Q4

Financial Statement Release 1-12/2019

Caverion

Caverion Corporation Financial Statement Release 7 February 2020 at 12.00 noon EET

Caverion Corporation's Financial Statement Release for 1 January – 31 December 2019

Result targets achieved in Q4, Caverion's turn to growth started

Guidance follow-up in 2019

The Group's performance was in line with the guidance for 2019. The Group's Services business revenue and its relative share of the Group's total revenue increased and amounted to EUR 1,274.9 (1,213.0) million and 60.0 (55.0) percent of revenue, respectively. The Projects business revenue decreased to EUR 848.3 (991.1) million. The Group's Adjusted EBITDA amounted to EUR 120.4 (53.4) million.

October 1 – December 31, 2019

- **Revenue:** EUR 589.0 (587.6) million. Services business revenue increased by 7.5 percent.
- **Adjusted EBITDA:** EUR 47.0 (11.0) million, or 8.0 (1.9) percent of revenue.
- **EBITDA:** EUR 35.9 (-1.3) million, or 6.1 (-0.2) percent of revenue.
- **Adjusted EBITA:** EUR 33.7 (9.6) million, or 5.7 (1.6) percent of revenue.
- **EBITA:** EUR 22.5 (-2.7) million, or 3.8 (-0.5) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR 80.6 (53.7) million.
- **Earnings per share, undiluted:** EUR 0.11 (-0.12) per share.
- **Net debt/EBITDA***: 1.4x (0.2x).
- Updated financial targets and growth strategy launched at the Capital Markets Day in November.
- Maintpartner and Huurre acquisitions closed in the end of November, Pelsu in October.

January 1 – December 31, 2019

- **Order backlog**: EUR 1,670.5 (1,494.3) million, up by 11.8 percent.
- **Revenue:** EUR 2,123.2 (2,204.1) million. Services business revenue increased by 5.1 percent.
- **Adjusted EBITDA:** EUR 120.4 (53.4) million, or 5.7 (2.4) percent of revenue.
- **EBITDA:** EUR 103.0 (-8.8) million, or 4.8 (-0.4) percent of revenue.
- **Adjusted EBITA:** EUR 67.2 (46.8) million, or 3.2 (2.1) percent of revenue.
- **EBITA:** EUR 49.8 (-15.4) million, or 2.3 (-0.7) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR 143.7 (21.6) million.
- **Earnings per share, undiluted:** EUR 0.14 (-0.40) per share.

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.
* Based on calculation principles confirmed with the lending parties.

Caverion has adopted IFRS 16 Leases standard as of the effective date of January 1, 2019. The Group applies the modified retrospective approach and comparative figures for the financial periods prior to the first date of adoption have not been restated. Additional information is presented under Changes in external financial reporting in 2019 and in financial tables section note 1 Accounting principles.

DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2020 that a dividend of EUR 0.08 per share will be paid.

KEY FIGURES

EUR million	10–12/19 (IFRS 16)	10–12/18 (non IFRS 16)	Change	1–12/19 (IFRS 16)	1–12/18 (non IFRS 16)	Change
Order backlog	1,670.5	1,494.3	11.8%	1,670.5	1,494.3	11.8%
Revenue	589.0	587.6	0.2%	2,123.2	2,204.1	-3.7%
Adjusted EBITDA	47.0	11.0	327.4%	120.4	53.4	125.5%
Adjusted EBITDA margin, %	8.0	1.9		5.7	2.4	
EBITDA	35.9	-1.3		103.0	-8.8	
EBITDA margin, %	6.1	-0.2		4.8	-0.4	
Adjusted EBITA	33.7	9.6	251.0%	67.2	46.8	43.5%
Adjusted EBITA margin, %	5.7	1.6		3.2	2.1	
EBITA	22.5	-2.7		49.8	-15.4	
EBITA margin, %	3.8	-0.5		2.3	-0.7	
Operating profit	18.9	-8.7		35.3	-35.9	
Operating profit margin, %	3.2	-1.5		1.7	-1.6	
Result for the period	15.1	-15.8		22.6	-48.1	
Earnings per share, undiluted, EUR	0.11	-0.12		0.14	-0.40	
Operating cash flow before financial and tax items	80.6	53.7	50.2%	143.7	21.6	
Cash conversion (LTM), %				139.5	n.a.	
Working capital				-100.9	-54.6	-84.8%
Interest-bearing net debt				168.4	6.9	
Net debt/EBITDA*				1.4	0.2	
Gearing, %				73.6	2.7	
Equity ratio, %				21.5	30.2	
Personnel, end of period				16,273	14,950	8.8%

* Based on calculation principles confirmed with the lending parties.

Ari Lehtoranta, President and CEO:

"I am satisfied with the progress of Caverion's performance in the fourth quarter. Firstly, Caverion turned back to growth. Our revenue for the fourth quarter increased to EUR 589.0 (587.6) million, which includes the Maintpartner and Huurre acquisitions as of December. These acquisitions together with the Pelsu acquisition are examples of our renewed focus on growth. Excluding the impact of currencies, revenue grew by 1.6 percent in the quarter. At the same time we achieved our result targets and the positive improvement trend seen in the third quarter continued. Adjusted EBITDA improved to EUR 47.0 (11.0) million, or 8.0 (1.9) percent of revenue in the fourth quarter. Operating cash flow before financial and tax items improved to EUR 80.6 (53.7) million. Order backlog increased by 11.8 percent to EUR 1,670.5 (1,494.3) million, supporting our future organic growth.

Measured in local currencies, the Services business revenue grew strongly by 9.1 percent, while the Projects business revenue declined by 8.5 percent in the fourth quarter. The Services business accounted for 61.5 (57.4) percent of Group revenue and had an excellent last quarter with most divisions improving their margins. In the Projects business, we made a material write-down for the one remaining risk project reported under adjusted EBITDA in the fourth quarter of 2019. This negative EBITDA impact was partially offset by a compensation from the previous owners of our German subsidiary related to the cartel case, also reported under adjusted EBITDA. For the full year of 2019, the Projects business profitability was still negatively impacted by old projects. Although the Projects business improved its performance in the second half of 2019, the profitability is still far from the targeted level. Performance management actions will continue.

For the full year of 2019, our adjusted EBITDA improved to EUR 120.4 (53.4) million, or 5.7 (2.4) per cent of revenue. Cash flow was a highlight of 2019. For the full year of 2019, our operating cash flow before financial and tax items improved to EUR 143.7 (21.6) million and cash conversion was 139.5 per cent. Cash flow after investments, including the payments for the acquisitions completed, was EUR 64.5 (1.4) million. Our continued efforts to improve working capital have paid off. In the fourth quarter, our working capital improved to the level of

EUR -100.9 (-54.6) million. Net debt excluding lease liabilities amounted to EUR 31.5 (6.9) million at the end of December. The net debt/EBITDA ratio was 1.4x (0.2x).

We launched our updated financial targets and growth strategy at our Capital Markets Day in November. Our mid-term target is to grow organically over 4 percent per annum over the cycle and to further increase the share of our Services business. Organic growth will be complemented with acquisitions. Digitalisation and sustainability are the key themes supporting our future profitable growth. Environmental regulations and legislation are further tightening, requiring increased actions in energy efficiency in buildings, and our enhanced offering is well suited to meet the new demands enabling smart cities and smart buildings. Our future sources of growth include deepening customer partnerships, advisory services and outcome based projects and services, digital solutions as well as smart technologies in selected building technology growth areas.

Finally, I would like to give special thanks to our employees. We have made the best ever results in Finland, Industrial Solutions and Austria. Hard work in turning around Sweden, Germany and Denmark is paying off. Norway has made our best ever profitability in the Services business. Improved performance together with our increasingly important role in fighting climate change is boosting our motivation. The improvements seen in our operations in the second half of 2019 provide a good starting point going forward. In 2020, our target is to grow our revenue and further improve our results."

OUTLOOK FOR 2020

Market outlook for Caverion's services and solutions

The megatrends in the industry, such as the increase of technology in built environments, energy efficiency requirements, increasing digitalisation and automation as well as urbanisation continue to promote demand for Caverion's services and solutions over the coming years. For Caverion, the key themes driving profitable growth are sustainability and digitalisation. The increasing awareness of sustainability is supported by both EU-driven regulations and national legislation setting targets and actions for energy efficiency and carbon-neutrality. At the same time, end-user expectations for comfortable and safe work spaces are growing, supporting the demand for Caverion's services and solutions both in new builds and renovations.

Services

The underlying demand for Services is expected to remain good. As technology in buildings increases, the need for new services and digital solutions is expected to increase. Customer focus on core operations continues to open up outsourcing and maintenance as well as technical building management opportunities for Caverion. There is a trend towards a deeper collaboration in order to gain business benefits instead of mere cost savings. International customers are looking for unified operating models across countries, especially within the Nordic region. There is an increasing interest for services supporting sustainability, such as energy management. In Cooling, there is a technical change ongoing from F-gases into CO2-based refrigeration, providing increased need for upgrades and modernisations.

Projects

Despite increased uncertainties in the economic environment, the Projects market in the non-residential construction market segment is expected to remain stable in other Caverion countries than Sweden. In Sweden, the activity level in residential and commercial projects is slowing down, while the infrastructure market is expected to be active. In other main Caverion countries, stable demand is expected to continue in both private and public sectors. Customer demand for total technical deliveries, life cycle projects and different types of partnership projects such as alliance projects is increasing, mainly driven by risk management. However, price competition is expected to remain tight. Low interest rates and the availability of financing continue to support investments. The requirements for increased energy efficiency, better indoor climate and tightening environmental legislation are increasing the costs of investing in building systems.

Guidance for 2020

In 2020, Caverion Group's revenue (2019: EUR 2,123.2 million) and adjusted EBITA (2019: EUR 67.2 million) will grow compared to 2019.

EBITA = Operating profit + amortisation and impairment on intangible assets
Adjusted EBITA = EBITA before items affecting comparability (IAC)

Items affecting comparability (IAC) are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations.

Adjusted EBITA and items affecting comparability (IAC):

EUR million	1–3/19 (IFRS 16)	4–6/19 (IFRS 16)	7–9/19 (IFRS 16)	10–12/19 (IFRS 16)	1–12/19 (IFRS 16)	1–12/18 (non IFRS 16)
EBITA	9.3	-4.1	22.1	22.5	49.8	-15.4
EBITA margin, %	1.8	-0.8	4.4	3.8	2.3	-0.7
Items affecting comparability (IAC)						
- Capital gains and/or losses and transaction costs related to divestments and acquisitions	2.3	0.3	0.2	2.1	4.8	5.5
- Write-downs, expenses and income from major risk projects*	1.6			15.5	17.1	9.3
- Restructuring costs	0.5	0.5	0.7	2.9	4.6	5.3
- Other items**	0.1	0.1	0.1	-9.3	-9.0	42.1
Adjusted EBITA	13.8	-3.2	23.0	33.7	67.2	46.8
Adjusted EBITA margin, %	2.7	-0.6	4.5	5.7	3.2	2.1

** Major risk projects include only one risk project in Germany in 2019 and 2020. In 2018, major risk projects included three completed Large Projects from Industrial Solutions.*

*** Including mainly the German anti-trust fine and related legal and other costs and a compensation from the previous owners of a German subsidiary related to the cartel case*

In its revenue guidance Caverion applies the following guidance terminology.

Positive change	Lower limit %	Upper limit %
Grows	0%	
Negative change	**Lower limit %**	**Upper limit %**
Decreases		0%

In its adjusted EBITA guidance Caverion applies the following guidance terminology, with a +/- 2pp (percentage point) threshold to the said limits.

Positive change	Lower limit %	Upper limit %
At last year's level	-5%	5%
Grows	5%	30%
Grows significantly	30%	
Negative change	**Lower limit %**	**Upper limit %**
Decreases	-30%	-5%
Decreases significantly		-30%

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference and webcast on the Financial Statement Release on Friday, 7 February 2020, at 2:00 p.m. (Finnish time, EET) at Hotel Kämp, Kluuvikatu 2, Helsinki, Finland. The news conference can also be viewed live on Caverion's website at www.caverion.com/investors. It is also possible to participate in the event through a conference call by calling the assigned number +44 (0)330 336 9105 at 1:55 p.m. (Finnish time, EET) at the latest. The participant code for the conference call is "9210056/ Caverion". More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information to be published in 2020

The Annual Review, including the financial statements for 2019, will be published on Caverion's website and IR App in English and Finnish during week 9/2020, at the latest. Interim/Half-yearly Reports will be published on 30 April, 6 August and 5 November 2020.

Financial reports and other investor information are available on Caverion's website, www.caverion.com/investors, and IR App. The materials may also be ordered by sending an e-mail to IR@caverion.com.

CAVERION CORPORATION

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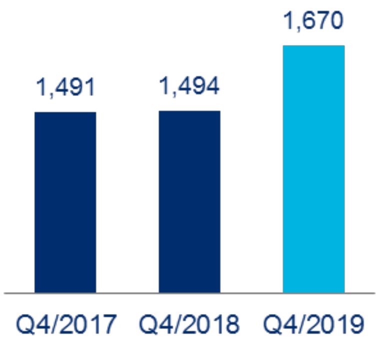
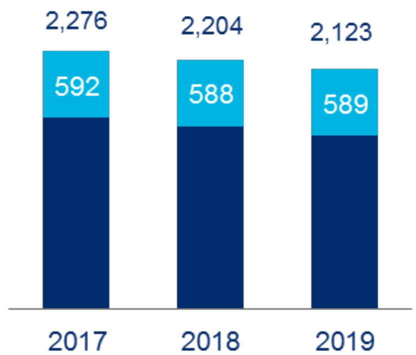
GROUP FINANCIAL DEVELOPMENT

Key Figures

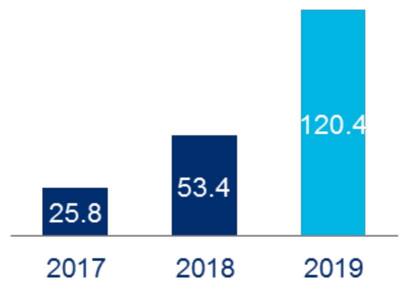
Order backlog
(EUR million)



Revenue
(EUR million)

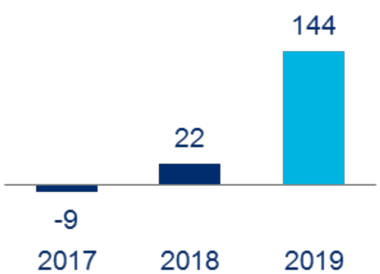


Adjusted EBITDA
(EUR million)

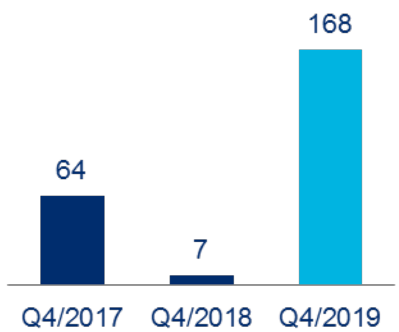


Q4/2019: 47.0, Q4/2018: 11.0, Q4/2017: -5.2.

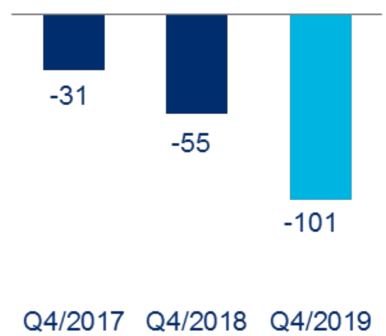
Operating cash flow before financial and tax items
(EUR million)



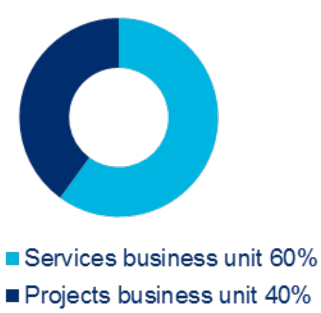
Net debt
(EUR million)



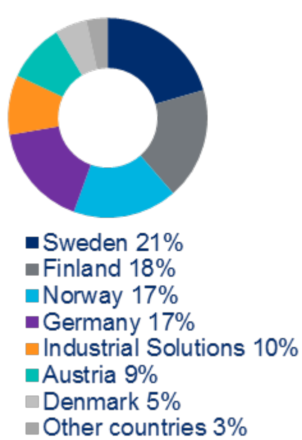
Working capital
(EUR million)



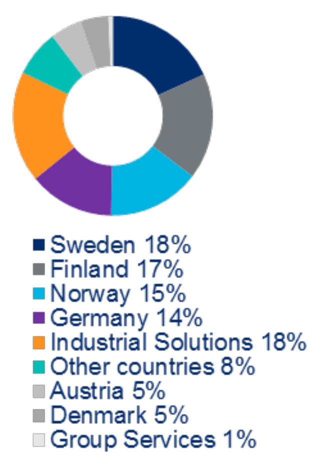
Revenue by business unit
% of revenue 1-12/2019



Revenue by division
% of revenue 1-12/2019



Personnel by division
at the end of December 2019



Comparative figures have not been restated according to IFRS 16.

Operating environment during the fourth quarter and in 2019

The overall market situation was stable throughout the period. Demand was stable in other Caverion markets apart from Sweden. In Sweden, the activity level in residential and commercial projects was slowing down, while the infrastructure market continued to be active.

Services

The demand for Services continued being strong. There is a trend towards a deeper collaboration between customers and service providers in order to gain business benefits instead of mere cost savings. International customers are looking for unified operating models across countries, especially in the Nordic region. There is an increasing interest for services supporting sustainability, such as energy management and advisory services.

Projects

The market for Projects remained stable but the sentiment started to weaken. In the residential construction market segment, there were indications of the market slowing down. In the non-residential construction segment, which is more relevant for Caverion, the market remained stable, with the exception of the commercial construction segment in Sweden. Customer demand for total technical deliveries, life cycle projects and different types of partnership projects such as alliance projects has been increasing, mainly driven by risk management. The requirements for increased energy efficiency, better indoor climate and tightening environmental legislation are increasing the costs of investing in building systems.

Projects business risks

In 2019, the Projects business profitability was still negatively impacted by old projects. Caverion continued its efforts to close or settle the remaining non-performing projects during the year. In the second quarter, the Group's result was burdened by major negative project forecast changes. In the third quarter of 2019, there were no material negative forecast changes in projects. In the fourth quarter, Caverion made a material write-down for the one remaining risk project reported in adjusted EBITDA. Going forward, systematic performance management continues to be part of the core project management processes in all divisions.

In 2019 and 2020, Caverion reports only one old major risk project from Germany in items affecting comparability (IAC), the completion of which has been delayed approximately into the end of 2020. It is possible that further risks may emerge in this old project or other projects. More information on project and other risks is given under "Significant short-term risks and uncertainties".

Caverion estimates that the risk level related to the Projects business at the end of 2019 is at a lower level compared to the previous year.

Order backlog

Order backlog amounted to EUR 1,670.5 million at the end of December, up by 11.8 percent from the end of December in the previous year (EUR 1,494.3 million). At comparable exchange rates the order backlog increased by 11.9 percent. Order backlog was impacted by both divestments and acquisitions in 2018-2019. Order backlog increased both in Services and Projects compared to the last year.

Revenue

October–December

Revenue for October–December was EUR 589.0 (587.6) million, an increase of 0.2 percent compared to the previous year. Revenue was impacted by fluctuations in currency exchange rates and the sale of the project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division in the last quarter of 2018. Revenue includes the Maintpartner and Huurre acquisitions as of December. At the previous year's exchange rates, revenue was EUR 596.9 million and increased by 1.6 percent compared to the previous year. Changes in the Swedish krona accounted for EUR 3.9 million and the Norwegian krone for EUR 4.3 million.

Revenue increased in Austria, Finland and Industrial Solutions, while it decreased in other divisions. In local currencies, revenue increased also in Sweden.

The revenue of the Services business unit increased and was EUR 362.5 (337.2) million in October–December, an increase of 7.5 percent, or 9.1 percent in local currencies. The revenue of the Projects business unit was EUR 226.5 (250.4) million in October–December, a decrease of 9.5 percent, or 8.5 percent in local currencies.

The Services business unit accounted for 61.5 (57.4) percent of Group revenue, and the Projects business unit for 38.5 (42.6) percent of Group revenue in October–December.

January–December

Revenue for January–December was EUR 2,123.2 (2,204.1) million, a decrease of 3.7 percent compared to the previous year. Revenue was impacted by fluctuations in currency exchange rates and the sale of the project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division in the last quarter of 2018. There was also a negative impact from project write-downs and the Group's more selective approach towards the Projects business. Revenue includes the Maintpartner and Huurre acquisitions as of December. At the previous year's exchange rates, revenue was EUR 2,146.3 million and decreased by 2.6 percent compared to the previous year. Changes in the Swedish krona accounted for EUR 14.0 million and the Norwegian krone for EUR 9.4 million.

Revenue increased in Austria and Finland, while it decreased in other divisions. In local currencies, revenue increased also in Sweden.

The revenue of the Services business unit increased and was EUR 1,274.9 (1,213.0) million in January–December, an increase of 5.1 percent, or 6.4 percent in local currencies. The revenue of the Projects business unit was EUR 848.3 (991.1) million in January–December, a decrease of 14.4 percent, or 13.6 percent in local currencies.

The Services business unit accounted for 60.0 (55.0) percent of Group revenue, and the Projects business unit for 40.0 (45.0) percent of Group revenue in January–December.

Distribution of revenue by Division and Business Unit

Revenue, EUR million	10–12/ 2019	%	10–12/ 2018	%	Change	1–12/ 2019	%	1–12/ 2018	%	Change
Sweden	123.2	20.9	123.8	21.1	-0.5%	435.4	20.5	443.1	20.1	-1.8%
Finland	112.4	19.1	95.5	16.3	17.7%	384.3	18.1	336.3	15.3	14.3%
Norway	94.6	16.1	107.9	18.4	-12.3%	359.6	16.9	377.4	17.1	-4.7%
Germany	92.3	15.7	102.3	17.4	-9.8%	355.5	16.7	436.7	19.8	-18.6%
Austria	52.4	8.9	48.3	8.2	8.6%	200.1	9.4	176.8	8.0	13.2%
Industrial Solutions	61.6	10.5	55.9	9.5	10.2%	205.3	9.7	229.2	10.4	-10.4%
Denmark	29.3	5.0	30.1	5.1	-2.6%	109.5	5.2	129.2	5.9	-15.2%
Other countries*	23.1	3.9	23.7	4.0	-2.5%	73.6	3.5	75.5	3.4	-2.5%
Group, total	589.0	100.0	587.6	100.0	0.2%	2,123.2	100.0	2,204.1	100.0	-3.7%
Services business unit	362.5	61.5	337.2	57.4	7.5%	1,274.9	60.0	1,213.0	55.0	5.1%
Projects business unit	226.5	38.5	250.4	42.6	-9.5%	848.3	40.0	991.1	45.0	-14.4%

** Other countries include the Baltic countries, Poland (until 28 February 2019) and Russia.*

Profitability

EBITDA

October–December

Adjusted EBITDA improved to EUR 47.0 (11.0) million, or 8.0 (1.9) percent of revenue in October–December. All divisions improved their results compared to the previous year. The Services business had an excellent last quarter with most divisions improving their margins. The Projects business improved its performance. Excluding the write-down made for the one remaining risk project, the Projects business adjusted EBITDA was positive. EBITDA improved to EUR 35.9 (-1.3) million, or 6.1 (-0.2) percent of revenue in October–December.

In the adjusted EBITDA calculation the transaction costs related to divestments and acquisitions totalled EUR 2.1 million. The write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 15.5 million. The Group's restructuring costs amounted to EUR 2.9 million and the other items were EUR -9.3 million. These include mainly legal and other costs related to the German anti-trust fine and a compensation from the previous owners of a German subsidiary related to the cartel case.

Costs related to materials and supplies decreased to EUR 139.4 (154.6) million and external services to EUR 116.9 (123.1) million in October–December. Personnel expenses increased by 1.0 percent from the previous year and amounted to a total of EUR 235.0 (232.8) million for October–December. Other operating expenses decreased to EUR 73.8 (80.5) million, affected mainly by IFRS 16 adoption. Other operating income was EUR 12.0 (2.2) million, including the compensation from the previous owners of a German subsidiary related to the cartel case.

January–December

Adjusted EBITDA improved to EUR 120.4 (53.4) million, or 5.7 (2.4) percent of revenue and EBITDA to EUR 103.0 (-8.8) million, or 4.8 (-0.4) percent of revenue in January–December. Caverion continued its efforts to close or settle the remaining non-performing projects during the year. In the second quarter, the Group's result was burdened by major negative project forecast changes. In the third quarter of 2019, there were no material negative forecast changes in projects. In the fourth quarter, Caverion made a material write-down for the one remaining risk project reported in adjusted EBITDA.

In the adjusted EBITDA calculation, the capital losses from divestments and transaction costs related to divestments and acquisitions totalled EUR 4.8 million in January–December. The write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 17.1 million. In 2019, major risk projects include only one risk project in Germany. The Group's restructuring costs amounted to EUR 4.6 million and the other items were EUR -9.0 million. These include mainly legal and other costs related to the German anti-trust fine and a compensation from the previous owners of a German subsidiary related to the cartel case.

The Services business unit continued to improve its profitability. Also the result of the Projects business unit improved in the second half of 2019 but was still negatively impacted by project write-downs and negative forecast changes. By division, Finland, Austria and Industrial Solutions delivered strong results throughout the year. Other divisions improved their result towards the end of the year. Of note is the clear improvement in the profitability of Germany in the second half of the year.

Costs related to materials and supplies decreased to EUR 524.2 (570.6) million and external services to EUR 411.3 (425.0) million in January–December. Personnel expenses decreased by 2.7 percent from the previous year and amounted to a total of EUR 868.9 (892.9) million for January-December. Other operating expenses decreased to EUR 229.8 (328.4) million, affected mainly by IFRS 16 adoption and the German anti-trust fine of EUR 40.8 million in June 2018. Other operating income was EUR 14.0 (4.1) million, including the compensation from the previous owners of a German subsidiary related to the cartel case.

Caverion Industria Oy was awarded a positive arbitration decision in February relating to the third and final large project from Caverion's risk list for 2018. Based on the decision, Caverion was paid about EUR 8.9 million plus interest as of 19 May 2016 until full payment, as well as the related administrative expenses, legal costs and fees. Caverion booked the award related income in its first quarter EBITDA for 2019.

EBITDA is defined as Operating profit + Depreciation, amortisation and impairment. Adjusted EBITDA = EBITDA before items affecting comparability (IAC). Items affecting comparability (IAC) in 2019 are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2018, major risk projects included three completed Large Projects from Industrial Solutions, the financial effects of which were reported under category (2). The German anti-trust fine and related legal and other costs were reported under category (4). In 2019, major risk projects only included one risk project in Germany reported under category (2).

Adjusted EBITDA – Items affecting comparability:

EUR million	10–12/19 (IFRS 16)	10–12/18 (non IFRS 16)	1–12/19 (IFRS 16)	1–12/18 (non IFRS 16)
EBITDA	35.9	-1.3	103.0	-8.8
EBITDA margin, %	6.1	-0.2	4.8	-0.4
Items affecting comparability (IAC)				
- Capital gains and/or losses and transaction costs related to divestments and acquisitions	2.1	4.3	4.8	5.5
- Write-downs, expenses and income from major risk projects	15.5	4.4	17.1	9.3
- Restructuring costs	2.9	3.1	4.6	5.3
- Other items*	-9.3	0.6	-9.0	42.1
Adjusted EBITDA	47.0	11.0	120.4	53.4
Adjusted EBITDA margin, %	8.0	1.9	5.7	2.4

** Including mainly the German anti-trust fine and related legal and other costs and a compensation from the previous owners of a German subsidiary related to the cartel case*

EBITA and operating profit

October–December

Adjusted EBITA for October–December improved to EUR 33.7 (9.6) million, or 5.7 (1.6) percent of revenue and EBITA to EUR 22.5 (-2.7) million, or 3.8 (-0.5) percent of revenue. The operating profit (EBIT) for October–December improved to EUR 18.9 (-8.7) million, or 3.2 (-1.5) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 17.0 (7.4) million in October–December. Of these EUR 13.4 (1.4) million were depreciations on tangible assets and EUR 3.6 (6.0) million amortisations on intangible assets. Of the depreciations, the majority related to right-of-use assets in accordance with IFRS 16 amounting to EUR 12.0 million. The amortisations related to allocated intangibles on acquisitions and IT.

January–December

Adjusted EBITA for January–December improved to EUR 67.2 (46.8) million, or 3.2 (2.1) percent of revenue and EBITA to EUR 49.8 (-15.4) million, or 2.3 (-0.7) percent of revenue. The operating profit (EBIT) for January–December improved to EUR 35.3 (-35.9) million, or 1.7 (-1.6) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 67.6 (27.1) million in January–December. Of these EUR 53.2 (6.5) million were depreciations on tangible assets and EUR 14.5 (20.6) million amortisations on intangible assets. Of the depreciations, the majority related to right-of-use assets in accordance with IFRS 16 amounting to EUR 47.9 million. The amortisations related to allocated intangibles on acquisitions and IT.

The other factors affecting EBITA and operating profit have been described in more detail under EBITDA.

Result before taxes, result for the period and earnings per share

Result before taxes improved to EUR 27.0 (-43.9) million, result for the period to EUR 22.6 (-48.1) million, and earnings per share to EUR 0.14 (-0.40) in January–December. Net financing expenses in January–December were EUR 8.4 (7.9) million. This includes an interest cost on lease liabilities amounting to EUR 5.1 million and an exchange rate gain from an internal loan denominated in euros in Russia amounting to EUR 1.2 million.

The Group's effective tax rate was 16.2 (-9.8) percent in January–December.

In October-December, result before taxes improved to EUR 16.3 (-14.6) million, result for the period to EUR 15.1 (-15.8) million, and earnings per share to EUR 0.11 (-0.13).

Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets totalled EUR 73.4 (17.5) million in January–December, representing 3.5 (0.8) percent of revenue. Investments in information technology totalled EUR 9.4 (7.3) million. IT investments continued to be focused on building a harmonised IT infrastructure and common platforms as well as datacenter consolidation. IT systems and mobile tools were also developed to improve the Group's internal processes and efficiency going forward. Other investments, including acquisitions and investments in joint ventures, amounted to EUR 64.0 (10.2) million.

In March 2019, Caverion signed an agreement with Maintpartner Holding Oy to acquire all of the shares in Maintpartner Group Oy including its subsidiaries in Finland, Poland and Estonia. The acquisition excluded Maintpartner Group Oy's subsidiary in Sweden. Maintpartner Holding Oy is owned by the funds managed by the Finnish private equity company CapMan Buyout. Once the required approvals were obtained from the competition authorities, the acquisition was completed on 29 November 2019 at an enterprise value of EUR 34 million. As part of the transaction execution, Caverion will seek to find a buyer for approximately 6.5 percent of the post-transaction revenue (approximately EUR 300 million in 2018) of the Industrial Solutions division in Finland. The acquired businesses were consolidated into Caverion's financial figures as of 30 November 2019.

Maintpartner is an industrial operation and maintenance service provider operating in sectors such as energy, chemicals, metal, food and manufacturing industries. The acquisition complements Caverion's knowledge in industrial operation and maintenance services as well as in the development of digital solutions. It also supplements Caverion's geographical coverage and customer base in various industrial segments. The acquired business employed 1,414 people at the end of 2019. The full year 2019 revenue of the acquired business amounted to EUR 130.1 million and EBITDA to EUR 6.7 million according to the Finnish accounting standards (FAS).

Caverion Suomi Oy acquired the entire share capital of the Finnish company, Pelsu Pelastussuunnitelma Oy on 11 October 2019. The sellers were the main owners Fast Monkeys Oy, Sontek Ventures Oy, Eetu Kirsi, Okko Kouvalainen and several private shareholders. Pelsu Pelastussuunnitelma is specialised in property security consulting services and easy-to-use digital web and mobile services. The company is a market leader in its field in Finland. The parties agreed not to disclose the transaction price. The transaction was completed on 31 October 2019. The acquired company was consolidated into Caverion's financial figures as of 31 October 2019.

Caverion completed on 29 November 2019 the acquisition of Refrigeration Solutions business of Huurre Group Oy following the receipt of the required approval from the Swedish competition authority on 13 November 2019. Caverion announced on 29 October 2019 an agreement with Huurre Group Oy to acquire the business. The purchase price was paid in cash. The value of the transaction was not disclosed. The acquired business is a leading supplier of energy-efficient CO2 based refrigeration systems and related refrigeration automation solutions and has operations in Finland and in Sweden. The full year 2019 revenue of the acquired business amounted to EUR 50.6 million and it employed 130 people in Sweden and 141 in Finland at the end of 2019. The acquisition supports Caverion's growth in Services and further strengthens the offering in the Cooling business after the acquisition of Jetitek in Finland in 2018. The acquired businesses were consolidated into Caverion's financial figures as of 30 November 2019.

The acquisitions completed in 2019 will incur one-off integration costs especially in the first half of 2020.

Caverion announced the sale of its small subsidiaries in Poland and Czech Republic in the end of December 2018. The sale of the subsidiary in the Czech Republic was completed on 2 January 2019 and the sale of the Polish subsidiary became effective on 28 February 2019. The transaction prices were not disclosed.

Cash flow, working capital and financing

The Group's operating cash flow before financial and tax items improved to EUR 143.7 (21.6) million in January-December and cash conversion was 139.5 per cent. The Group's free cash flow improved to EUR 74.0 (2.9) million. Cash flow after investments was EUR 64.5 (1.4) million.

In October-December, the Group's operating cash flow before financial and tax items improved to EUR 80.6 (53.7) million. The Group's free cash flow decreased to EUR 24.4 (46.8) million. Cash flow after investments was EUR 21.4 (46.6) million.

The Group's working capital improved to EUR -100.9 (-54.6) million at the end of December. There were improvements in divisions Finland, Austria, Sweden, Industrial Solutions and particularly in Germany compared to the previous year. The amount of trade and POC receivables increased to EUR 527.2 (518.9) million and other current receivables to EUR 32.6 (31.3) million. On the liabilities side, advances received increased to EUR 216.2 (182.6) million and other current liabilities to EUR 269.2 (234.8) million, while trade and POC payables decreased to EUR 194.1 (204.4) million.

Caverion's cash and cash equivalents amounted to EUR 93.6 (51.2) million at the end of December. In addition, Caverion had undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

The Group's gross interest-bearing loans and borrowings excluding lease liabilities amounted to EUR 125.0 (58.1) million at the end of December, and the average interest rate after hedges was 3.0 percent. Approximately 40 percent of the loans have been raised from banks and other financial institutions and approximately 60 percent from capital markets. Lease liabilities amounted to EUR 136.9 million at the end of December 2019, resulting to total gross interest-bearing liabilities of EUR 261.9 million.

The Group's net debt excluding lease liabilities amounted to EUR 31.5 (6.9) million at the end of December and including lease liabilities to EUR 168.4 million. At the end of December, the Group's gearing was 73.6 (2.7) percent and the equity ratio 21.5 (30.2) percent. Excluding the effect of IFRS 16, the gearing would have amounted to 13.7 percent and the equity ratio to 24.6 percent.

At the end of the first quarter, Caverion issued new EUR 75 million senior unsecured fixed rate notes with maturity on 28 March 2023 as well as carried out a voluntary cash tender offer for its EUR 100 million hybrid notes issued on 16 June 2017. The 4-year notes carry a fixed annual interest rate of 3.25% per annum. The use of proceeds from the notes included, in addition to the partial redemption of the hybrid notes, general corporate purposes and investments and acquisitions in accordance with Caverion's strategy. The final acceptance amount of the hybrid tender offer was EUR 33.94 million and the remaining amount of the hybrid bond outstanding is EUR 66.06 million. The purchase price of the hybrid notes was 101.20%. The rationale of the transactions was to proactively manage the Group's debt portfolio, to extend the Group's debt maturity profile and to decrease overall funding costs. Furthermore, Caverion also refinanced its bank loans and undrawn revolving credit facilities at the beginning of February 2019.

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. The financial covenant shall not exceed 3.5:1. At the end of December, the Group's Net debt to EBITDA was 1.4x according to the confirmed calculation principles. The confirmed calculation principles exclude the effects of the IFRS 16 standard and contain certain other adjustments such as treating the hybrid notes as debt as of December 2019 and excluding the German anti-trust fine and related legal and advisory fees.

Changes in external financial reporting in 2019

Caverion has adopted the new IFRS 16 Leases standard as of the effective date of 1 January 2019. The new standard requires the lessee to recognise almost all lease contracts on the balance sheet. Whereas, under the previous guidance in IAS 17, Leases, a lessee had to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet), the new model requires the lessee to recognise an asset (the right to use the leased item) and a financial liability to pay rentals. The only exceptions are short-term and low-value leases, which Caverion has utilised and the lease expense will be recognised in income statement. Caverion does not have any material contracts as a lessor.

The standard has had a significant impact on the Group's balance sheet and related key ratios, such as the equity ratio and the gearing. The adoption of IFRS 16 increased the Group’s right-of-use assets and interest-bearing liabilities by approximately EUR 142 million. The standard impacted also the Group’s income statement. The impacted operating lease cost is divided into the depreciation of the right-of-use asset and interest cost associated with the lease liability resulting in an improved EBITDA. The adoption of IFRS 16 resulted in an increase of 2.3 percentage points on the Group’s EBITDA margin in 2019. The effect to profit for the period was insignificant. Caverion has applied the modified retrospective approach and the comparative figures for the financial periods prior to the first date of adoption have not been restated. Further information has been presented in financial tables section note 1 Accounting principles.

Caverion made three important acquisitions in 2019. Maintpartner and Huurre acquisitions were closed in the end of November 2019 and Pelsu Pelastussuunnitelma Oy in October 2019, thus affecting the reporting as of December 2019 and November 2019, respectively. In December 2018, Caverion announced the sale of its small subsidiaries in Poland and Czech Republic. These were completed on 28 February 2019 and on 2 January 2019, respectively. More detailed description of the recent acquisitions has been presented under “Capital expenditure, acquisitions and disposals“.

PERSONNEL

Personnel by division, end of period	12/19	9/19	Change	12/19	12/18	Change
Sweden	2,961	2,762	7%	2,961	2,955	0%
Finland	2,795	2,643	6%	2,795	2,513	11%
Norway	2,431	2,455	-1%	2,431	2,438	0%
Germany	2,253	2,245	0%	2,253	2,268	-1%
Industrial Solutions	2,929	1,568	87%	2,929	1,603	83%
Other countries	1,223	1,211	1%	1,223	1,350	-9%
Austria	828	842	-2%	828	857	-3%
Denmark	734	764	-4%	734	860	-15%
Group Services	119	116	3%	119	106	12%
Group, total	16,273	14,606	11%	16,273	14,950	9%

Caverion Group employed 14,763 (15,672) people on average in January–December 2019. At the end of December, the Group employed 16,273 (14,950) people. Personnel expenses for January–December amounted to EUR 868.9 (892.9) million.

Employee safety continued to be a high focus area in 2019. The Group’s accident frequency rate at the end of December was 5.3 (5.2).

Changes in Caverion’s Group Management Board and organisation structure

Frank Krause (born 1963) started as the Head of Division Germany and a member of the Group Management Board and Carsten Sørensen (born 1972) as the Head of Caverion Division Denmark and a member of the Group Management Board as of 1 January 2019.

Kari Sundbäck, M.Sc. (Eng.) (born 1971), was appointed as Caverion’s Head of Transformation and Supply Operations and member of the Group Management Board as of 8 May 2019. His responsibilities include the supply operations, including procurement, the management of group-wide transformation initiatives and communications. Additionally, he assumes the responsibility for business operations and turnaround in Russia. Kari Sundbäck was previously responsible of KONE’s operating model and transformation program.

Thomas Hietto, M.Sc. (Tech.) (born 1967), Head of Caverion’s Services Business Unit and member of the Group Management Board, was appointed as Deputy CEO of Caverion Corporation as of 1 July 2019. He also continues in his position responsible for the Services business, Sales Development as well as Marketing and brand. In his new position he is also responsible for managing the growth strategy of Caverion.

Elina Engman, M.Sc. (Tech.) (born 1970), was appointed as Head of Division Industrial Solutions and a member of the Group Management Board of Caverion Corporation as of 1 January 2020. She has previously worked as Vice President at ÅF Consult responsible for ÅF's renewables and energy business consulting, as President and CEO of Voimaosakeyhtiö SF, as Vice President, Energy at Kemira Corporation as well as in energy business related roles at Areva and Siemens.

SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTIES

Caverion is exposed to different types of strategic, operational, political, market, customer, financial and other risks. The market environment is generally stable in markets relevant for Caverion, but the increased uncertainties in the economic environment may also affect Caverion going forward. Caverion estimates that the trade related and political risks are increasing globally, but their effect on Caverion is estimated to be limited in the short term.

Caverion's typical operational risks relate to its Services and Projects business. These include risks related to tendering (e.g. calculation and pricing), contractual terms and conditions, partnering, subcontracting, procurement and price of materials, availability of qualified personnel and project management. To manage these risks, risk assessment and review processes for both the sales and execution phase are in place, and appropriate risk reservations are being made. The Group Projects Business Unit is dedicated to the overall improvement of project risk management, to steering the project portfolio, and to improving project management capabilities. Despite all the actions taken, there is a risk that some project risks will materialise, which could have a negative impact on Caverion's financial performance and position. Project risk assessment is part of the standard project management processes in the company, and it is possible that risks may be identified in projects which are currently running and in new projects.

Despite clearly defined project controls, it is possible that some risks may materialise, which could lead to project write-downs, provisions, disputes or litigations. Caverion has made a large amount of project write-downs during the last few years. Systematic performance management continues to be part of the core project management processes in all divisions. In 2019, Caverion reported only one old major risk project from Germany in adjusted EBITDA, the completion of which has been delayed approximately into the end of 2020. It is possible that further risks may emerge in this old project or other projects. However, Caverion estimates that the risk level related to the Projects business is at a lower level at the end of 2019 compared to the previous year.

According to Group policy, write-offs or provisions are booked on receivables when it is probable that no payment can be expected. Caverion Group follows a policy in valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience with write-offs realised in previous years, empirical knowledge of debt collection, customer-specific collaterals and analyses as well as the general economic situation of the review period. Caverion carries out risk assessments related to POC and trade receivables in its project portfolio on an ongoing basis. There are certain individual larger receivables where the company continues its actions to negotiate and collect the receivables. There is remaining risk in the identified receivables, and it cannot be ruled out that there is also risk associated with other receivables.

Given the nature of Caverion's Projects business, Group companies are involved in disputes and legal proceedings in several projects. These disputes and legal proceedings typically concern claims made against Caverion for allegedly defective or delayed delivery. In some cases, the collection of receivables by Caverion may result in disputes and legal proceedings. There is a risk that the client presents counter claims in these proceedings. The outcome of claims, disputes and legal proceedings is difficult to predict. Write-downs and provisions are booked following the applicable accounting rules.

In June 2018, Caverion reached a settlement for its part with the German Federal Office (FCO) in a cartel case that had been investigated by the authority since 2014. The investigation concerns several companies providing technical building services in Germany. Caverion Deutschland GmbH (and its predecessors) was found to have participated in anti-competitive practices between 2005 and 2013. According to the FCO's final decision issued on 3 July 2018, Caverion Deutschland GmbH was imposed a fine of EUR 40.8 million. There is a risk that civil claims may be presented against Caverion Deutschland GmbH in relation to this matter. It is not possible to evaluate the magnitude of the risk at this time. Caverion will disclose any relevant information on the potential civil law claims as required under the applicable regulations.

As part of Caverion's co-operation with the authorities in the cartel matter, the company identified activities between 2009 and 2011 that were likely to fulfil the criteria of corruption or other criminal commitment in one of its client projects executed in that time. Caverion has brought its findings to the attention of the authorities and supports them in further investigating the case. It is possible that these infringements will cause considerable damage to Caverion in terms of fines, civil claims as well as legal expenses. However, the magnitude of the potential damage cannot be assessed at the moment. Caverion is monitoring the situation and will disclose any relevant information as required under the applicable regulations.

Caverion has made significant efforts to promote compliance in order to avoid any infringements in the future. As part of the programme all employees must complete an e-learning module and further training is given across the organisation. All employees are required to comply with Caverion's Code of Conduct, which has a policy of zero tolerance on anti-competitive practices, corruption, bribery or any unlawful action.

Goodwill recognised on Caverion's balance sheet is not amortised, but it is tested annually for any impairment. The amount by which the carrying amount of goodwill exceeds the recoverable amount is recognised as an impairment loss through profit and loss. If negative changes take place in Caverion's result and growth development, this may lead to an impairment of goodwill, which may have an unfavourable effect on Caverion's result of operations and shareholders' equity.

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Breaching this covenant would give the lending parties the right to declare the loans to be immediately due and payable. It is possible that Caverion may need amendments to its financial covenant in the future. The level of the financial covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

Caverion's business typically involves granting guarantees to customers or other stakeholders, especially for large projects, e.g. for advance payments received, for performance of contractual obligations, and for defects during the warranty period. Such guarantees are typically granted by financial intermediaries on behalf of Caverion. There is no assurance that the company would have continuous access to sufficient guarantees from financial intermediaries at competitive terms or at all, and the absence of such guarantees could have an adverse effect on Caverion's business and financial situation. To manage this risk, Caverion's target is to maintain several guarantee facilities in the different countries where it operates.

There are risks related to the functionality, security and availability of the company's IT systems. Caverion has made significant investments in IT and system development. There is a risk that the expected functionalities and pay-back are not fully materialised.

Financial risks have been described in more detail in the 2019 Financial Statements under Note 5.5 "Financial risk management" and in the financial tables of this Financial Statement Release under Note 7.

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

Caverion Corporation's Annual General Meeting, which was held in Helsinki on 25 March 2019, adopted the Financial Statements and the consolidated Financial Statements for the year 2018 and discharged the members of the Board of Directors and the President and CEO from liability. In addition, the Annual General Meeting resolved on the use of the profit shown on the balance sheet and the payment of dividend, the composition of members of the Board of Directors and their remuneration, the election of the auditor and its remuneration as well as authorised the Board of Directors to decide on the repurchase of the Company's own shares and/or acceptance as pledge of own shares as well as share issues.

The Annual General Meeting elected a Chairman, a Vice Chairman and five (5) ordinary members to the Board of Directors. Mats Paulsson was elected as the Chairman of the Board of Directors, Markus Ehrnrooth as the Vice Chairman and Jussi Aho, Joachim Hallengren, Antti Herlin, Thomas Hinnerskov and Anna Hyvönen as members of the Board of Directors for a term of office expiring at the end of the Annual General Meeting 2020. The stock exchange release on the resolutions passed at the Annual General Meeting is available on Caverion's website at http://www.caverion.com/about-us/media/releases.

The Board of Directors held its organisational meeting on 25 March 2019. At the meeting the Board decided on the composition of the Human Resources Committee and the Audit Committee. A description of the committees' tasks and charters are available on Caverion's website at www.caverion.com/investors - Corporate Governance.

DIVIDENDS AND DIVIDEND POLICY

The Annual General Meeting, held on 25 March 2019, approved the proposal of the Board of Directors according to which a dividend of EUR 0.05 per share was paid from the distributable funds of the Company for the financial year 2018. The dividend was paid to shareholders who on the record date of the dividend payment 27 March 2019 were recorded in the shareholders' register held by Euroclear Finland Ltd. The dividend was paid on 3 April 2019.

Caverion's dividend policy is to distribute as dividends at least 50 percent of the result for the year after taxes, however, taking profitability and leverage level into account. Even though there are no plans to amend this dividend policy, there is no guarantee that a dividend or capital redemption will actually be paid in the future, and also there is no guarantee of the amount of the dividend or return of capital to be paid for any given year.

SHARES AND SHAREHOLDERS

The Caverion Corporation is a public limited company organised under the laws of the Republic of Finland, incorporated on 30 June 2013. The company has a single series of shares, and each share entitles its holder to one vote at the General Meeting of the company and to an equal dividend. The company's shares have no nominal value.

Share capital and number of shares

The number of shares was 138,920,092 and the share capital was EUR 1,000,000 on 1 January 2019. Caverion held 3,264,451 treasury shares on 1 January 2019. At the end of the reporting period, the total number of shares in Caverion was 138,920,092. Caverion held 2,849,360 treasury shares on 31 December 2019, representing 2.05 percent of the total number of shares and voting rights. The number of shares outstanding was 136,070,732 at the end of December 2019.

The Board of Directors of Caverion Corporation decided on three directed share issues without consideration for the payment of the reward instalments from Caverion's share plans during the period. In these directed share issues without consideration, 23,622 Caverion Corporation shares held by the company were on 28 February 2019 conveyed to a key person participating in the Restricted Share Plan 2016–2018, and 293,540 and 97,929 Caverion Corporation shares held by the company were conveyed to key employees included in the Matching Share Plan 2018–2022 on 14 May 2019 and on 18 December 2019, respectively. More information about the conveyance of the shares and the said share plans has been given in stock exchange releases published on the respective dates above. More detailed information about the Matching Share Plan 2018−2022 and the related share issues and transfers was published in stock exchange releases on 7 February 2018, 19 February 2018, 1 March 2018 and 8 March 2018. The first directed share issue was based on the authorisation given by the General Meeting on 26 March 2018 and the latter two on the authorisation given by the General Meeting on 25 March 2019.

Caverion's Board of Directors approved in December 2019 the commencement of a new plan period 2020-2022 in the share-based long-term incentive scheme originally established in December 2018. The scheme is based on a performance share plan (PSP) structure targeted to Caverion's management and selected key employees. The Board approved at the same time the commencement of a new plan period 2020-2022 in the Restricted Share Plan (RSP) structure, which is a complementary share-based incentive structure for specific situations. Any potential share rewards based on PSP 2020-2022 and RSP 2020-2022 will be delivered in the spring 2023. PSP 2020-2022 may include a maximum of approximately 90 key employees of Caverion Group. The performance targets, based on which the potential share rewards under PSP 2020-2022 will be paid, are the relative total shareholder return of the Company's share and earnings per share. If all targets will be met, the share rewards based on PSP 2020-2022 will comprise a maximum of approximately 1.6 million Caverion shares (gross before the deduction of applicable taxes). Final participant selection and their maximum share allocations will be decided in early 2020.

The Restricted Share Plan (RSP) is based on a rolling plan structure originally announced on 18 December 2015 and the commencement of each new plan within the structure is conditional on a separate Board approval. Share allocations within the Restricted Share Plan will be made for individually selected key employees in specific situations. Each RSP plan consists of a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Caverion continues at the time of the delivery of the share reward. The potential share rewards based on the Restricted Share Plans for 2016-2018, 2017−2019, 2018−2020, 2019−2021 as well as 2020-2022 total a maximum of approximately 547,000 shares (gross before the deduction of applicable payroll tax). Of these plans, a maximum of approximately 97,000 shares will be delivered in the first half of 2020, a maximum of 85,000 shares in the spring of 2021, a maximum of 135,000 shares in the spring of 2022 and a maximum of 230,000 shares in the spring of 2023.

Caverion's Board of Directors approved the previous long-term share-based incentive schemes for the Group's senior management and key employees in December 2015 and in December 2018. The targets set for the Performance Share Plan 2016–2018 and 2017−2019 were not met, and no rewards thereof were paid. The targets set for the Performance Share Plan 2018−2020 were partially met and the respective share rewards will be delivered in February 2021. If all targets will be met, the share rewards based on PSP 2019−2021 will comprise a maximum of approximately 1.3 million Caverion shares (gross before the deduction of applicable taxes).

More information on the incentive plans has been published in stock exchange releases on 18 December 2015, 21 December 2016, 21 December 2017, 18 December 2018 and 18 December 2019.

Caverion has not made any decision regarding the issue of option rights or other special rights entitling to shares.

Authorisations of the Board of Directors

Authorising Caverion's Board of Directors to decide on the repurchase and/or on the acceptance as pledge of own shares of the company

The Annual General Meeting of Caverion Corporation, held on 25 March 2019, authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the Company's own shares in accordance with the proposal by the Board of Directors. The number of own shares to be repurchased and/or on the acceptance as pledge shall not exceed 13,500,000 shares, which corresponds to approximately 9.7% of all the shares in the Company. The Company may use only unrestricted equity to repurchase own shares on the basis of the authorisation. Purchase of own shares may be made at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors resolves the manner in which own shares be repurchased. Repurchase of own shares may be made using, inter alia, derivatives. Repurchase of own shares may be made otherwise than in proportion to the share ownership of the shareholders (directed repurchase).

The authorisation cancels the authorisation given by the General Meeting on 26 March 2018. The authorisation is effective until 25 September 2020. The Board of Directors has not used the authorisation to decide on the repurchase of the Company's own shares during the period.

As part of the implementation of the Matching Share Plan, the company has accepted as a pledge the shares acquired by those key employees who took a loan from the company. As a result, Caverion had 711,034 Caverion Corporation shares as a pledge at the end of the reporting period on 31 December 2019.

Authorising Caverion's Board of Directors to decide on share issues

The Annual General Meeting of Caverion Corporation, held on 25 March 2019, authorised the Board of Directors to decide on share issues in accordance with the proposal by the Board of Directors. The number of shares to be issued may not exceed 13,500,000 shares, which corresponds to approximately 9.7% of all the shares in the Company. The Board of Directors decides on all the conditions of the issuance of shares. The authorisation concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorisation can be used e.g. in order to strengthen the Company's capital structure, to broaden the Company's ownership, to be used as payment in corporate acquisitions or when the Company acquires assets relating to its business and as part of the Company's incentive programmes.

The authorisation cancels the authorisation given by the General Meeting on 26 March 2018 to decide on the issuance of shares. The authorisation is valid until 31 March 2020.

The Board of Directors of Caverion Corporation decided on three directed share issues without consideration for the payment of the reward instalments from Caverion's share plans during the period. In these directed share issues without consideration, 23,622 Caverion Corporation shares held by the company were on 28 February 2019 conveyed to a key person participating in the Restricted Share Plan 2016–2018, and 293,540 and 97,929 Caverion Corporation shares held by the company were conveyed to key employees included in the Matching Share Plan 2018–2022 on 14 May 2019 and on 18 December 2019, respectively. More information about the conveyance of the shares and the said share plans has been given in stock exchange releases published on the respective dates above. The first directed share issue was based on the authorisation given by the General Meeting on 26 March 2018 and the latter two on the authorisation given by the General Meeting on 25 March 2019.

Trading in shares

The opening price of Caverion's share was EUR 5.05 at the beginning of 2019. The closing rate on the last trading day of the review period on 30 December was EUR 7.19. The share price increased by 43 percent during January–December. The highest price of the share during the review period January–December was EUR 7.64, the lowest was EUR 4.85 and the average price was EUR 6.18. Share turnover on Nasdaq Helsinki in January–December amounted to 22.9 million shares. The value of share turnover was EUR 141.9 million (source: Nasdaq Helsinki). Caverion's shares are also traded in other market places, such as Aquis, Cboe, POSIT Auction and Turquoise.

The market capitalisation of the Caverion Corporation at the end of the review period was EUR 978.3 million. Market capitalisation has been calculated excluding the 2,849,360 shares held by the company as per 31 December 2019.

Number of shareholders and flagging notifications

At the end of December 2019, the number of registered shareholders in Caverion was 25,390 (9/2019: 25,683). At the end of December 2019, a total of 33.1 percent of the shares were owned by nominee-registered and non-Finnish investors (9/2019: 34.8%).

Caverion Corporation received on 28 November 2019 a notification under Chapter 9, Section 5 of the Finnish Securities Markets Act, according to which the holding in Caverion Corporation by Structor S.A., a company 100% owned by Fennogens Investments S.A. based in Luxembourg, had decreased below the thresholds of 10 and 5 per cent on 28 November 2019. According to the notification, Structor S.A. had sold all of its shareholding, 17,565,000 shares that represented 12.64% of shares and voting rights in Caverion Corporation. Out of these, 14,169,850 shares have been sold to Structor S.A.'s parent company, Fennogens Investments S.A., representing 10.2% of shares and voting rights in Caverion Corporation. According to the notification, the holding of Structor S.A. in Caverion was 0 shares on 28 November 2019, corresponding to 0% per cent of Caverion's shares and voting rights. The notification was made following the reorganisation of Ehrnrooth family's shareholding in Caverion, where Structor S.A. sold its entire shareholding in Caverion to its parent company Fennogens Investments S.A. and other family-owned investment companies. The shareholding in Caverion that was held by Structor S.A. remained fully in the possession of the same ultimate beneficiary owners.

Caverion Corporation received on 28 November 2019 a notification under Chapter 9, Section 5 of the Finnish Securities Markets Act, according to which the holding of Caverion Corporation by Fennogens Investments S.A. based in Luxembourg had increased above the thresholds of 5 and 10 per cent on 28 November 2019. According to the notification, Fennogens Investments S.A. had bought 14,169,850 shares in Caverion Corporation from its 100% owned subsidiary Structor S.A, representing 10.2% of shares and voting rights in Caverion Corporation.

Updated lists of Caverion's largest shareholders and ownership structure by sector as per 31 December 2019, are available on Caverion's website at www.caverion.com/investors.

Board of directors' proposal for the distribution of distributable equity

The distributable equity of the parent company Caverion Corporation on 31 December 2019 is (EUR):

Retained earnings	116,902,704.15
Result for the period	-15,295,949.59
Retained earnings, total	101,606,754.56
Unrestricted equity reserve	66,676,176.49
Distributable equity, total	168,282,931.05

The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2020 that a dividend of EUR 0.08 per share will be paid.

SIGNATURE OF THE REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Helsinki, 7 February 2020

Caverion Corporation

Board of Directors

Mats Paulsson
Chairman

Markus Ehrnrooth
Vice Chairman

Jussi Aho

Joachim Hallengren

Antti Herlin

Thomas Hinnerskov

Anna Hyvönen

Ari Lehtoranta
President and CEO

FINANCIAL STATEMENT RELEASE 1 JANUARY – 31 DECEMBER 2019: FINANCIAL TABLES

The Financial Statement Release is based on the audited Financial Statements for 2019.

Condensed consolidated income statement

EUR million	10-12/2019 (IFRS 16)	10-12/2018 (non IFRS 16)	1-12/2019 (IFRS 16)	1-12/2018 (non IFRS 16)
Revenue	**589.0**	**587.6**	**2,123.2**	**2,204.1**
Other operating income	12.0	2.2	14.0	4.1
Materials and supplies	-139.4	-154.6	-524.2	-570.6
External services	-116.9	-123.1	-411.3	-425.0
Employee benefit expenses	-235.0	-232.8	-868.9	-892.9
Other operating expenses	-73.8	-80.5	-229.8	-328.4
Share of results of associated companies			0.0	0.0
Depreciation, amortisation and impairment	-17.0	-7.4	-67.6	-27.1
Operating result	**18.9**	**-8.7**	**35.3**	**-35.9**
% of revenue	3.2	-1.5	1.7	-1.6
Financial income and expense, net	-2.6	-5.9	-8.4	-7.9
Result before taxes	**16.3**	**-14.6**	**27.0**	**-43.9**
% of revenue	2.8	-2.5	1.3	-2.0
Income taxes	-1.2	-1.2	-4.4	-4.3
Result for the period	**15.1**	**-15.8**	**22.6**	**-48.1**
% of revenue	2.6	-2.7	1.1	-2.2
Attributable to				
Equity holders of the parent company	15.0	-15.8	22.6	-48.2
Non-controlling interests	0.0	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company				
Earnings per share, basic, EUR	0.11	-0.13	0.14	-0.40
Diluted earnings per share, EUR	0.11	-0.13	0.14	-0.40

Consolidated statement of comprehensive income

EUR million	10-12/2019	10-12/2018	1-12/2019	1-12/2018
Result for the review period	**15.1**	**-15.8**	**22.6**	**-48.1**
Other comprehensive income				
Items that will not be reclassified to profit/loss				
- Change in fair value of defined benefit pension plans	-5.6	1.3	-5.7	0.4
-- Deferred tax	1.6	0.0	1.6	0.0
- Change in fair value of other investments	0.0	0.0	0.0	0.0
-- Deferred tax		0.0		-0.2
Items that may be reclassified subsequently to profit/loss				
- Cash flow hedges		0.0	0.1	0.1
- Translation differences	0.0	2.5	0.7	2.6
Other comprehensive income, total	**-4.0**	**3.8**	**-3.3**	**2.9**
Total comprehensive result	**11.1**	**-12.0**	**19.3**	**-45.2**
Attributable to				
Equity holders of the parent company	11.1	-12.0	19.3	-45.2
Non-controlling interests	0.0	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	Dec 31, 2019 (IFRS 16)	Dec 31, 2018 (non IFRS 16)
Assets		
Non-current assets		
Property, plant and equipment	19.3	15.9
Right-of-use assets	135.0	
Goodwill	366.5	334.4
Other intangible assets	56.0	34.6
Shares in associated companies and joint ventures	1.7	0.1
Other investments	1.3	1.2
Other receivables	7.3	6.4
Deferred tax assets	19.3	9.9
Current assets		
Inventories	18.8	16.9
Trade receivables	329.6	311.6
POC receivables	197.6	207.4
Other receivables	33.7	31.7
Income tax receivables	1.7	3.2
Cash and cash equivalents	93.6	51.2
Total assets	**1,281.4**	**1,024.5**
Equity and liabilities		
Equity attributable to equity holders of the parent company		
Share capital	1.0	1.0
Hybrid capital	66.1	100.0
Other equity	161.5	152.6
Non-controlling interest	0.4	0.4
Equity	**228.9**	**254.0**
Non-current liabilities		
Deferred tax liabilities	32.6	33.1
Pension liabilities	49.1	43.9
Provisions	9.4	6.9
Lease liabilities	93.3	
Other interest-bearing debts	125.0	30.9
Other liabilities	2.1	0.2
Current liabilities		
Advances received	216.2	182.6
Trade payables	173.7	184.1
Other payables	258.7	231.8
Income tax liabilities	15.6	5.3
Provisions	33.1	24.6
Lease liabilities	43.6	
Other interest-bearing debts		27.2
Total equity and liabilities	**1,281.4**	**1,024.5**

Working capital

EUR million	Dec 31, 2019 (IFRS 16)	Dec 31, 2018 (non IFRS 16)
Inventories	18.8	16.9
Trade and POC receivables	527.2	518.9
Other current receivables	32.6	31.3
Trade and POC payables	-194.1	-204.4
Other current liabilities	-269.2	-234.8
Advances received	-216.2	-182.6
Working capital	**-100.9**	**-54.6**

Consolidated statement of changes in equity

	Equity attributable to owners of the parent									
EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Unrest-ricted equity reserve	Hybrid capital	Total	Non-controlling interest	Total equity
Equity on December 31, 2018	**1.0**	**95.5**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.6**	**0.4**	**254.0**
Change in accounting principle, IFRS 16		0.1						0.1		0.1
Equity on January 1, 2019	**1.0**	**95.7**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.8**	**0.4**	**254.1**
Comprehensive income										
Result for the period		22.6						22.6	0.0	22.6
Other comprehensive income:										
Change in fair value of defined benefit pension plans		-5.7						-5.7		-5.7
-Deferred tax		1.6						1.6		1.6
Cash flow hedges				0.1				0.1		0.1
Change in fair value of other investments				0.0				0.0		0.0
-Deferred tax										
Translation differences			0.7					0.7		0.7
Comprehensive income, total		**18.5**	**0.7**	**0.0**				**19.3**	**0.0**	**19.3**
Dividend distribution		-6.8						-6.8	0.0	-6.8
Share-based payments		0.1						0.1		0.1
Transfer of own shares		-0.1			0.1					
Hybrid capital Repayment							-33.9	-33.9		-33.9
Hybrid capital interests and costs after taxes		-3.8						-3.8		-3.8
Disposal of subsidiaries		-0.2						-0.2		-0.2
Equity on December 31, 2019	**1.0**	**103.4**	**-4.8**	**-0.1**	**-3.1**	**66.0**	**66.1**	**228.5**	**0.4**	**228.9**

EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Unrest-ricted equity reserve	Hybrid capital	Total	Non-controlling interest	Total equity
	Equity attributable to owners of the parent									
Equity on December 31, 2017	**1.0**	**146.0**	**-8.0**	**-0.5**	**-3.2**		**100.0**	**235.3**	**0.4**	**235.6**
Change in accounting principle, IFRS 9		-0.8						-0.8		-0.8
Equity on January 1, 2018	**1.0**	**145.2**	**-8.0**	**-0.5**	**-3.2**		**100.0**	**234.4**	**0.4**	**234.8**
Comprehensive income										
Result for the period		-48.2						-48.2	0.0	-48.2
Other comprehensive income:										
Change in fair value of defined benefit pension plans		0.4						0.4		0.4
-Deferred tax		0.0						0.0		0.0
Cash flow hedges				0.1				0.1		0.1
Change in fair value of other investments		-0.3		0.3				0.0		0.0
-Deferred tax				-0.2				-0.2		-0.2
Translation differences			2.6					2.6		2.6
Comprehensive income, total		**-48.1**	**2.6**	**0.3**				**-45.3**	**0.0**	**-45.2**
Dividend distribution									0.0	0.0
Share issue						60.0		60.0		60.0
Share issue costs after taxes						-0.7		-0.7		-0.7
Share-based payments		2.0						2.0		2.0
Share subscriptions						6.7		6.7		6.7
Hybrid capital interests after taxes		-3.7						-3.7		-3.7
Equity on December 31, 2018	**1.0**	**95.5**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.6**	**0.4**	**254.0**

Condensed consolidated statement of cash flows

EUR million	10-12/2019 (IFRS 16)	10-12/2018 (non IFRS 16)	1-12/2019 (IFRS 16)	1-12/2018 (non IFRS 16)
Cash flows from operating activities				
Result for the period	15.1	-15.8	22.6	-48.1
Adjustments to result	32.2	20.4	95.9	47.5
Change in working capital	33.3	49.1	25.2	22.3
Operating cash flow before financial and tax items	**80.6**	**53.7**	**143.7**	**21.6**
Financial items, net	-3.0	-0.2	-9.6	-1.5
Taxes paid	-3.0	1.2	-4.7	-1.2
Net cash from operating activities	**74.6**	**54.6**	**129.4**	**18.9**
Cash flows from investing activities				
Acquisitions of subsidiaries, net of cash	-47.5	-4.2	-48.6	-4.6
Disposal of subsidiaries and businesses, net of cash		-0.3	1.5	-1.8
Investments in joint ventures			-1.6	
Capital expenditure and other investments, net	-5.7	-3.5	-16.2	-11.1
Net cash used in investing activities	**-53.2**	**-8.1**	**-65.0**	**-17.5**
Cash flow after investing activities	**21.4**	**46.6**	**64.5**	**1.4**
Cash flow from financing activities				
Change in loan receivables, net		1.1	-0.3	-3.1
Change in current liabilities, net	0.0			-5.0
Proceeds from borrowings			125.0	
Repayments of borrowings		-11.0	-56.7	-28.7
Repayments of lease liabilities	-11.4	-0.2	-45.5	-2.2
Share issue				60.0
Share issue costs				-0.8
Share subscriptions				6.7
Hybrid capital repayment			-33.9	
Hybrid capital costs and interests			-4.7	-4.6
Dividends paid and other distribution of assets			-6.8	0.0
Net cash used in financing activities	**-11.5**	**-10.1**	**-23.0**	**22.2**
Change in cash and cash equivalents	**9.9**	**36.5**	**41.5**	**23.6**
Cash and cash equivalents at the beginning of the period	83.4	18.7	51.2	29.2
Change in the foreign exchange rates	0.3	-4.0	0.9	-1.7
Cash and cash equivalents at the end of the period	**93.6**	**51.2**	**93.6**	**51.2**

Free cash flow

EUR million	10-12/2019 (IFRS 16)	10-12/2018 (non IFRS 16)	1-12/2019 (IFRS 16)	1-12/2018 (non IFRS 16)
Operating cash flow before financial and tax items	80.6	53.7	143.7	21.6
Taxes paid	-3.0	1.2	-4.7	-1.2
Net cash used in investing activities	-53.2	-8.1	-65.0	-17.5
Free cash flow	**24.4**	**46.8**	**74.0**	**2.9**

Notes to the Financial Statement Release

1 Accounting principles

Caverion Corporation's Financial Statement Release for January 1 – December 31, 2019 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The information presented in the Financial Statement Release is based on the audited Financial Statements for 2019. Caverion has applied the same accounting principles in the preparation of the Financial Statement Release Report as in its Financial Statements for 2019.

In the Financial Statement Release the figures are presented in million euros subject to rounding, which may cause some rounding inaccuracies in column and total sums.

Caverion has adopted the IFRS 16 Leases standard as of the effective date of 1 January 2019. The Group applied the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption.

The new model requires the lessee to recognise almost all lease contracts on the balance sheet. Whereas, under the previous guidance in IAS 17, Leases, a lessee had to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet), the new model requires the lessee to recognise an asset (the right to use the leased item) and a respective financial liability to pay rentals. The only exceptions are short-term and low-value leases, which Caverion has utilised and the lease expense will be recognised in income statement. The new IFRS 16 standard has a significant impact on the Group's balance sheet and related key ratios, such as the equity ratio and gearing.

The standard has also an impact on the Group's income statement. The impacted operating lease agreements are booked in the balance sheet and a lease cost is no longer presented for these lease agreements. Instead, the depreciation of the right-of-use asset and interest cost associated with the lease liability are booked into the income statement. The effect to profit for the period is insignificant. The adoption of the new IFRS 16 standard also impacts the presentation of the consolidated statement of cash flows. Operating cash flow before financial and tax items increases with the impacted lease payments and Cash flow from financing activities and Interests paid decrease, respectively.

Relevant accounting policies and key impacts of IFRS 16:

- Caverion measures the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised before the date of the initial application. The cumulative effect of the initial application was recognised as an adjustment to the opening balance of the equity as of 1 January 2019. The change increased assets by EUR 141.6 million due to the recognition of right-of-use assets, of which EUR 89.0 million was related to real estate contracts, EUR 51.2 million to car leases and EUR 1.3 million to other assets. Prepaid lease payments resulted to an adjustment of EUR 0.1 million to the opening balance of the equity. After the initial measurement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.
- Caverion has recognised a lease liability, measured at the present value of the remaining lease payments, discounted by using an estimate of the lessee's incremental borrowing rate at the date of initial application. The weighted average incremental borrowing rate at the date of implementation amounted to 3.8 percent. Lease liabilities totalled EUR 141.5 million at the date of implementation.
- Since the interest implicit in the lease is not available, a management estimate was used to determine the incremental borrowing rate. The components of the rate are the following: the currency-specific reference rate and the interest margin that is derived from each individual company's risk assessment, adjusted to reflect the maturity of the lease contract.
- Caverion does not recognise a IFRS 16 lease liability for leases for which the underlying asset is not material. The assessment of whether the underlying asset is material and is within the scope or excluded from the recognition requirements of IFRS 16 is based on the concept of materiality in the Conceptual Framework and IAS 1. Caverion recognises lease payments associated with such leases as an expense on a straight-line basis, similar to previous IAS 17 accounting for operating leases.
- Caverion does not recognise short-term leases in the balance sheet. Short-term leases are lease contracts that have a lease term of 12 months or less, and which do not include an option to purchase the underlying asset. Caverion has analysed lease contracts where the lease term is not fixed but both the lessor and lessee have an option to terminate the lease within 1-12 months' notice. For some contracts the reasonably certain lease period affecting the balance sheet recognition according to IFRS 16 differs

from the non-cancellable period implied in IAS 17. In transition the assessment of a reasonably certain lease term compared to a non-cancellable period according to old IAS 17 increased the right-to-use assets and lease liabilities by about EUR 9 million compared to the off-balance sheet liability reported of those contracts. If the termination of the short-term contract is practically realistic within the time of the notice (1-12 months), those contracts have been excluded from the lease liability.

- As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for a lease and its associated non-lease components as a single arrangement. Caverion has used the practical expedient for car leases that include service components. In transition, this increased the lease liability by about EUR 7 million compared to the off-balance sheet liability reported according to IAS 17 of these items. On the other hand, the non-lease component from real estate lease contracts has been separated and the non-lease components have been booked as expenses.
- IFRS 16 did not substantially change how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. Under IFRS 16, an intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use assets arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, Caverion has not reclassified any of its sublease agreements as finance leases as of 1 January 2019.

Reconciliation to the operating lease commitments

EUR million	
Operating lease commitments at 31 December 2018	**139.5**
Less:	
Commitments related to short-term leases	-2.4
Commitments related to low value assets	-1.2
Weighted average incremental borrowing rate as at 1 January 2019	3.8%
Discounted operating lease liabilities	124.9
Liabilities additionally recognised based on the initial application of IFRS 16	15.8
Commitments relating to leases previously classified as finance leases	0.9
Lease liabilities at 1 January 2019	**141.5**

Consolidated statement of financial position, IFRS 16 impact to 2019 opening balance

EUR million	Dec 31, 2018	IFRS 16 impact	Jan 1, 2019
Assets			
Non-current assets			
Property plant and equipment	15.9	-0.9	15.0
Right-of-use assets		141.6	141.6
Goodwill	334.4		334.4
Other intangible assets	34.6		34.6
Shares in associated companies	0.1		0.1
Other investments	1.2		1.2
Other receivables	6.4		6.4
Deferred tax assets	9.9		9.9
Current assets			
Inventories	16.9		16.9
Trade and POC receivables	518.9		518.9
Other receivables	31.7		31.7
Income tax receivables	3.2		3.2
Cash and cash equivalents	51.2		51.2
Total assets	**1,024.5**	**140.7**	**1,165.1**
Equity and liabilities			
Equity	**254.0**	**0.1**	**254.1**
Non-current liabilities			
Deferred tax liabilities	33.1		33.1
Pension liabilities	43.9		43.9
Provisions	6.9		6.9
Interest-bearing debts	30.9	-0.4	30.5
Lease liabilities		100.0	100.0
Other liabilities	0.2		0.2
Current liabilities			
Advances received	182.6		182.6
Trade and other payables	415.9		415.9
Income tax liabilities	5.3		5.3
Provisions	24.6		24.6
Interest-bearing debts	27.2	-0.5	26.7
Lease liabilities		41.5	41.5
Total equity and liabilities	**1,024.5**	**140.7**	**1,165.1**

2 Key figures

	1-12/2019 (IFRS 16)	1-12/2018 (non IFRS 16)
Revenue, EUR million	2,123.2	2,204.1
EBITDA, EUR million	103.0	-8.8
EBITDA margin, %	4.8	-0.4
Adjusted EBITDA, EUR million	120.4	53.4
Adjusted EBITDA margin, %	5.7	2.4
EBITA	49.8	-15.4
EBITA margin, %	2.3	-0.7
Adjusted EBITA	67.2	46.8
Adjusted EBITA margin, %	3.2	2.1
Operating profit, EUR million	35.3	-35.9
Operating profit margin, %	1.7	-1.6
Result before taxes, EUR million	27.0	-43.9
% of revenue	1.3	-2.0
Result for the review period, EUR million	22.6	-48.1
% of revenue	1.1	-2.2
Earnings per share, basic, EUR	0.14	-0.40
Earnings per share, diluted, EUR	0.14	-0.40
Equity per share, EUR	1.7	1.9
Equity ratio, %	21.5	30.2
Interest-bearing net debt, EUR million	168.4	6.9
Gearing ratio, %	73.6	2.7
Total assets, EUR million	1,281.4	1,024.5
Operating cash flow before financial and tax items, EUR million	143.7	21.6
Cash conversion (LTM), %	139.5	n.a.
Working capital, EUR million	-100.9	-54.6
Gross capital expenditures, EUR million	73.4	17.5
% of revenue	3.5	0.8
Order backlog, EUR million	1,670.5	1,494.3
Personnel, average for the period	14,763	15,672
Number of outstanding shares at the end of the period (thousands)	136,071	135,656
Average number of shares (thousands)	135,866	131,087

3 Financial development by quarter

EUR million	10-12/2019 (IFRS 16)	7-9/2019 (IFRS 16)	4-6/2019 (IFRS 16)	1-3/2019 (IFRS 16)	10-12/2018 (non IFRS 16)	7-9/2018 (non IFRS 16)	4-6/2018 (non IFRS 16)	1-3/2018 (non IFRS 16)
Revenue	589.0	507.5	512.3	514.4	587.6	524.9	564.8	526.8
EBITDA	35.9	35.3	9.1	22.6	-1.3	14.3	-31.7	9.9
EBITDA margin, %	6.1	7.0	1.8	4.4	-0.2	2.7	-5.6	1.9
Adjusted EBITDA	47.0	36.2	10.0	27.1	11.0	18.5	12.9	10.9
Adjusted EBITDA margin, %	8.0	7.1	2.0	5.3	1.9	3.5	2.3	2.1
EBITA	22.5	22.1	-4.1	9.3	-2.7	12.6	-33.4	8.2
EBITA margin, %	3.8	4.4	-0.8	1.8	-0.5	2.4	-5.9	1.6
Adjusted EBITA	33.7	23.0	-3.2	13.8	9.6	16.9	11.2	9.2
Adjusted EBITA margin, %	5.7	4.5	-0.6	2.7	1.6	3.2	2.0	1.7
Operating profit	18.9	18.9	-7.7	5.3	-8.7	8.1	-38.7	3.4
Operating profit margin, %	3.2	3.7	-1.5	1.0	-1.5	1.5	-6.9	0.7

	10-12/2019 (IFRS 16)	7-9/2019 (IFRS 16)	4-6/2019 (IFRS 16)	1-3/2019 (IFRS 16)	10-12/2018 (non IFRS 16)	7-9/2018 (non IFRS 16)	4-6/2018 (non IFRS 16)	1-3/2018 (non IFRS 16)
Earnings per share, basic, EUR	0.11	0.08	-0.06	0.01	-0.12	0.03	-0.32	0.01
Earnings per share, diluted, EUR	0.11	0.08	-0.06	0.01	-0.12	0.03	-0.32	0.01
Equity per share, EUR	1.7	1.6	1.5	1.6	1.9	2.0	1.9	1.9
Equity ratio, %	21.5	22.6	20.8	21.3	30.2	30.9	28.2	27.7
Interest-bearing net debt, EUR million	168.4	172.9	158.9	162.7	6.9	50.2	10.2	47.2
Gearing ratio, %	73.6	79.5	77.3	75.1	2.7	18.9	3.9	19.4
Total assets, EUR million	1,281.4	1,170.5	1,186.6	1,205.5	1,024.5	1,037.5	1,092.3	1,048.5
Operating cash flow before financial and tax items, EUR million	80.6	3.8	29.1	30.1	53.7	-37.0	-15.0	19.8
Cash conversion (LTM), %	139.5	177.6	169.9	n.a.	n.a.	n.a.	n.a.	148.2
Working capital, EUR million	-100.9	-46.8	-80.8	-60.4	-54.6	-3.2	-57.2	-41.4
Gross capital expenditures, EUR million	59.5	5.7	3.8	4.4	9.2	0.9	3.2	4.2
% of revenue	10.1	1.1	0.7	0.9	1.6	0.2	0.6	0.8
Order backlog, EUR million	1,670.5	1,676.9	1,704.7	1,579.7	1,494.3	1,552.3	1,596.8	1,540.0
Personnel at the end of the period	16,273	14,606	14,681	14,489	14,950	15,556	15,751	15,687
Number of outstanding shares at end of period (thousands)	136,071	135,973	135,973	135,679	135,656	135,656	135,656	126,132
Average number of shares (thousands)	135,988	135,973	135,834	135,664	135,656	135,656	127,477	125,438

4 Calculation of key figures

Key figures on financial performance

EBITDA =	Operating profit (EBIT) + depreciation, amortisation and impairment
Adjusted EBITDA =	EBITDA before items affecting comparability (IAC) *
EBITA =	Operating profit (EBIT) + amortisation and impairment
Adjusted EBITA =	EBITA before items affecting comparability (IAC) *
Equity ratio (%) =	$\frac{\text{(Equity + non-controlling interest) x 100}}{\text{Total assets - advances received}}$
Gearing ratio (%) =	$\frac{\text{(Interest-bearing liabilities - cash and cash equivalents) x 100}}{\text{Shareholders' equity + non-controlling interest}}$
Interest-bearing net debt =	Interest-bearing liabilities - cash and cash equivalents
Working capital =	Inventories + trade and POC receivables + other current receivables - trade and POC payables - other current payables - advances received - current provisions
Free cash flow =	Operating cash flow before financial and tax items – taxes paid – net cash used in investing activities

Share-related key figures

Earnings / share, basic =	$\frac{\text{Result for the period (attributable for equity holders) - hybrid capital expenses and accrued unrecognised interests after tax}}{\text{Weighted average number of shares outstanding during the period}}$
Earnings /share, diluted=	$\frac{\text{Result for the period (attributable for equity holders) - hybrid capital expenses and accrued unrecognised interests after tax}}{\text{Weighted average dilution adjusted number of shares outstanding during the period}}$
Equity / share =	$\frac{\text{Shareholders' equity}}{\text{Number of outstanding shares at the end of the period}}$

*Items affecting comparability (IAC) in 2019 are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2018, major risk projects included three completed Large Projects from Industrial Solutions, the financial effects of which were reported under category (2). The German anti-trust fine and related legal and other costs were reported under category (4). In 2019, major risk projects only include one risk project in Germany reported under category (2).

ESMA (European Securities and Markets Authority) has issued guidelines regarding Alternative Performance Measures ("APM"). Caverion presents APMs to improve the analysis of business and financial performance and to enhance the comparability between reporting periods. APMs presented in this report should not be considered as a substitute for measures of performance in accordance with the IFRS.

5 Related party transactions

Caverion announced on 7 February 2018 in a stock exchange release the establishment of a new share-based incentive plan directed for the key employees of the Group (“Matching Share Plan 2018−2022”). The company provided the participants a possibility to finance the acquisition of the company’s shares through an interest-bearing loan from the company, which some of the participants utilised. In the end of December 2019 the total outstanding amount of these loans amounted approximately to EUR 4.5 (4.1) million. The loans will be repaid in full on 31 December 2023, at the latest. Company shares have been pledged as a security for the loans.

6 Leases

Set out below are the carrying amounts of the Group's right-of-use assets and movements during the period.

	Right-of-use assets			
EUR million	**Buildings and structures**	**Cars**	**Other assets**	**Total**
1 January 2019	**89.0**	**51.2**	**1.3**	**141.6**
Translation differences	0.1	0.1	0.0	0.2
Acquisitions	3.0	3.6	1.2	7.7
Additions	14.8	21.5	0.2	36.5
Disposals and business divestitures	-2.2	-0.8	0.0	-3.1
Depreciation	-23.0	-24.0	-0.9	-47.9
31 December 2019	**81.6**	**51.6**	**1.8**	**135.0**

The Group recognised rent expenses from short-term lease liabilities of EUR 3.4 million and leases of low-value assets of EUR 1.5 million in January-December.

7 Financial risk management

Caverion’s main financial risks are the liquidity risk, credit risk as well as market risks including the foreign exchange and interest rate risk. The objectives and principles of financial risk management are defined in the Treasury Policy approved by the Board of Directors. Financial risk management is carried out by Group Treasury in co-operation with the Group’s subsidiaries.

The objective of capital management in Caverion Group is to maintain an optimal capital structure, maximise the return on the respective capital employed and to minimise the cost of capital within the limits and principles stated in the Treasury Policy. The capital structure is modified primarily by directing investments and working capital employed.

No significant changes have been made to the Group’s financial risk management principles in the reporting period. Further information is presented in Group’s 2019 financial statement in note 5.5 Financial risk management.

Caverion’s external loans are subject to a financial covenant based on the ratio of the Group’s net debt to EBITDA. The covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

The table below presents the maturity structure of interest-bearing liabilities. Interest-bearing borrowings are based on contractual maturities of liabilities excluding interest payments. Lease liabilities are presented based on discounted present value of remaining lease payments. Cash flows of foreign-denominated liabilities are translated into the euro at the reporting date.

EUR million	2020	2021	2022	2023	2024->	Total
Interest-bearing borrowings			50.0	75.0	0.5	125.5
Lease liabilities	36.2	35.1	23.6	15.5	26.5	136.9
Total	**36.2**	**35.1**	**73.6**	**90.5**	**27.0**	**262.4**

8 Financial liabilities and net debt

EUR million	Dec 31, 2019 Carrying amount	Dec 31, 2018 Carrying amount
Non-current liabilities		
Senior bonds	74.6	
Loans from financial institutions	49.9	30.0
Other financial loans	0.5	0.5
Lease liabilities	93.3	0.4
Total non-current interest-bearing liabilities	**218.3**	**30.9**
Current liabilities		
Loans from financial institutions		20.0
Pension loans		6.7
Other financial loans		0.0
Lease liabilities	43.6	0.5
Total current interest-bearing liabilities	**43.6**	**27.2**
Total interest-bearing liabilities	**261.9**	**58.1**
Total interest-bearing liabilities (excluding IFRS 16 lease liabilities)	**125.0**	**58.1**
Cash and cash equivalents	93.6	51.2
Net debt	**168.4**	**6.9**
Net debt excluding IFRS 16 lease liabilities	**31.5**	**6.9**

The carrying amounts of all financial assets and liabilities are reasonably close to their fair values.

Derivative instruments

Nominal amounts EUR million	Dec 31, 2019	Dec 31, 2018
Interest rate derivatives		30.0
Foreign exchange forwards	66.7	88.6

Fair values EUR million	Dec 31, 2019	Dec 31, 2018
Interest rate derivatives		
positive fair value		
negative fair value		-0.1
Foreign exchange forwards		
positive fair value	0.9	0.3
negative fair value	-0.2	-1.1

The fair values of the derivative instruments have been defined as follows: The fair values of foreign exchange forward agreements have been defined by using market prices on the closing day. The fair values of interest rate swaps are based on discounted cash flows.

9 Commitments and contingent liabilities

EUR million	Dec 31, 2019	Dec 31, 2018
Guarantees given on behalf of associated companies	0.0	0.0
Parent company's guarantees on behalf of its subsidiaries	456.0	435.3
Other commitments		
- Operating leases		139.5
- Other contingent liabilities	0.2	0.2
Accrued unrecognised interest on hybrid bond	1.7	2.5

Nominal amount of leasing commitments of low-value and short-term leases amounted to EUR 5.7 million at the end of 2019. Present value of lease liability of leases not yet commenced to which Caverion is committed to amounted to EUR 5.9 million at the end of 2019.

Entities participating in the demerger are jointly and severally responsible for the liabilities of the demerging entity which have been generated before the registration of the demerger. As a consequence, a secondary liability up to the allocated net asset value was generated to Caverion Corporation, incorporated due to the partial demerger of YIT Corporation, for those liabilities that were generated before the registration of the demerger and remain with YIT Corporation after the demerger. Caverion Corporation has a secondary liability relating to the Group guarantees which remain with YIT Corporation after the demerger. These Group guarantees amounted to EUR 30.9 million at the end of December 2019.

The short-term risks and uncertainties relating to the operations have been described above under "Short-term risks and uncertainties". It is possible that especially the infringements in compliance may cause considerable damage to Caverion in terms of fines, civil claims as well as legal expenses. However, the magnitude of the potential damage cannot be assessed at the moment.