			
Shareholder loan	8,50 %	2022	1 040 349
Senior loan facility	0,67 %	2019	1 350 000
Junior loan facility	5,36 %	2021	150 000
Capex loan facility	0,82 %	2019	282 000
Accrued loan arrangement fee			-18 067
Total non-current interest-bearing loans and borrowings			<u>2 804 282</u>
Total interest-bearing loans and borrowings			<u>2 804 282</u>

Caruna has 1 850 000 thousand EUR Senior loan facility agreement which consists of Senior loan facility (1 350 000 thousand EUR), Capex loan facility (450 000 thousands EUR) and revolving credit facility (50 000 thousand EUR).

Shareholder loan is given to Suomi Power Networks TopCo B.V and its subsidiaries by its owners First State (40%), Borealis (40%), Keva (12,5%) and Elo (7,5%).

The financial covenants in the Senior facility state that the senior interest cover (ratio of cashflow to net finance charges in respect of each backward relevant period) not less than 1.30:1. Cash flow includes consolidated EBITDA with some some adjustments according to loan documentation. Senior leverage (in respect of each backward relevant period, the ratio of senior total net debt to regulated asset value on the last day of that relevant period) not more than 0.95:1. These conditions must be met on each half year date. If there is a ratio breach, the borrower may procure new shareholder contributions.

The financial covenants in the Junior facility state that the interest cover (ratio of cash flow to net finance charges in respect of each backward relevant period) not less than 1.20:1. Leverage (in respect of each backward relevant period, the ratio of total net debt to regulated asset value on the last day of that relevant period) not more than 0.95:1. Cash flow includes consolidated EBITDA with some some adjustments according to loan documentation. These conditions must be met on each half year date. If there is a ratio breach, the borrower may procure new shareholder contributions.

Notes to the consolidated financial statements (IFRS)

Note 17.
EUR 1,000

Fair values

At 31 Dec 2015	Note	Financial asset/liability at fair value				Book value	Fair value	Fair value hierarchy
		through profit and loss	Loans and receivables	Loans and borrowings	Hedge accounted derivatives			
Non-current financial assets								
Derivative financial instruments (electricity)	16	1 223			1	1 224	1 224	2
Current financial assets								
Derivative financial instruments (electricity)	16	2 461				2 461	2 461	2
Trade receivables	16		91 167			91 167	91 167	2
Cash and cash equivalents	20		63 899			63 899	63 899	1
Total assets		3 684	155 066		1	158 751	158 751	
Non-current financial liabilities								
Interest-bearing liabilities (floating rate)	16			1 782 000		1 782 000	1 782 000	2
Interest-bearing liabilities (fixed rate)	16			1 040 349		1 040 349	1 040 349	2
Derivative financial instruments (interest)	16	34 807				34 807	34 807	2
Derivative financial instruments (electricity)	16	1 916			1 520	3 436	3 436	2
Connection fees	16			305 229		305 229	305 229	3
Accrued loan arrangement fee	16			-18 067		-18 067	-18 067	1
Current financial liabilities								
Derivative financial instruments (electricity)	16	3 260			2 426	5 686	5 686	2
Trade payables	23			47 174		47 174	47 174	2
Total liabilities		39 983		3 156 685	3 946	3 200 614	3 200 614	

At 31 Dec 2014	Note	Financial asset/liability at fair value				Book value	Fair value	Fair value hierarchy
		through profit and loss	Loans and receivables	Loans and borrowings	Hedge accounted derivatives			
Non-current financial assets								
Derivative financial instruments (electricity)	16	732			24	756	756	2
Current financial assets								
Derivative financial instruments (electricity)	16	1 355			0	1 355	1 355	2
Trade receivables	16		93 170			93 170	93 170	2
Cash and cash equivalents	20		55 915			55 915	55 915	1
Total assets		2 087	149 085		24	151 196	151 196	
Non-current financial liabilities								
Interest-bearing liabilities (floating rate)	16			1 608 000		1 608 000	1 608 000	2
Interest-bearing liabilities (fixed rate)	16			997 485		997 485	997 485	2
Derivative financial instruments (interest)	16				33 551	33 551	33 551	2
Derivative financial instruments (electricity)	16	785			1 571	2 356	2 356	2
Connection fees	16			305 513		305 513	305 513	3
Accrued loan arrangement fee	16			-23 511		-23 511	-23 511	1
Current financial liabilities								
Derivative financial instruments (electricity)	16	1 515			2 741	4 256	4 256	2
Trade payables	23			46 207		46 207	46 207	2
Total liabilities		2 300		2 933 694	37 863	2 973 857	2 973 857	

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including interest rate curves.

Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own nonperformance risk as at 31 December 2015 was assessed to be insignificant.

Fair value hierarchy disclosures for each class of financial instruments:

Caruna has adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements according to the fair value measurement hierarchy.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the consolidated financial statements (IFRS)

Note 18. Financial risk management objectives and policies

EUR 1,000

The Group's activities expose it to a variety of financial risks: cash flow interest rate risk, credit risk and liquidity risk. The objective of the Group's risk management is to minimise the negative effects on the Group's financial performance caused by changes in financial markets. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a Treasury Controller. The Treasury Controller identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units according to the Treasury policy approved by the Board. The objective of treasury management is to secure sufficient funding for business operations, avoiding financial constraints at all times, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (interest rate, liquidity, re-funding and credit risks) and to provide the management with information on the financial position and risk exposures of Caruna and its business units. In addition, the Treasury Controller actively monitors the actual values of the Group's financial covenants and anticipated financial headroom in relation to maximum values of these financial covenants as part of the Group's reporting purpose.

MARKET RISK

Electricity price risk

Grid loss purchases are exposed to market price volatility. To manage this Caruna hedges the grid loss costs beforehand. The goal of hedging is to keep the grid loss costs stable and easy to forecast. Hedging also decreases the annual result volatility.

Electricity derivatives	31 Dec 2015	Positive fair value	Negative fair value	Net fair value
Electricity derivatives, non-hedge accounting		3 684	-5 177	-1 493
Electricity derivatives, cash flow hedges		1	-3 945	-3 944
Total		3 685	-9 122	-5 437

Electricity derivatives	31 Dec 2014	Positive fair value	Negative fair value	Net fair value
Electricity derivatives, non-hedge accounting		2 087	-2 300	-213
Electricity derivatives, cash flow hedges		24	-4 312	-4 288
Total		2 111	-6 612	-4 501

Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair value of interest-bearing receivables, loans payable and derivative instruments. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the income statement, balance sheet and cash flow, while also taking into account the market value of net debt.

Interest rate derivatives	31 Dec 2015	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, cash flow hedges *)		-	-34 807	-34 807
Total		-	-34 807	-34 807

Interest rate derivatives	31 Dec 2014	Positive fair value	Negative fair value	Net fair value
Interest rate derivatives, cash flow hedges		-	-33 551	-33 551
Total		-	-33 551	-33 551

*) The Group refinanced its loans in February 2016. Therefore the market value of Interest rate derivatives have been booked from cash flow hedges to the profit and loss account.

For interest rate sensitivity analysis in accordance with IFRS 7, if interest rates at 31 December 2015 on EUR-denominated borrowings had been 1 % higher/lower with all other variables held constant, pre-tax profit for the year would have been EUR 26,600 (-2,900) thousand lower/higher, as a result of changes in the interest flows on floating rate borrowings and hedging instruments and the change of market value of the non-hedge accounted interest rate swaps; other components of equity would have been EUR 39,200 (46,400) thousand higher/lower, as a result of a change in the fair value of interest rate swaps for which hedge accounting is applied. The following table illustrates the sensitivity analysis.

	2015			
	Income statement		Equity	
	+ 1%	- 1%	+ 1%	- 1%
Interest-bearing liabilities	-12,6	12,6		
Interest rate derivatives				
Hedge accounted				
Non-hedge accounted	39,2	-39,2	39,2	39,2
Total	26,6	-26,6	39,2	39,2

	2014			
	Income statement		Equity	
	+ 1%	- 1%	+ 1%	- 1%
Interest-bearing liabilities	-11,3	11,3		
Interest rate derivatives				
Hedge accounted	8,4	-8,4	46,4	-46,4
Non-hedge accounted				
Total	-2,9	2,9	46,4	-46,4

Credit risk

Counterparty risk arises if a customer, borrower or other counterparty fails to honor its payment obligations. There are also elements of counterparty risk involved, if substantial amount of loans, hedging contracts or other financial services are obtained from too few providers.

Caruna Finance is to manage the financial counterparty risks selecting carefully and distributing various transactions among adequate number of financial institutions and other counterparties.

Liquidity and refinancing risk

Caruna Finance manages the Group's liquidity risk and ensures flexibility in funding by maintaining availability under committed credit lines. The Group uses diverse funding sources and its borrowings are long-term. Caruna Networks Oy has unused committed borrowing facilities or other lines of credit that it can access to meet liquidity needs. At 31 December 2015 undrawn committed credit facilities totalled EUR 218,000 (392,000) thousand.

In order to decrease the refinancing risk Caruna aims to diversify the maturity structure of its interest-bearing debt and negotiates new committed credit lines well in advance of need. The table below summarises the maturity profile of the Caruna Networks Oy financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	-	-	1 632 000	1 190 349	2 822 349
Accrued loan arrangement fee	-	-	-	-18 067	-	-18 067
Connection fees	-	-	-	-	305 229	305 229
Interest derivatives	-	-	-	34 807	-	34 807
Electricity derivatives	-	-	5 686	3 436	-	9 122
Trade payables	-	47 174	-	-	-	47 174
Accrued interest expenses	-	-	24 734	-	-	24 734
Total	0	47 174	30 420	1 652 176	1 495 578	3 225 348

Year ended 31 December 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	-	-	1 458 000	1 147 485	2 605 485
Accrued loan arrangement fee	-	-	-	-23 511	-	-23 511
Connection fees	-	-	-	-	305 513	305 513
Interest derivatives	-	-	-	33 551	-	33 551
Electricity derivatives	-	-	2 357	4 256	-	6 613
Trade payables	-	46 207	-	-	-	46 207
Accrued interest expenses	-	-	21 720	-	-	21 720
Total	0	46 207	24 077	1 472 296	1 452 998	2 995 578

Notes to the consolidated financial statements (IFRS)

Note 19. Trade and other receivables

EUR 1,000

	<u>2015</u>	<u>2014</u>
Trade receivables	57 045	56 018
Accrued sales	34 122	37 152
Income tax receivables	28	26
Accrued income and prepaid expenses	225	2 605
Other receivables	3	3
Total trade and other receivables	<u>91 423</u>	<u>95 804</u>

For terms and conditions relating to related party receivables, refer Note 26.

For trade receivables due more than 180 days a provision for credit losses is recorded.

	<u>2015</u>	<u>2014</u>
Not past due	57 019	55 915
Past due 1-90 days	26	103
Past due 91-180 days	-	-
Past due more than 181 days	-	-
Total	<u>57 045</u>	<u>56 018</u>

See Note 18 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Credit losses are booked based on the recommendation by credit agencies or based on the official documents in case of debt restructuring or bankruptcies of the debtor.

Credit losses recorded in 2015 were EUR 560 (483) thousand.

Notes to the consolidated financial statements (IFRS)

Note 20. Cash and cash equivalents

EUR 1,000

	<u>2015</u>	<u>2014</u>
Cash at banks and on hand	63 899	55 915
Total cash and cash equivalents	<u>63 899</u>	<u>55 915</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 December 2015, the Group had available EUR 168,000 (342,000) thousand of undrawn committed Investment loan facilities and EUR 50,000 (50,000) thousand revolving credit facilities.

The Group has pledged all of its short-term deposits to fulfil collateral requirements.

Notes to the consolidated financial statements (IFRS)

Note 21. Provisions

EUR 1,000

	Restructuring provision	Others	Total
At 1 January 2015	1 887	275	2 162
Arising during the year	61	21	82
Utilised	-1 668	-49	-1 717
At 31 December 2015	280	247	527
Non-current	226	21	247
Current	54	226	280

	Restructuring provision	Others	Total
At 1 January 2014	-	-	-
Business combinations (Note 4)	58	275	333
Arising during the year	1 881	22	1 902
Utilised	-52	-21	-73
At 31 December 2014	1 887	275	2 162
Non-current	109	254	363
Current	1 778	21	1 799

Other provision arising from business combination relate mainly to accident compensations. Restructuring provisions arising during the year relate to the restructuring of the business.

Notes to the consolidated financial statements (IFRS)

Note 22. Pension and other post-employment benefit plans EUR 1,000

The Caruna Group companies have pension schemes in accordance with the local conditions and practices in Finland. The schemes are generally funded through payments to insurance companies or the Caruna Group's pension fund as determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans.

All employees are eligible to statutory earnings-related pension under the TyEL (The employee's Pensions Act). The company has arranged its TyEL cover with Varma Pension Insurance Company. TyEL- plan is interpreted as a defined contribution plan according to IAS 19. The employer pays annually the premiums to the pension insurance company and after that they carry no risk for the benefits or the depreciation of the insurance premiums invested by the insurance company.

The Caruna Group has arranged voluntary pension cover for a limited number of persons and all these plans are closed. The valuation is based on the reports prepared by the external actuaries.

Statement of financial position (Items recognised in the balance sheet at 31 December)

	<u>2015</u>	<u>2014</u>
Defined benefit obligation	2 169	1 724
Fair value of plan assets	-2 103	-1 655
Surplus (-)/deficit (+)	<u>66</u>	<u>69</u>
Net defined benefit liability (+)/asset (-) recognised in statement of financial position	<u>66</u>	<u>69</u>

The reconciliation below shows the opening and closing balances of the defined benefit obligation

	<u>2015</u>	<u>2014</u>
Opening defined benefit obligation	1 724	1 840
Current service cost	99	11
Amendments	645	-
Curtailements	-85	-
Interest expence	30	55
Actuarial gains (-)/losses (+) on obligation	-16	-1 623
Settlements	-193	1 441
Benefits paid	-35	-
Defined benefit obligation at the end of the period	<u>2 169</u>	<u>1 724</u>

The reconciliation below shows the opening and closing balances of the fair value of plan assets

	2015	2014
Opening fair value of plan assets	1 655	1 478
Interest income	29	44
Actuarial gains (+)/losses (-) on plan assets	91	-1 348
Curtailements	-84	-
Amendments	579	-
Settlements	-174	1 426
Benefits paid	-35	-
Contributions	42	55
Fair value of plan assets at the end of the period	2 103	1 655

Changes in net defined benefit liability during the period

The following table shows how the net defined benefit liability recognised in the statement of financial position is changed during the year.

	2015	2014
Net defined benefit liability recognised in statement of financial position at beginning of period	69	-
Acquisitions	-	362
Expense recognised in profit or loss	146	37
Remeasurments recognised in other comprehensive income	-107	-275
Contributions	-42	-55
	66	69

Items recognised in profit or loss

	2015	2014
Service cost	145	26
Net interest	1	11
Expences recognised in profit or loss	146	37

Items recognised in the statement of comprehensive income for the period

	2015	2014
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in demographic assumptions	122	-
Actuarial gains (-)/losses (+) on defined benefit obligation arising from changes in financial assumptions	-112	242
Actuarial gains (-)/losses (+) on defined benefit obligation arising from experience adjustments	-26	-1 865
Actuarial gains (-)/ losses (+) on plan assets	-91	1 348
Reameasurement in other comprehensive income	-107	-275

The principal assumptions used in determining pension benefit obligations for the Group's plan are shown below:

The following tables show how the changes in assumptions used affect to the defined benefit obligation, related service cost and net interest.

Reporting Period Ending 31 December 2015

Items	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 1,8 %	0 %	0 %	0 %	0 %	0 %
Discount rate +0,50 %	-7 %	-7 %	8 %	-8 %	43 %
Discount rate -0,50%	8 %	8 %	-12 %	9 %	-41 %
Salary increase 1,80%	0 %	0 %	0 %	0 %	0 %
Salary increase +0,50%	0 %	0 %	10 %	2 %	15 %
Salary increase -0,50 %	0 %	0 %	-10 %	-1 %	-14 %
Benefit increase 1,80 %	0 %	0 %	0 %	0 %	0 %
Benefit increase +0,50 %	5 %	0 %	168 %	5 %	241 %
Benefit increase -0,50%	-5 %	0 %	-155 %	-5 %	-223 %

Reporting Period Ending 31 December 2014

Items	Defined benefit obligation	Fair Value of Plan Assets	Net Liability	Service cost	Net interest
Discount rate 1,75 %	0 %	0 %	0 %	0 %	0 %
Discount rate +0,50 %	-8 %	-7 %	-31 %	-11 %	37 %
Discount rate -0,50%	9 %	8 %	19 %	5 %	7 %
Salary increase 2,20%	0 %	0 %	0 %	0 %	0 %
Salary increase +0,50%	2 %	0 %	43 %	-2 %	70 %
Salary increase -0,50 %	-2 %	0 %	-55 %	-6 %	-90 %
Benefit increase 2,10 %	0 %	0 %	0 %	0 %	0 %
Benefit increase +0,50 %	6 %	0 %	149 %	1 %	243 %
Benefit increase -0,50%	-6 %	0 %	-148 %	-9 %	-242 %

Notes to the consolidated financial statements (IFRS)

Note 23. Trade and other current payables

EUR 1,000	<u>2015</u>	<u>2014</u>
Trade payables		
Accounts payables trade	27 865	20 354
Accrued trade payables	19 309	25 853
	<u>47 174</u>	<u>46 207</u>
Other liabilities		
Electricity tax liability	16 721	28 248
VAT liability	8 484	9 115
Other payables	522	579
	<u>25 727</u>	<u>37 942</u>
Accrued expenses		
Employee benefit expenses	5 020	4 986
Interest expenses	24 734	21 720
Income tax liability	64	412
Other accrued expenses	8 842	6 202
	<u>38 661</u>	<u>33 320</u>
	<u><u>111 562</u></u>	<u><u>117 469</u></u>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

According to the Management's estimate, the fair value of the trade and other payables does not materially differ from the balance sheet value.

Interest payables on Senior and Junior loans are settled on a quarterly basis but interest payables on Shareholder loans are settled semiannually in March and in September.

Notes to the consolidated financial statements (IFRS)

Note 24. Commitments and contingencies

EUR 1,000

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	<u>2015</u>	<u>2014</u>
Within one year	931	2 492
After one year but no more than five years	3 704	3 909
More than five years	973	1 009
	<u>5 608</u>	<u>7 411</u>

Capital Commitments

	<u>2015</u>	<u>2014</u>
Property, plant and equipment	256 091	131 000
Intangible assets	2 876	7 676
Total	<u>258 967</u>	<u>138 676</u>

Contingent liabilities

	<u>2015</u>	<u>2014</u>
Loans, for which shares have been pledged and mortgages given		
Loans from financial institutions (senior-loan)	1 632 000	1 458 000
Floating charges	11 100 000	11 100 000
Guarantees on behalf of Group companies	20 252	-

The shares in companies belonging to Caruna Group, group internal loans receivables and group cashpools have been pledged as security on behalf of group loans.

Group cashpool and other bank accounts, EUR 63,899 (55,915) thousand have been pledged as security for loans from financial institutions.

The company's loans include covenants. The breakage of covenants may lead to increased cost of financing or withdrawal of the loan. The company has fulfilled the covenants and these are continuously monitored.

Caruna Group has pledged its receivables based on the Share Purchase Agreement for the security of loans from financial institutions taken by other group companies. At the balance sheet date the value of the pledge was zero.

Caruna Group has pledged its receivables based on the Electricity Hedging Agreement. At the balance sheet date the amount was EUR 0.

Notes to the consolidated financial statements (IFRS)

Note 25. Equity

EUR 1,000

Share capital

Caruna Networks Oy's issued share capital is EUR 2,500. The shares are fully paid. The company has 2 500 shares, with no nominal value, and 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.

Invested unrestricted equity fund

Caruna Networks Oy's invested unrestricted equity fund was EUR 171,204 (171,204) thousand during the financial year.

Other funds	2015	2014
Cash flow hedge reserve	-1 736	-26 228
Other comprehensive income	306	220
Total other funds	-1 430	-26 008

The effective portion of the gain or loss on the hedging instrument is recognised in the cash flow hedge reserve. The group refinanced its loans in February 2016. Therefore the market value of Interest rate derivatives have been booked from cash flow hedges to the profit and loss account.

Dividend distribution

No dividends were paid in 2015. After the reporting period The Board of Directors proposes to the Annual General Meeting that no dividends be paid for 2015, but rather that the losses EUR -45,310,476.25 be added to retained earnings.

Notes to the consolidated financial statements (IFRS)

Note 26. Related party transactions

EUR 1,000

The Caruna Group related parties consists of its subsidiaries, The Board of Directors, The CEO and the Management team. Note 3 provides the information about the Group's structure including the details of the subsidiaries and the holding company.

Management

Salaries and other short term employee benefits

	<u>2015</u>	<u>2014</u>
To Board members, CEO and Management team	1 482	1 199

Salaries paid by the Caruna Group include also short-term incentives (STI). The employee has the option to transfer the whole amount or half amount of the STI to the Caruna bonus fund established in 2015.

In its meeting 24 March 2015 The Caruna Board of Directors approved a Long-Term incentive program (LTI-program) for the years 2015-2017. The first operational year for the program is 2015 (2014 will be counted retroactively for nine months using 2015 parameters), and therefore the first payment will occur in April 2016 by the decision of the Board. Annually a group of employees are accepted by the Board into the program. Also the CEO can participate in the program. The incentive is in euros and to achieve it the Board annually sets parameters that are the same for all participants. The incentive program is by its nature funded in the way that a third of the cumulatively earned incentives are paid the following year for the earnings period and two thirds are left in the accumulated earned incentives. Mainly the participant loses the accumulated incentives if the employee resigns. If the employment is terminated by Caruna due to other than personal grounds, the employee receives the accumulated amount of the incentive at the end of the employment. There is a detailed guide regarding the LTI program. In 2015 no incentives were paid from the LTI program.

Retirement arrangements

The CEO's retirement age is 63.

Termination benefits

If the employment contract with the CEO is terminated, the CEO is entitled to 6 months salary.

No loans have been granted to the Management during the current and previous period.

Business transactions

All transactions with related parties take place in an arm's length manner. Transactions with the Board of Directors and Management team during the financial year were immaterial.

Group companies have intercompany transactions which are related to administrative and services. These are eliminated upon consolidation.

Loans

Caruna Networks Oy has a shareholder loan of EUR 1,040,349 (997,485) thousand from the owners First State Investment, Borealis, Keva and Elo through Suomi Power Networks TopCo BV and its subsidiaries. The outstanding amount of the accrued interest on the shareholder loan was EUR 22,599 (21,720).

Caruna Networks Oy has a Junior loan of EUR 150,000 (150,000) thousand from its parent company Suomi Power B.V (subsidiary of Suomi Power Networks TopCo B.V.). The outstanding amount of the accrued interest on the Junior loan was EUR 2,054 (2014:0) thousand.

Loans are specified in the Note 16 Financial assets and liabilities.

Notes to the consolidated financial statements (IFRS)

Note 27. Events after the reporting period

Changes to the business environment

On the 30 November 2015 the Energy Authority issued an official decision that confirmed regulatory methods for electricity distribution companies for 2016 to 2019 and 2020 to 2023. The new regulatory methods started to apply 1 Jan 2016. The decisions contain detailed descriptions of how the reasonableness of the distribution prices are monitored over the following regulatory period that will last for four years. The regulatory methods will remain the same over the two upcoming periods, and changes to the regulatory period from 2020 to 2023 are merely mechanical updates mainly to starting levels for incentives. The central changes to the regulatory model concerning invested capital relate to unit pricing and the WACC model and its parameters used for calculating a reasonable rate of return. In addition, quality and efficiency incentives are updated. According to our estimate it is possible for Caruna to fulfil the requirements stated in the Electricity Market Act that took effect in 2012 in a new regulatory environment.

Electricity distribution price increases

Due to extensive investment projects that improve supply reliability we raised our electricity distribution prices as of 1 March 2016. The effect of the price increase on Caruna Oy's network area is on average 27 % and on Caruna Espoo Oy's network area an average of 22 % of the total, including tax, shown on the electricity distribution bill. However, due to the reactions from different stakeholders and the negotiation with the Consumer Ombudsman Caruna will divide the price increases step by step. This division of costs is being realised by reducing the basic fees for electricity distribution by 25% until the end of February 2017. As a result of the change, the rise in annual costs from electricity distribution will remain on average below 15% on the taxable total of the electricity distribution share, depending on the customer's electrical consumption.

Refinancing

Caruna has refinanced its loan agreements in February 2016, which were done when Caruna was formed. The new loans will consist of a bank loans and other loans.

During the new financial period Caruna's credit arrangement agreement consist of bank loan and as credit arrangements, investment, working capital, account limit and liquidity credit arrangements.

Caruna borrows part of the funding from a group external company Transmission Finance DAC.

Transmission Finance DAC launches public bonds, private placements and other loans. The company has a bond program worth EUR 10 billion and public bonds are listed in the Irish stock market.

All Caruna loans have the same general terms and conditions. The financial covenants are ICR (interest coverage ratio) and FFO/Net debt (funds from operations in relation to the net debt).

Refinancing enables the implementation of the Caruna strategy and the development of the company according to set targets.

Caruna has pledged its most significant properties in addition to the existing pledges to secure the loans.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	NOTE	1 January 2015 - 31 December 2015	1 January 2014 - 31 December 2014
NET SALES	3	3 564 085,35	287 341,95
Other operating income	4	150 000,00	-
Personnel expenses	5	-3 245 498,56	-454 020,36
Other operating expenses	6	-758 190,13	-212 272,47
OPERATING LOSS		-289 603,34	-378 950,88
Financial income and expenses	7	-45 020 872,91	-5 806 608,11
LOSS BEFORE EXTRAORDINARY ITEMS		-45 310 476,25	-6 185 558,99
LOSS BEFORE APPROPRIATIONS AND TAXES		-45 310 476,25	-6 185 558,99
LOSS FOR THE PERIOD		-45 310 476,25	-6 185 558,99

PARENT COMPANY BALANCE SHEET

EUR	NOTE	31 December 2015	31 December 2014
ASSETS			
Non current assets	9		
Investments		226 108 600,47	171 108 600,47
<i>Total non current assets</i>		<u>226 108 600,47</u>	<u>171 108 600,47</u>
Current assets			
Non-current receivables	10	2 600 349 163,38	2 497 485 015,62
Current receivables		129 734 671,90	124 103 462,78
Cash and cash equivalents		49 099 304,12	-
<i>Total current assets</i>		<u>2 779 183 139,40</u>	<u>2 621 588 478,40</u>
TOTAL ASSETS		3 005 291 739,87	2 792 697 078,87
EQUITY AND LIABILITIES			
Equity	11		
Share capital		2 500,00	2 500,00
Invested distributable equity fund		171 203 600,47	171 203 600,47
Retained earnings (cumulative loss)		-6 194 569,76	-9 010,77
Profit (loss) for the financial year		-45 310 476,25	-6 185 558,99
<i>Total equity</i>		<u>119 701 054,46</u>	<u>165 011 530,71</u>
Provisions	12	59 192,52	-
Liabilities	13		
Non current liabilities		2 846 446 568,39	2 605 485 015,62
Current liabilities		39 084 924,50	22 200 532,54
<i>Total liabilities</i>		<u>2 885 531 492,89</u>	<u>2 627 685 548,16</u>
TOTAL EQUITY AND LIABILITIES		3 005 291 739,87	2 792 697 078,87

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Accounting policies

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

Revenue

Revenue includes income from financial administration services, financial services and management services from group companies.

Foreign currency items and derivative instruments

Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction dates. Foreign currency receivables and liabilities were converted into euros using the exchange rate prevailing on the balance sheet date. The exchange differences are recorded in the income statement.

Caruna Networks Oy enters into derivative contracts for hedging interest rate exposures.

Interest income or expense for derivatives used to hedge the interest rate risk exposure is accrued over the period to maturity and is recognised as an adjustment to the interest expense of the liabilities.

Pensions

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

Financial assets and liabilities

Financial assets and liabilities are recognized initially at fair value, net of transaction costs. Loans of the company are long-term.

Provisions

Provisions are recognised when Caruna Networks 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 recognized as an expense in the statement of profit or loss.

2. Group information

Caruna Networks Oy is consolidated in Suomi Power Networks TopCo B.V. and its Dutch subsidiary Suomi Power BV owns 100% of the shares in Caruna Networks Oy.

Suomi Power Networks TopCo B.V. has a registered office in Amsterdam, The Netherlands.

The consolidated financial statements of Suomi Power Networks TopCo B.V. according to IFRS are available at Suomi Power Networks TopCo B.V. head quarters in Luna Arena, Herikerbergweg 112, 1101 CM Amsterdam, The Netherlands.

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

3. Net sales by by geographical markets	2015	2014
Finland	3 564 085,35	287 341,95
Total	3 564 085,35	287 341,95

4. Other operating income	2015	2014
Other	150 000,00	-
Total	150 000,00	-

5. Notes relating to personnel

Personnel expenses	2015	2014
Wages and salaries	2 590 892,99	379 874,11
Pension expenses	552 957,28	62 986,82
Other personnel expenses	101 648,29	11 159,43
Total	3 245 498,56	454 020,36

Number of personnel	2015	2014
Average number of personnel during the financial year	17	3

Salaries and other short term employee benefits to management

	2015	2014
To board member, CEO and management group	782 682	393 338

Retirement arrangements

The CEO's retirement age is 63.

6. Other operating expenses	2015	2014
Other operating expenses:		
Rents	11 572,27	4 877,94
Other expenses	746 617,86	207 394,53
Total	758 190,13	212 272,47

Auditor's fees

Deloitte & Touche Oy, Authorized Public Accountant Firm	2015	2014
Audit fees	202 092,47	18 795,00
Total	202 092,47	18 795,00

7. Financial income and expenses	2015	2014
Other interest and financial income		
From group companies	119 537 517,22	89 520 235,06
From others	0,64	2,77
Total other interest and financial income	119 537 517,86	89 520 237,83
Interest expenses and other financial expenses		
To others		
Senior loan interest and financial expenses	-18 773 695,95	-19 210 283,74
Interest swap expenses	-44 762 589,97	-5 819 526,63
Other interest and financial expenses	-3 315 665,33	2 745 974,73
Total	-66 851 951,25	-22 283 835,64
To group companies		
Junior loan interest expenses	-8 959 433,79	-6 577 472,80
Shareholder loan interest expenses	-88 747 005,73	-66 465 537,50
Total	-97 706 439,52	-73 043 010,30
Total interest expenses and other financial expenses	-164 558 390,77	-95 326 845,94
Total financial income and expenses	-45 020 872,91	-5 806 608,11

The company refinanced its loans at February 2016 and therefore the fair value of hedged interest rate swaps has been recognised in the profit and loss statement and as an accrued liability in balance sheet.

8. Income taxes

The company has not booked deferred tax asset from confirmed losses 2014 and 2013 eur 1 239 131,80

9. Assets	2015	2014
Investments		
	Investments in group companies	Investments in group companies
Acquisition cost 1 Jan	171 108 600,47	5 000,00
Additions	55 000 000,00	171 103 600,47
Acquisition cost 31 Dec	226 108 600,47	171 108 600,47
Carrying amount 31 Dec 2015	226 108 600,47	
Carrying amount 31 Dec 2014	171 108 600,47	
Total assets	226 108 600,47	171 108 600,47

10. Current receivables	2015	2014
Long-term receivables		
Receivables from group companies		
Loan receivables		
Junior loan receivables	150 000 000,00	150 000 000,00
Senior loan receivables	1 350 000 000,00	1 350 000 000,00
Shareholder loan receivables	995 349 163,38	997 485 015,62
Other loan receivables	105 000 000,00	-
	<u>2 600 349 163,38</u>	<u>2 497 485 015,62</u>
Short-term receivables		
Receivables from group companies		
Cash pool account	102 871 455,80	99 329 732,49
Accounts receivables	-	3 103 339,11
Prepayments and accrued income	26 282 145,72	21 667 591,18
Other accrued income	576 084,49	-
Total	<u>129 729 686,01</u>	<u>124 100 662,78</u>
Prepayments and accrued income	4 985,89	2 800,00
Cash and cash equivalents	49 099 304,12	-
Total current receivables	<u>178 833 976,02</u>	<u>124 103 462,78</u>
Specification of prepayments and accrued income		
Accrued interest income from group companies		
Junior loan interest income	2 054 283,33	-
Shareholder loan interest income	21 729 806,84	21 667 591,18
Other interest income	2 498 055,55	-
Other prepayments and accrued income	4 985,89	2 800,00
Total	<u>26 287 131,61</u>	<u>21 670 391,18</u>

Receivables from group companies includes cash pool account of eur 102 871 455,80. The company's option to reclaim these resources is limited to other cash pool account balances by other group companies.

11. Equity	2015	2014
Restricted equity		
Share capital 1 Jan	2 500,00	2 500,00
Share capital 31 Dec	<u>2 500,00</u>	<u>2 500,00</u>
Total restricted equity	2 500,00	2 500,00
Unrestricted equity		
Invested distributable equity fund 1 Jan	171 203 600,47	-
Additions in Invested distributable equity fund	-	171 203 600,47
Invested distributable equity fund 31 Dec	<u>171 203 600,47</u>	<u>171 203 600,47</u>
Retained earnings 1 Jan	-6 194 569,76	-9 010,77
Retained earnings 31 Dec	<u>-6 194 569,76</u>	<u>-9 010,77</u>
Loss for the period	-45 310 476,25	-6 185 558,99
Total unrestricted equity	<u>119 698 554,46</u>	<u>165 009 030,71</u>
Total equity	<u>119 701 054,46</u>	<u>165 011 530,71</u>
Distributable unrestricted equity		
Loss from previous financial years	-6 194 569,76	-9 010,77
Loss for the period	-45 310 476,25	-6 185 558,99
Invested distributable equity fund	<u>171 203 600,47</u>	<u>171 203 600,47</u>
Total	<u>119 698 554,46</u>	<u>165 009 030,71</u>

12. Provisions	2015	2014
Other provisions	59 192,52	-
13. Liabilities		
	2015	2014
Non current liabilities		
Loans from the parent company	1 190 349 163,37	1 147 485 015,62
Loans from financial institutions	1 632 000 000,00	1 458 000 000,00
Accrued expenses	24 097 405,02	-
Total	2 846 446 568,39	2 605 485 015,62
Current liabilities		
Accounts payable	1 345 333,99	78 137,06
Other current liabilities	803 602,28	86 102,82
Accrued expenses	11 882 482,18	368 701,49
Liabilities to group companies		
Cash pool account	400 527,00	-
Accrued expenses	24 652 979,05	21 667 591,17
Total liabilities to group companies	39 084 924,50	22 200 532,54
Non-interest bearing liabilities	62 781 802,52	22 200 532,54
Interest bearing liabilities	2 846 446 568,39	2 605 485 015,62
Specification of accrued expenses		
Accrued interest expenses to group companies		
Shareholder loan interest expenses	22 598 695,72	21 667 591,17
Junior loan interest expenses	2 054 283,33	-
Accrued employee expenses	728 062,91	364 141,49
Other interest expenses	81 246,90	-
Other accrued expenses	11 073 172,37	4 560,00
Total	36 535 461,23	22 036 292,66
14. Commitments and contingent liabilities		
	2015	2014
Commitments and contingent liabilities		
Operating lease liability		
Payable during the following financial year	15 950,00	15 967,68
Payable in later years	124,00	6 747,51
Other commitments		
Loans, for which shares have been pledged and other assets		
Loans from financial institutions (senior-loan)	1 632 000 000,00	1 458 000 000,00
Bookvalue of pledged subsidiary shares	226 108 600,47	171 108 600,47
Floating charges	2 220 000 000,00	2 220 000 000,00
Loans receivables	2 600 349 163,38	2 497 485 015,62
Cashpool receivables	102 871 455,80	99 329 732,49
Guarantees on behalf of group companies	20 437 153,51	-

The company's loans include covenants. The breakage of covenants may lead to increased cost of financing or withdrawal of the loan. The company has fulfilled the covenants and these are continuously monitored.

The company has pledged bank accounts related to Loans from financial institutions (senior-loan). There have not made any transactions on the bank accounts and thus the value of the pledge at December 31, 2015 and at December 31, 2014 was zero.

The company has pledged possible liabilities arising from electricity hedging on behalf of its subsidiaries

Company's bank accounts, EUR 49 099 304,12 (-) have been pledged as security for loans from financial institutions.

Derivative contracts	2015	2014
Interest rate swaps		
Fair value	-34 807 362,80	-33 551 287,27
Nominal value	1 632 000 000,00	1 458 000 000,00

Derivative contracts existing at the end of the financial period have been used to hedge interest rate risk inherent in floating rate bank loan. The interest rate swaps will fall due during the financial period beginning

15. Holdings in other companies

Name	Caruna Networks Sähkösiirto Oy	Caruna Networks Espoo Oy	Caruna Oy	Caruna Espoo Oy
Ownership	100	100	100	100
Registered office	Espoo	Espoo	Espoo	Espoo
Share capital	2 500	2 500	2 000 000	4 000 000
Equity	76 812 691,36	20 339 633,89	-10 245 863,12	18 967 095,58
Loss for the period	-27 267 528,73	-17 437 457,54	-10 245 863,12	240 290,48

16. Formulas for key figures

Operating profit%

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

ROE%

$$\frac{(\text{Los before extraordinary items} - \text{taxes}) \times 100}{\text{Equity (average for the period)}}$$

Equity ratio

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

Signatures to the financial statements

Espoo of 2016

Ari Koponen
Managing Director

Juha Laaksonen
Chairman of the Board

Ralph Berg
Member of the Board

Jouni Grönroos
Member of the Board

Niall Mills
Member of the Board

Gregor Kurth
Deputy Member of the Board

Tomas Pedraza
Member of the Board

Alejandro Lopez Delgado
Deputy Member of the Board

Auditor's note

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

Espoo of 2016

Deloitte & Touche Oy
Authorized Public Accountant Firm

Jukka Vattulainen
APA

Caruna Networks Oy

List of the ledgers, types of vouchers and their archiving methods

Financial statements	Bound book
Balance specifications to the financial statement	Paper
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
Commitments	Paper
Voucher types	
Bank vouchers	Paper
Adjusting journal entries	Paper/electronically
Trade debtors ledger	Paper/electronically
Trade creditors ledger	Paper/electronically
Payroll vouchers	Paper
Vouchers for travel expenses	Paper/electronically