

Annual Review 2019



Caverion
Building Performance

Table of contents

In brief03

Board of Directors' Report12

AUDITED

Consolidated financial statements, IFRS

Consolidated income statement29

Consolidated statement of comprehensive income29

Consolidated statement of financial position30

Consolidated statement of cash flows31

Consolidated statement of changes in equity32

Notes to the consolidated financial statements34

1 Basis of preparation34

2 Financial performance39

2.1 Revenue from contracts with customers40

2.2 Costs and expenses41

2.3 Depreciation, amortisation and impairment42

2.4 Financial income and expenses42

2.5 Income taxes43

2.6 Earnings per share43

Disclosure on non-financial information21

Key figures25

3. Working capital and deferred taxes44

3.1 Inventories45

3.2 Trade and other receivables45

3.3 Trade and other payables46

3.4 Provisions47

3.5 Deferred tax assets and liabilities48

4. Business combinations and capital expenditure51

4.1 Acquisitions and disposals52

4.2 Goodwill54

4.3 Tangible and intangible assets56

5 Capital structure59

5.1 Capital management60

5.2 Shareholders' equity60

5.3 Change in net debt62

5.4 Financial assets and liabilities by category63

5.5 Financial risk management66

5.6 Derivative instruments68

Calculation of key figures26

Shareholders27

Subsidiaries28

5.7 Investments in associated companies and joint ventures69

5.8 Employee benefit obligations70

5.9 Lease agreements72

5.10 Commitments and contingent liabilities73

6 Others74

6.1 Key management compensation75

6.2 Share-based payments75

6.3 Related party transactions78

Parent company financial statements, FAS79

Signatures to the Board of Directors' report and Financial statements and Auditor's note ...91

Auditor's report92



1 Basis of preparation



2 Financial performance



3 Working capital and deferred taxes



4 Business combinations and capital expenditure



5 Capital structure



6 Others

Caverion – Building Performance

With Caverion's services and solutions, built environments become smart and sustainable. Customers can trust our expert guidance during the entire life cycle of their buildings, infrastructure or industrial sites and processes: from design & build to technical and industrial maintenance as well as facility management, including smart technologies and advisory services.

Our customers are supported by over 16,000 professionals in 11 countries in Northern, Central and Eastern Europe. Our revenue in 2019 was approximately EUR 2.1 billion. Caverion's shares are listed on Nasdaq Helsinki. Caverion's head office is located in Vantaa, Finland.

Good market position continued

Our market position remained strong in 2019. The company is ranked among the five largest players in all of our largest operating countries: Finland, Sweden, Norway, Denmark, Germany and Austria. We see good growth prospects especially in Smart Technologies, including Building Automation, Cooling, and Security and Safety.

In 2019, Caverion was selected as the most sustainable building technology company in Northern Europe by Corporate Knights. We focus on delivering long-lasting benefits for our customers by combining people, technology and data. Our new customer promise is Building Performance.

Caverion has two business units: Projects and Services.

Services

Caverion provides its customers with a broad range of services, from technical maintenance and facility management to smart technologies and advisory services. Being a forerunner in technology, digitalisation and sustainability, supported by a wide service network, we can offer our customers flexible and high-quality service. Our goal is to be a leading service company and customers' trusted partner, and to grow faster than the market.

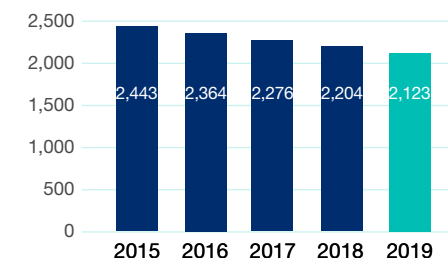
In Finland, Caverion is the leading industrial maintenance company. Our service offering covers the maintenance of production processes: from individual services to comprehensive maintenance partnerships and operating power plants and district heating distribution.

Projects

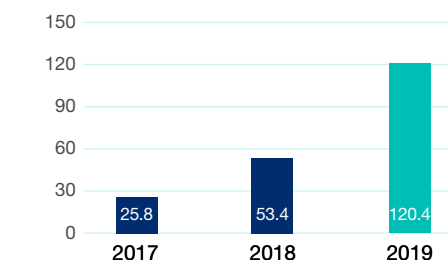
Caverion delivers building technology projects for customers' new investments and renovations. Our competitive edge in the Projects business is based on our international footprint, the full range of building technology disciplines, including smart technologies, efficiency, design and build competence as well as integrated life cycle deliveries including maintenance and updates throughout the building life cycle.

We are building project productivity and quality through professional project management, prefabrication, and being a forerunner in digitalising project planning and execution (BIM). Our goal is to be a selective master of projects with profitable project business supporting service growth.

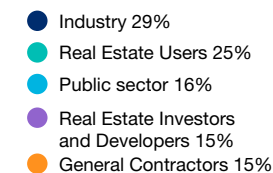
Revenue (EUR million)



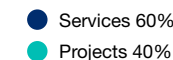
Adjusted EBITDA (EUR million)



Revenue by customer segment in 2019

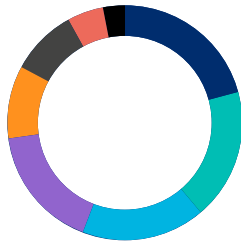


Revenue by business unit in 2019



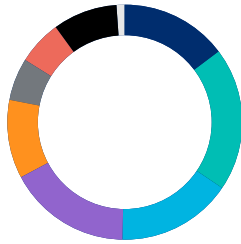
Revenue by division in 2019

- Sweden 21%
- Finland 18%
- Norway 17%
- Germany 17%
- Industrial Solutions 10%
- Austria 9%
- Denmark 5%
- Other countries 3%

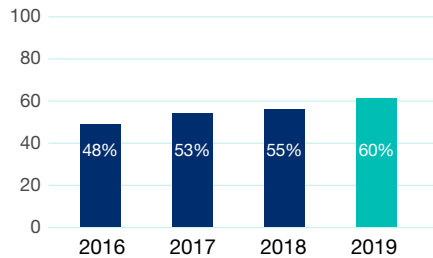


Personnel by division in 2019

- Sweden 18%
- Finland 17%
- Norway 15%
- Germany 14%
- Industrial Solutions 18%
- Other countries 8%
- Austria 5%
- Denmark 5%
- Group Services 1%



Services business share of revenue, %



16,200 employees

2,123 EUR million revenue

30,000 spaces in service

>10,000 spaces remotely monitored

5.3 accident frequency rate (LTIFR)

11 countries

Listed on Nasdaq Helsinki

Head office in Vantaa, Finland

90% ISO 14001 environmentally certified

1,670 EUR million Order backlog

120.4 EUR million Adjusted EBITDA



Number of localities

From the CEO



We made good progress in 2019 and this was also visible in our financial performance, especially towards the end of the year, when we turned back to growth. Deployment of digital solutions proceeded fast and according to our plans. The sustainability trend strengthened much more than we anticipated earlier.

Digitalisation and sustainability support our future

To me, the most positive development in the world in 2019 was the overall rise in environmental conscience and creation of new actions to fight climate change. This is an area where we must all act and we at Caverion can do more than most.

Buildings account for approximately 40% of energy consumption and 36% of CO₂ emissions in the EU area. Europe is looking to achieve its energy and climate goals by improving energy performance in buildings: speeding up cost-effective renovation and renewal of existing buildings and increasing the utilisation of smart technology. Larger non-residential buildings must be equipped with building automation and control systems by 2025. All supermarket chains will need to replace their old refrigeration systems based on fluorinated greenhouse gases (F-gases) with the new CO₂-based

ones. These are just examples of how we can reduce energy use and emissions and mitigate climate change together with our customers. Furthermore in 2019, we were selected as the most sustainable building technology company in Northern Europe in a study by Corporate Knights.

Strong development in Services

The Services business unit continued to improve its profitability. The Services business increased its share of the Group's total revenue and amounted to 60.0% of Group revenue. The need for new services and digital solutions continues to increase. Customers' focus on core operations opens up outsourcing and maintenance as well as technical building management opportunities for us.

Our order backlog increased both in Services and Projects compared to the previous year.

Profitability in projects burdened 2019 results

Profitability of the Projects business was still negatively impacted by old projects. We made a material write-down for the one remaining risk project reported under adjusted EBITDA in the fourth quarter of 2019. Although the Projects business improved its performance in the second half of 2019, the profitability is still far from the targeted level and we will continue performance management actions. Requirements for Smart Buildings increase customers' demand for total technical solutions projects, which we deliver increasingly through partnerships, starting already at the design phase.

Strategy deployment progressing well

We launched our updated Fit for Growth strategy and updated financial targets in November. Despite entering the Growth phase, we also continue with our Fit actions.

We serve our customers throughout the life cycle of buildings, industries and infrastructure and focus on long-term customer relationships. These relationships provide us with a natural source of growth as new smart technology offering and digital solutions are often first adopted by customers who already trust us. Digital solutions, such as Caverion SmartView, form new revenue streams but they also lead to growing revenues from basic technical installation and maintenance. Smart technology provides solutions for sustainability needs and for example cooling technologies typically lead to add-on sales of more traditional building technologies.

We completed important acquisitions during the year. With the acquisition of Huurre in Finland and Sweden we strengthened our expertise in environmentally friendly CO₂-based refrigeration systems. Acquisition of Pelsu Pelastussuunnitelma, which is specialised in property security consulting services, was a match to our security and safety offering. The most significant acquisition was of course Maintpartner, making us the leading industrial maintenance company in Finland.

*The improvements
seen in our
operations provide
a good starting
point going
forward.*

Cash flow was a highlight of 2019. Our operating cash flow before financial and tax items improved to EUR 143.7 (21.6) million. Our adjusted EBITDA improved to EUR 120.4 (53.4) million, or 5.7 (2.4) per cent of revenue.

Engaged employees fighting climate change

In 2019, I was delighted to see higher levels of employee engagement throughout our company. I believe this was the result of our improved performance and focusing on leading people and also a sign of trust from our employees in our strategy and the personal growth opportunities we can provide.

We continued our long-term work to ensure a safe working environment. The accident frequency rate was 5.3 (5.2). Although we are among the highest performers in our field in terms of work safety, there are many areas in our work safety culture that can be further developed. We have challenged all our people to carry personal responsibility for safety and we have also implemented new proactive measures.

Our customer loyalty (NPS) continued on a similar level as in previous year. Our turnaround and project challenges in some countries most likely still had an effect on the results.

Improved performance together with our increasingly important role in fighting climate change is boosting our motivation. The improvements seen in our operations provide a good starting point going forward. In 2020, we aim to grow our revenue and adjusted EBITA and, of course, keep our customers, employees, shareholders and partners happy with our progress.

Ari Lehtoranta

President and CEO, Caverion Corporation

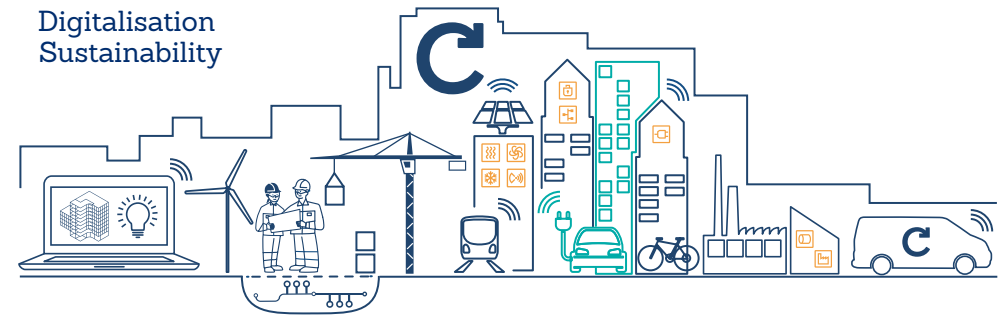
Our strategy: Fit for Growth

Digitalisation is revolutionising our industry. Also, sustainability needs are growing rapidly. Caverion is well-positioned to enable a sustainable, digital future for our customers. Our vision is to be the “First choice in digitalising environments” for our customers, employees and partners in industry.

Our Fit for growth strategy is divided into two phases. In 2018-2019, as part of the first phase (Fit), we improved our financial performance. Even if some of the divisions need to further improve their Fit status and the performance of the Projects business is not yet at the targeted level, Caverion is now ready as a group for Growth phase. In 2019, we already took forward initiatives in preparing us for the Growth and invested in our digital platform, sales, brand and offering, as well as in acquisitions.

In the Growth phase, our target is to further accelerate growth in the Services business and exceed market growth. We continue our selective approach in the Projects business and the improving performance gradually opens profitable growth opportunities. Projects remain important for our company as we focus on long-term customer partnerships and on the life cycle of buildings. Projects act as a gateway to Services and contribute to maintaining our technical forerunner position.

Our organic growth will be supported by bolt-on acquisitions in selected growth areas and in complementary capabilities. In 2019, our most significant acquisition was Maintpartner enabling us to form the leading industrial maintenance company in Finland.



MISSION

Smart solutions
and happy customers

VISION

First choice in
digitalising environments

MUST-WINS



Excellent customer
experience



Best solutions



Top performance at
every level



Winning team

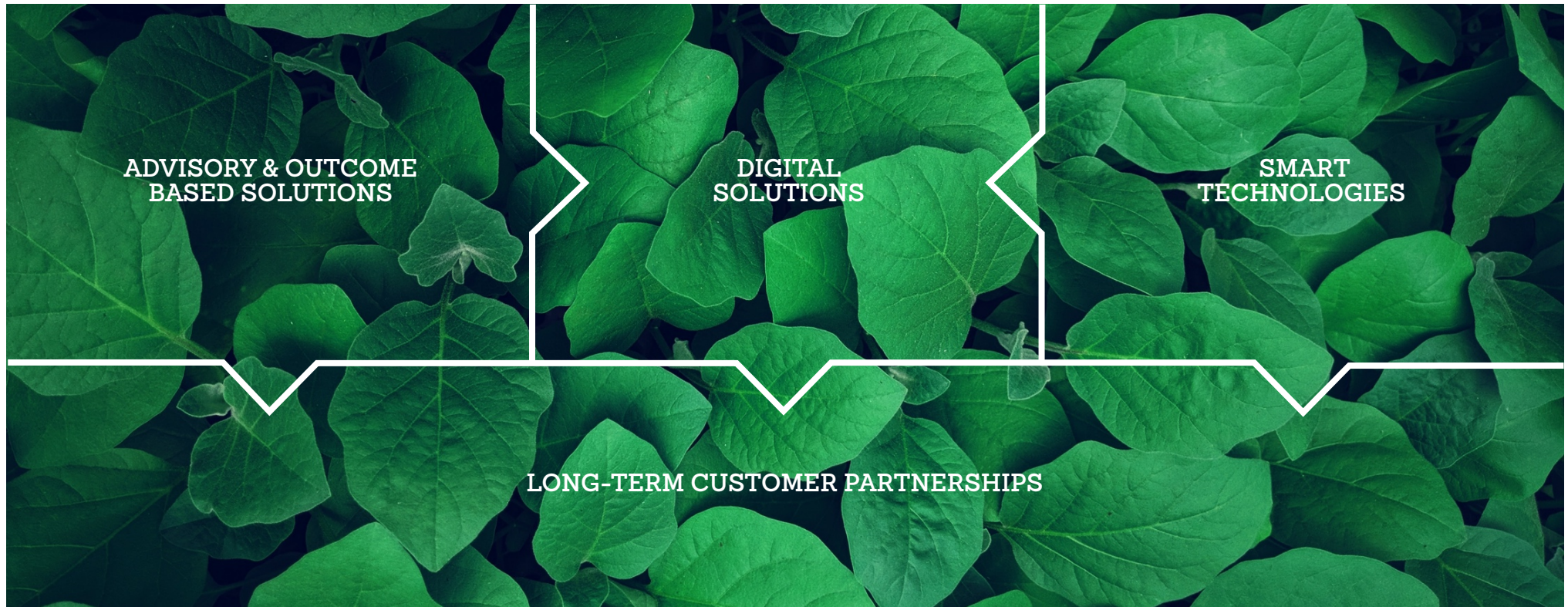
VALUES

Step ahead | Cooperation | Responsibility
High performance

MUST-HAVES

Safety | Quality

Sources of our future growth

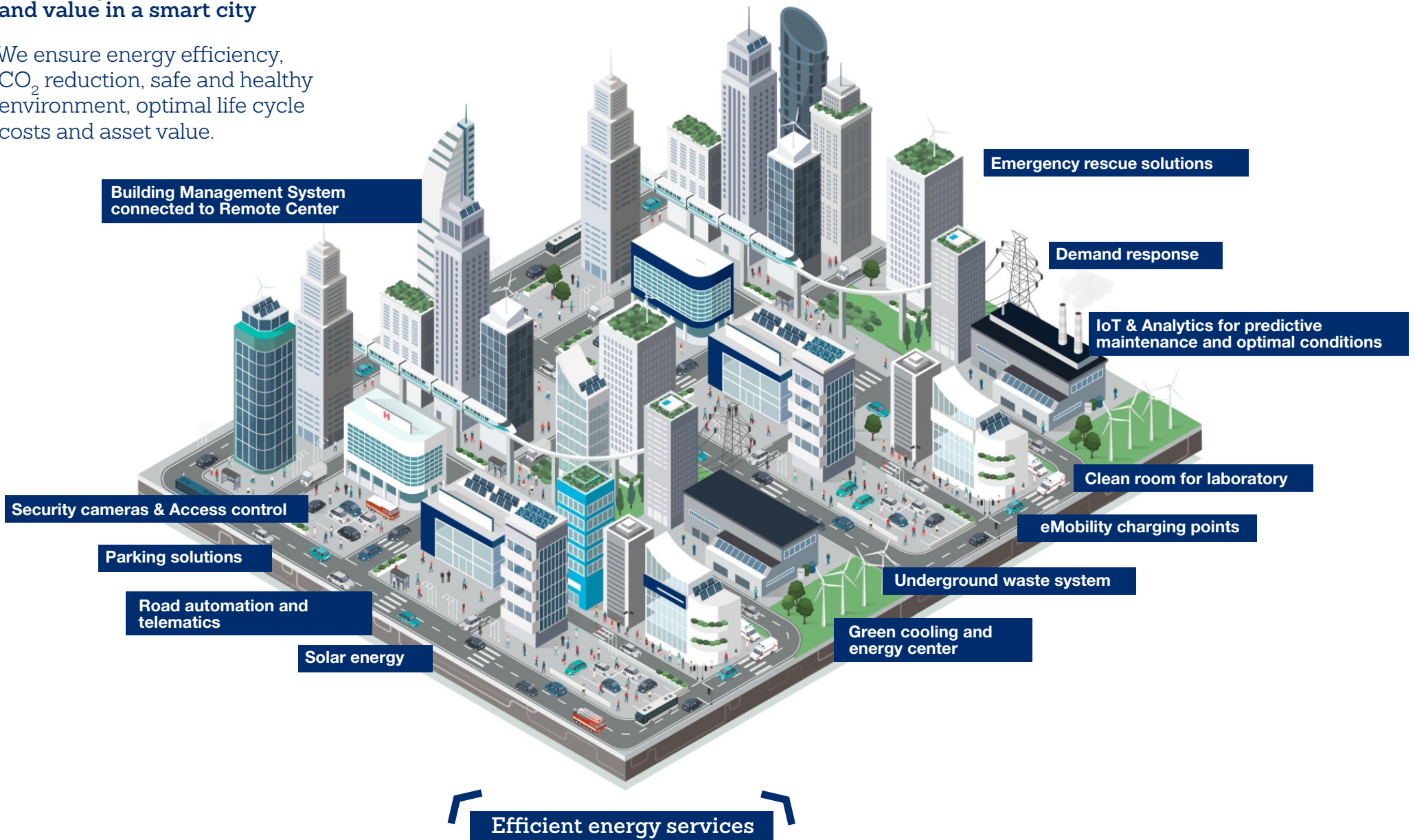


Long-term customer partnerships are the foundation of our growth. In addition, we will utilise other sources of growth: advisory & outcome based solutions, digital solutions and Smart Technologies.

Read more about our strategy implementation and updated financial targets in Board of Directors' report page 12.

Delivering sustainable outcomes and value in a smart city

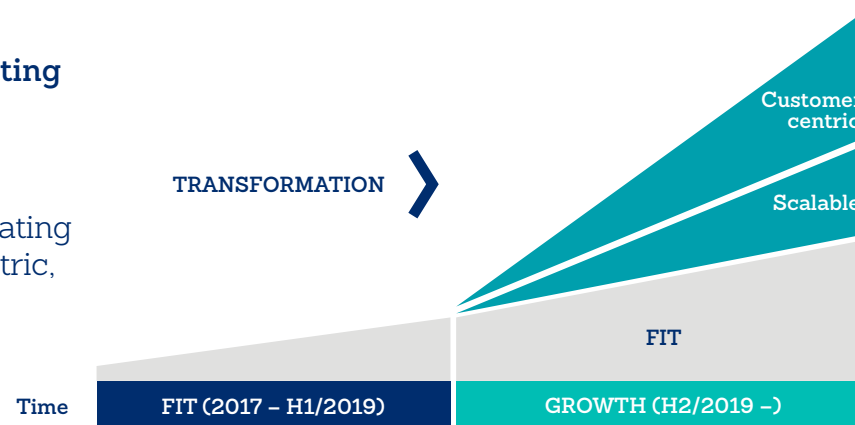
We ensure energy efficiency, CO₂ reduction, safe and healthy environment, optimal life cycle costs and asset value.





We are transforming our operating model to enable growth

In order to strengthen strategy deployment, as of 2020 we are gradually transforming our operating model to be more customer-centric, scalable and increasingly fit.



- More **Customer-centric**, which enables successful solutions business and insights to adapt to changing customer needs.
- More **Scalable** so we can afford the build of selected business platforms and use resources efficiently.
- More **Fit** to continuously enhance efficiency and enable investments in growth and required capabilities.

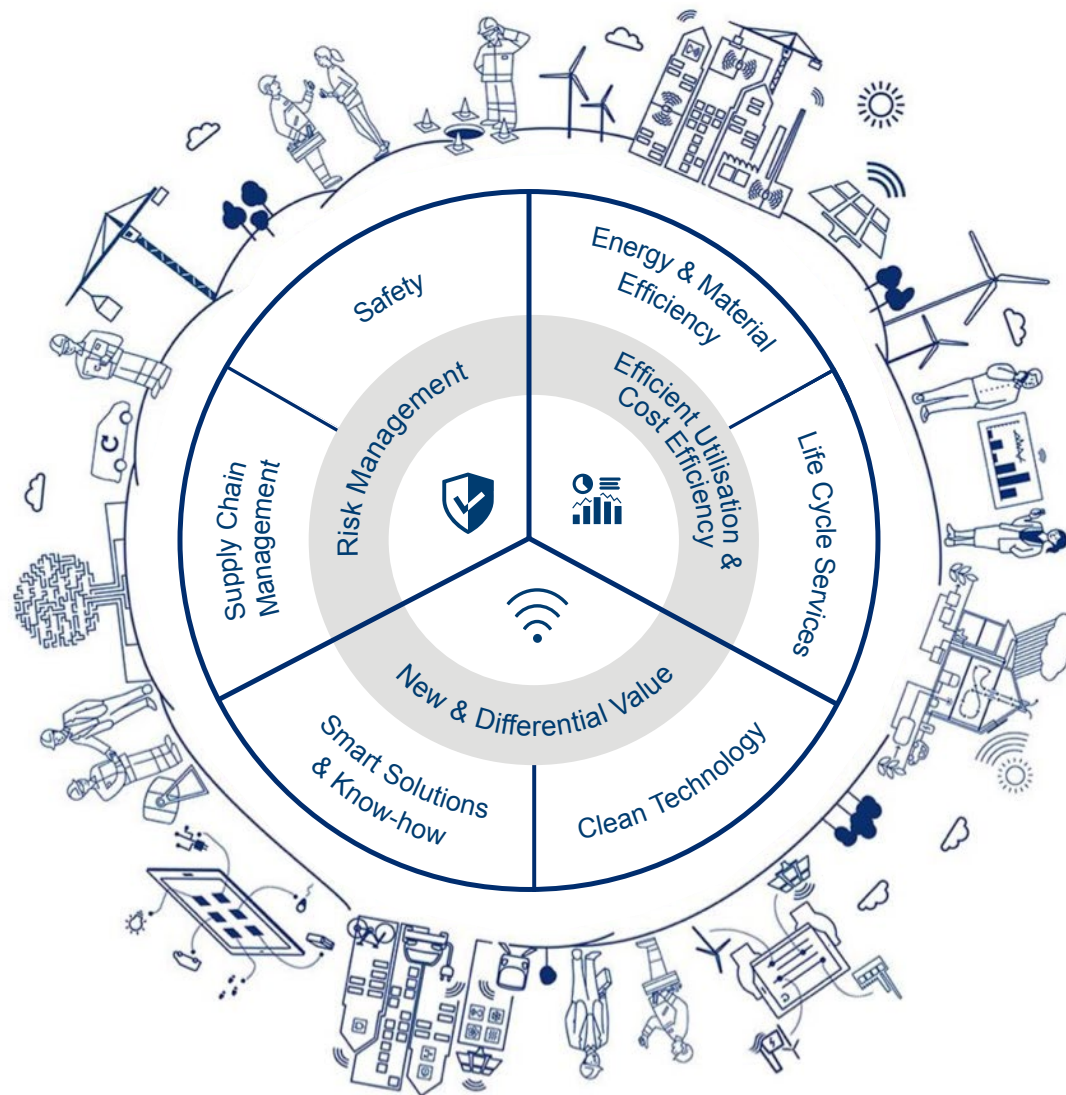
Caverion sustainability framework

We are well-positioned to support our customers' sustainability and Corporate Social Responsibility.

We want to make sure that people return home healthy after a day's work, by focusing on **indoor air quality and providing a healthy and safe working environment**.

We guarantee a **responsibly managed service chain** to our customers, through our service management, processes and Code of Conduct.

With SRI (Smart Readiness Indicator) consulting, Smart Solutions and Caverion SmartView, we can develop our customers' **smart sustainability and reporting and support fact-based investment decisions** in cooperation.



The easiest way to reach **carbon neutrality goals**, without carbon credits, is to improve energy efficiency and the use of renewables of the built environment, which we can deliver with our Energy and Environmental solutions.

With a life cycle approach to the management of existing properties, we can **optimise the life cycle costs and also help sustain the performance of the building**, improving sustainable corporate citizenship.

We can help our customers to **minimise waste and emissions** by continuously developing new disruptive clean technology innovations (e.g. CO₂ cooling technology and demand response solutions).

Board of Directors' Report January 1 – December 31, 2019

Operating environment 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.

Market position

Caverion has a strong market position and is ranked among the top-5 players in the building solutions market measured by revenue in all of its largest operating countries. The market is still very fragmented in these countries. Caverion holds a leading market position in Finland. Caverion is among the two or three largest companies in Austria and Norway and the fourth largest company in Sweden. In Germany and Denmark, Caverion is among the five largest companies in the market. Additionally, the Company is the leading industrial solutions company in Finland. The largest industrial client segments are the forest industry and the energy sector.

(Source of market sizes: the company's estimate based on public information from third parties and management calculation).

Caverion's year 2019

In 2019, Caverion continued the implementation of the "Fit for Growth" strategy launched in late 2017. In the first half of 2019 Caverion still focused on the execution of the Fit phase actions, while in the second half of 2019 Caverion updated its strategy for the Growth phase and launched its updated financial targets in November. The key points of the strategy, its progress and the updated financial targets are described in more detail under "Group strategy and financial targets".

Caverion's year 2019 started according to expectations. Caverion continued its selective approach in Projects and the strengthening of its Services business. As the year progressed, the Services business unit continued to improve its profitability, while in the Projects business Caverion continued its efforts to close or settle the remaining non-performing projects. In the second quarter, the Group's result was burdened by major negative project forecast changes.

Caverion's profitability improved clearly in the second half of 2019. 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. In the fourth quarter of 2019, Caverion met its result targets and turned back to growth.

Caverion published its guidance for 2019 on 5 February 2019, after which the guidance remained valid for the rest of the year. According to the guidance Caverion estimated that the Group's Services business revenue and its relative share of the Group's total revenue will increase in 2019, while the Projects business revenue will decrease. Furthermore, the Group's adjusted EBITDA for 2019 was estimated to be over EUR 120 million.

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.

By business unit, the Services business unit continued to improve its profitability in 2019. 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. In 2019, Caverion reported one old major risk project from Germany in adjusted EBITDA, the completion of which has been delayed approximately into the end of 2020. Information on project and other risks is given under "Significant short-term risks and uncertainties".

Another highlight of the year was the improving cash flow. Operating cash flow before financial and tax items improved to EUR 143.7 (21.6) million in 2019. The Group's working capital at the end of 2019

was EUR -100.9 (-54.6) million. The Group's gearing was 73.6 (2.7) percent and the equity ratio 21.5 (30.2) percent at the end of December. Net debt excluding lease liabilities amounted to EUR 31.5 (6.9) million at the end of December and the net debt/EBITDA ratio was 1.4x (0.2x). At the end of the first quarter, Caverion issued new EUR 75 million senior unsecured fixed rate notes as well as carried out a voluntary cash tender offer for its hybrid notes. 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.

Caverion completed important acquisitions during the year. These included the acquisitions of Huurre, Maintpartner and Pelsu Pelastussuunnitelma. The acquisitions completed in 2019 will incur one-off integration costs especially in the first half of 2020. More about these acquisitions can be read under Group's 2019 financial statement note 4.1 "Acquisitions and disposals".

Group strategy and financial targets

Caverion updated its Fit for Growth strategy for the Growth phase and launched its updated financial targets on 4 November 2019. Caverion also arranged a Capital Markets Day related to the strategy updates in Helsinki on 5 November 2019. The related presentations and webcast recordings are available on Caverion's website www.caverion.com/investors.

Since the previous CMD in 2017, there have been changes in EU legislation related to sustainability and carbon neutrality. Caverion is contributing to a better world through its energy-efficient and sustainable solutions. Going forward, digitalisation and sustainability are key themes driving Caverion's growth.

Caverion plans to utilise numerous sources of growth in the Growth phase of its strategy. The strong customer base is the first foundation for growth. There is furthermore a need for faster digitalisation in several customer segments, such as Real estate investors, Forest, Energy, Pharma and Retail. These segments, as examples, provide great opportunities to win new customers. Caverion's refined offering focuses on selected Smart Technologies requiring regular maintenance and providing sustainable value for the customers over the life cycle. Examples of these include Building Automation, Security, Safety and Cooling. Digital solutions such as Caverion SmartView, Remote Services, IoT solutions and Analytics differentiate Caverion from its competitors already today.

Caverion implements its strategy through its four selected Must-Wins. In the Growth phase of the strategy, these will be continued as follows:

- **Excellent Customer Experience**, building a strong service and sales culture for delivering superior customer experiences and increased customer loyalty.
- **Best Solutions**, driving growth in Smart Technologies, sustainable solutions and digital services as well as in introducing the new offering.
- **Top Performance at Every Level**, further boosting cash generation, profitable growth and productivity through performance management actions in Services, Projects, procurement, material logistics and fixed costs.
- **Winning team**, further enhancing leadership and professional growth of employees and developing Building Performance Culture.

Updated financial targets

Caverion will continue to prioritise cash flow generation in the Growth phase of its strategy. The target is to boost profitable growth in Services. In the Projects business, the selectivity approach continues and the improving performance gradually opens profitable growth opportunities. Organic growth will be supported by bolt-on acquisitions in selected growth areas and complementary capabilities. Sustainably strong cash conversion, adjusted EBITA as well as organic revenue growth are the most important financial targets going forward, supported by a moderate debt leverage level.

The table below presents the Group's previous and updated financial targets and the progress in them during 2019. The growth targets have been updated and the previous profitability metric adjusted EBITDA has been converted to adjusted EBITA. The level of ambition in profitability remained unchanged.

Previous financial targets	Updated financial targets (mid-term)	Progress in 2019
Cash conversion (unchanged) = Operating cash flow before financial and tax items / EBITDA > 100%		- Cash conversion 139.5% in 2019 - Operating cash flow improved to EUR 143.7 (63.6) million in 2019*
Profitability: Adjusted EBITDA > 8% of revenue	Profitability: Adjusted EBITA** > 5.5% of revenue	- Adjusted EBITDA margin improved to 5.7 (2.4)% and adjusted EBITA margin to 3.2 (2.1)% in 2019
Debt leverage (unchanged): Net debt/EBITDA*** < 2.5x		- 1.4x (0.2x) as per 12/2019
Growth: - Services growth > market growth - Long-term target beyond 2020: Services generate > 2/3 of Group revenue.	Growth: - Organic revenue growth > 4% p.a. over the cycle. Supported by bolt-on acquisitions in selected growth areas and complementary capabilities. - Services revenue growth > market growth - Services revenue > 2/3 of Group revenue	- Services business revenue growth 6.4% in local currencies in 2019 - The share of Services continued to grow to 60.0 (55.0) percent of revenue in 2019
Dividend policy (unchanged): distribute at least 50% of the result for the year after taxes, however, taking profitability and leverage level into account.		Dividend distribution: 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 be paid. The Annual General Meeting held on 25 March 2019 decided that a dividend of EUR 0.05 per share was paid.

* Excluding the impact of the German fine of EUR 40.8 million and related costs in 2018.

** EBITA is defined as Operating profit + amortisation and impairment on intangible assets. Adjustments according to defined Items affecting comparability (IAC).

*** Based on calculation principles confirmed with the lending parties. The confirmed calculation principles currently exclude the effects of the IFRS 16 standard and contain certain adjustments.

Group financial development 2019

The key figures have been presented in more detail in the Consolidated Financial Statements. Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.

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 in the consolidated financial statements for 2019 under note 1 Basis of preparation.

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

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	1–12/2019	%	1–12/2018	%	Change
Norway	359.6	16.9%	377.4	17.1%	-4.7%
Denmark	109.5	5.2%	129.2	5.9%	-15.2%
Sweden	435.4	20.5%	443.1	20.1%	-1.8%
Germany	355.5	16.7%	436.7	19.8%	-18.6%
Industrial Solutions	205.3	9.7%	229.2	10.4%	-10.4%
Finland	384.3	18.1%	336.3	15.3%	14.3%
Austria	200.1	9.4%	176.8	8.0%	13.2%
Other countries	73.6	3.5%	75.5	3.4%	-2.5%
Group, total	2,123.2	100.0%	2,204.1	100.0%	-3.7%
Services business unit	1,274.9	60.0%	1,213.0	55.0%	5.1%
Projects business unit	848.3	40.0%	991.1	45.0%	-14.4%

Profitability

EBITDA

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).

EUR million	1–12/19 (IFRS 16)	1–12/18 (non IFRS 16)
EBITDA	103.0	-8.8
EBITDA margin, %	4.8	-0.4
Items affecting comparability (IAC)		
-Capital gains and/or losses and transaction costs related to divestments and acquisitions	4.8	5.5
-Write-downs, expenses and income from major risk projects	17.1	9.3
-Restructuring costs	4.6	5.3
-Other items*	-9.0	42.1
Adjusted EBITDA	120.4	53.4
Adjusted EBITDA margin, %	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

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.

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.

Information on acquisitions and disposals during 2019 is presented in the Group's 2019 financial statement note 4.1 "Acquisitions and disposals".

Research and development

The Group's expenses related to research and development activities related to product and service development amounted to approximately EUR 0.8 (0.9) million in 2019, representing 0.0 (0.0) percent of revenue. Investments in research and development amounted to EUR 2.8 million in 2017, representing 0.1 percent of revenue.



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.

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.

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.

Board of Directors, Auditors, President and CEO

Board of Directors

The Annual General Meeting was held on 25 March 2019. The Annual General Meeting elected a Chairman, a Vice Chairman and five 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.

At the beginning of 2019 until the closing of the Annual General Meeting the previous Board of Directors consisted of Chairman Michael Rosenlew, Vice Chairman Markus Ehrnrooth as well as Jussi Aho, Joachim Hallengren, Thomas Hinnerskov, Antti Herlin, Anna Hyvönen and Mats Paulsson as members of the Board of Directors.

More detailed information of Caverion's board members and their remuneration as well as board committees can be found in Corporate Governance Statement and Remuneration Statement which are published separately on Caverion's website www.caverion.com/Investors – Corporate Governance.

Auditors

The Annual General Meeting elected Authorised Public Accountants Ernst & Young Oy, auditing firm, to audit the company's governance and accounts in 2019. The auditor with the main responsibility is Antti Suominen, Authorised Public Accountant.

President and CEO

Caverion's Board of Directors nominates the President and CEO and decides on his/her remuneration and other terms of employment. Caverion Corporation's President and CEO is Mr. Ari Lehtoranta as of January 1, 2017.

Personnel

Personnel by division, end of period	12/19	12/18	Change
Sweden	2,961	2,955	0%
Finland	2,795	2,513	11%
Norway	2,431	2,438	0%
Germany	2,253	2,268	-1%
Industrial Solutions	2,929	1,603	83%
Other countries	1,223	1,350	-9%
Austria	828	857	-3%
Denmark	734	860	-15%
Group Services	119	106	12%
Group, total	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 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.

Elna 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.

Most significant business risks and risk management

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, sub-contracting, 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".

Authorisations

Repurchase and/or 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.

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.

Information about shares in Caverion Corporation

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

holdings of the members of the Board of Directors, President and CEO and other members of the Group Management Board as per December 31, 2019 are presented in the notes to the financial statements.

Shares and share capital

Caverion Corporation 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. Caverion's articles of association neither have any redemption or consent clauses nor any provisions regarding the procedure of changing the articles.

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.

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. 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).

More information on the incentive plans is presented in the Consolidated Financial Statements for 2019 under Note 6.2 "Share-based payments".

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

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.

Outlook for 2020

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%

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.

2019 disclosure regarding non-financial information

Caverion creating value for customers and society

Human capital is Caverion's most important asset. Everything Caverion delivers to its customers is produced by its more than 16,000 highly skilled employees. Enabling this human capital to serve its customers is at the core of Caverion's value creation.

Caverion is a reliable and trustworthy partner for customers, employees and labour unions, governmental officials and business partners. **Social capital** in terms of good relationships is an important part of Caverion's ability to create societal value.

There is a universal demand for actions to mitigate climate change, increase energy efficiency and promote a circular economy. Caverion's capabilities in developing, delivering, operating and maintaining solutions that respond to this demand are the most relevant areas of Caverion's **natural capital**.

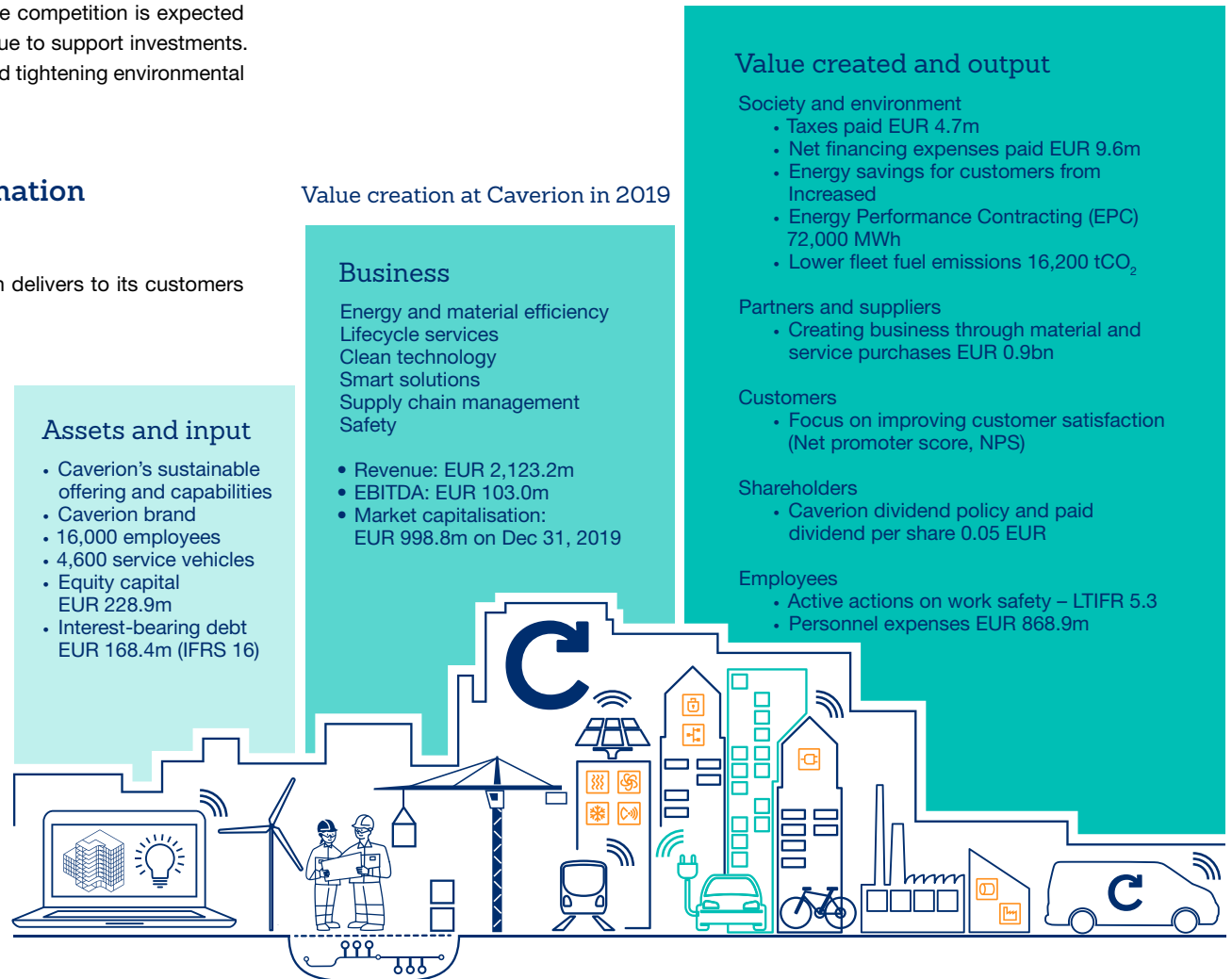
Caverion's **financial capital** consists of a balanced portfolio of equity and hybrid capital treated as equity under IFRS and interest-bearing loans. Secured financing enables Caverion's long-term development and related investments.

Caverion designs and builds solutions for buildings, industry and infrastructure. These solutions are the core of Caverion's **manufactured capital** as they all, once completed, require service for the entire lifecycle and thus create long-term recurring business opportunities for Caverion.

Examples of these are the close to 30,000 facilities under Caverion's service. Caverion also offers 24/7 remote monitoring services for buildings.

Caverion operated in 11 countries at the end of 2019. Caverion's tax footprint covers all of its operating countries; income taxes are paid in the jurisdiction where the value is initially created.

Caverion's key stakeholders consist of its thousands of B2B customers, employees, shareholders, partners and suppliers, and society at large.



Business success through efficiency, safety, leadership and professional growth

Caverion's business success derives from our about 16,000 services and project professionals in eleven countries across Europe. Caverion is a leading service company and a selective master of projects covering the whole life cycle of buildings, industries and infrastructure. We also continue building our capability to become a forerunner particularly in smart technologies, providing excellent customer experience.

The primary goal is to ensure that we have the right people in the right places to execute our strategy. Our employee engagement survey, Caverion Spirit, was conducted in fall 2019 with an 85% response rate. According to the survey, our people are highly engaged and proud to work at Caverion.

As a growing global company, Caverion wants to create an environment that is attractive to both its current and future employees in order to keep and attract the best industry experts. Caverion measures the total employee turnover rate and average duration of employment as KPIs for the company's ability to attract and retain skilled labour.

The performance and development process is implemented throughout the company and is locally monitoring using established KPIs and related targets. Caverion encourages a continuous two-way dialogue to ensure clarity regarding goals, tasks and achievements throughout the year. This is essential to be able to offer the best possible solutions and services to Caverion's customers.

In 2019, we offered our leaders various types of leadership development trainings, mentoring programme and workshops on team development and feedback throughout Caverion. These events had approximately total 3,900 participants.

Our goal is to become an accident-free workplace. We focus on preventive safety work by understanding the causes that have led to accidents. Safety starts with the right attitudes, anticipation of risks and the active reporting of safety observations. Caverion pursues advances in safety even more - not just by complying with procedures but also by building a proactive safety culture based on listening to our employees, conducting projects based on proposals from employees and mutually agreed upon procedures. The safety guidelines should go from the top to bottom, but the procedures go from bottom to top. Several divisions will start implementing a digital safety tool in 2020 to add credibility and utilisation of safety data as well as ensure that the proper actions are taken for each safety observation. As a result, we aim to implement the right safety attitude and culture in the company.

In 2019, Caverion started its group-wide safety campaign for leaders to add visibility and leading by example.

- **Visible Leadership:** It is based on conducting management activities that demonstrate a credible and visible commitment to safety. It consists of a good example and making safety a priority in daily matters.
- **Individual responsibility:** Employees of the company are involved in both their own safety and that of their colleagues, and they contribute to safety with their knowledge and experience sharing.

- **Open dialogue:** Caverion employees make a commitment to acting safely and being responsible for their own and other colleagues' actions. They comply with the rules and regulations, act sensibly in the face of risk and dangers, and learn from mistakes.

Caverion employees consider safety as an important topic and according to our engagement survey Spirit, 96% of the employees take safety as their personal responsibility.

We aim to increase the share of occupational health and safety-certified operations in our business. In 2019, 90% of our revenue came from OHSAS 18001 or ISO 45001 certified operations (2018: 91%).

Respect for human rights

In accordance with Caverion's Code of Conduct, Caverion does not allow any kind of discrimination related to age, gender, nationality, social status, religion, physical or mental disability, political or other opinions, sexual orientation or any other factor. Caverion's Code of Conduct also actively guides towards improved equality and promotes gender equality and diversity. Human rights arising out of international treaties are respected. Caverion applies a zero-tolerance approach to discrimination, harassment or any unlawful action. The company-wide Code of Conduct was also launched in 2019 and the Code of Conduct training was rolled out to all employees with a completion rate of 96%. The training is also part of Caverion's employee orientation during the first week of employment.

Caverion utilises a separate Supplier Code of Conduct with its collaboration partners. The Supplier Code of Conduct was revised in September 2018 and continued to be used during 2019 with good results. Suppliers, subcontractors, and other business partners commit to:

- Respecting human rights arising out of international treaties, in particular the United Nations' Universal Declaration of Human Rights;
- Complying with fundamental conventions as defined by the International Labour Organisation;
- Ascertaining that its own suppliers comply with requirements that meet or exceed the requirements set forth in Caverion's Supplier Code of Conduct.

Caverion primarily operates in developed, transparent markets. Potential risks relate to the uncertainty or unawareness of how subcontractors conduct their daily business. The risks of human rights breaches are predominantly located further away in Caverion's supply chain. Caverion has a web-based reporting channel through which its employees can confidentially report their observations of suspected misconduct. In addition, reports can be submitted via email that is read by the Chief Compliance Officer.

Anti-corruption and bribery

Caverion has several standard control processes aimed at preventing corruption and bribery from materialising. These processes are part of the project sales and execution phases and the services



sales and delivery phases. They include checks and controls (for example, monitoring, reviews, due diligence measures and approvals) in tender preparation and procurement activities. Caverion has a Compliance Programme that includes clear milestones in order to ensure that all of Caverion's business is conducted legally, ethically and in a compliant manner. Caverion furthermore has a Group-level Compliance unit headed by the Chief Compliance Officer and consists of a compliance network. The role of the compliance network is to enhance a culture of integrity and responsibility and build leadership capabilities by rolling out the Caverion Compliance Programme to local teams and their operations. This includes a focus on raising awareness through compliance training. In addition, Caverion has reviewed its Group-level policies, instructions and guidelines and re-established them in a structured manner entitled "Caverion Guidelines". Caverion operates a Group Ethics & Compliance Committee consisting of the President and CEO, Group General Counsel, Head of HR and Safety and the Chief Compliance Officer. Code of Conduct training is conducted on an annual basis, obligatory for all employees with a 96% completion rate for the 2019 Code of Conduct training. The training is also part of Caverion's employee orientation during the first week of employment.

The Code of Conduct clearly sets forth Caverion's policy on corruption and bribery: Caverion applies a zero-tolerance approach to corruption, bribery, anti-competitive practices, discrimination, harassment or any unlawful action. The following principles guide Caverion's relationship with its suppliers, subcontractors and other business partners:

- Caverion does not tolerate any form of bribery or other illegal payments in relationships with its suppliers, subcontractors and other business partners;
- Caverion does everything in its power to reject bribery, corruption and white collar crimes.

Caverion supports open and fair competition in all of its markets. In addition, Caverion complies with the applicable legislation regarding competition in every activity and avoids situations where there is a risk that regulations concerning competition could be violated. One of Caverion's compliance monitoring means is to investigate all reports made through its ethical reporting channel. The channel is a web-based whistle-blowing tool and is available to all Caverion personnel. The anonymous whistle-blowing channel has been in use since 2013, and all reports and allegations are investigated by the Group's compliance organisation. In addition, reports can be submitted by email. The right and obligation to report any misconduct is supported by the non-retaliation policy set forth in the Code of Conduct.

The CEO has made a clear statement that no actions will be tolerated against persons making bona fide reports through the ethical reporting channel. In 2019, Caverion launched an awareness campaign regarding reporting misconduct.

Environmental matters with focus on climate friendly offering

As the sustainability needs are growing rapidly, Caverion is well positioned to enable a sustainable, environmentally friendly, and digital future for our customers and the whole society. Caverion contributes to the evolving world through its energy-efficient and sustainable solutions. The focus is on delivering long-lasting benefits by combining people, technology and data. Therefore, Caverion considers **digitalisation and sustainability** as the key themes driving growth.

Caverion strives to increase the amount of customer energy savings through, for example, Energy Performance Contracting (EPC). During 2019 Caverion increased the amount of provided energy savings for customers through EPC services. The savings constituted 72,000 MW/h (2018: 66,000 MW/h). This corresponds to the average annual consumption of 30,000 3-room flats in an apartment building. The amount of saved energy also exceeds Caverion's own annual energy consumption.








Caverion is also mitigating climate change by offering a wide range of energy efficient and smart lifecycle solutions for industries, infrastructure and buildings. Caverion's digital and remote services have significant positive climate impacts through, for example, increased efficiency. In Caverion's divisions, different sustainable installations are implemented; for example electric vehicle charging points, LED lights and renewable energy installations such as solar panels. In the Norway division alone, over 11,000 electric vehicle charging points were installed.

In Caverion's own operations, the fuel consumption of its car fleet leaves the most significant environmental footprint. Caverion's service fleet in 2019 consisted of 4,600 vehicles. Caverion's target is to use logistical solutions that help to reduce greenhouse gas emissions. As an example, environmental aspects are considered in the selection of company cars. Caverion mostly uses fuel-efficient diesel cars in its service and business car fleet. In 2019, 94% of the fuel consumption of Caverion's fleet was diesel fuel and using bio-diesel options is being promoted. In 2019, Caverion conducted a tendering process for its fleet renewal, where environmental aspects were one key section. Already an increasing number of gas, hybrid and full electric business cars are in use. Caverion continuously follows the development of technology and is open to increasing the number of alternative eco-friendly vehicles for wider use in the future. Caverion is working on an updated Group-level car policy and emission limits to meet the requirements of the new and improved Worldwide Harmonised Light Vehicle Test Procedure (WLTP) standard to measure vehicle emissions.

Efficient route planning and economical ways of driving are important to Caverion. In 2019, the focus again was on reducing the number of store pick-ups, which reduces the driving kilometres and emissions. The CO₂ emissions of Caverion's service fleet continued to decrease to a level of 16,200 tCO₂ (2018: 18,400 tCO₂).

Caverion's business does not involve significant environmental risks. Caverion's own operations are not extensively energy intensive. The waste generated and chemicals used in Caverion's operations are recycled and disposed of according to regulatory requirements. Caverion continuously follows legislation changes in the Eurozone and other operating countries. In 2019, Caverion held preliminary discussions to implement TCFD recommendations in the near future.

Caverion sustainability KPI's, targets and performance 2019

Material theme	KPI	Actions	2018	2019	Target	Status
Environment	Customers' energy savings from EPC's (MWh)	Caverion is providing Energy Performance Contracting (EPC) services for customers.	66,000	72,000	Annual increase	On target 
Environment	CO ₂ Emissions of service vehicle fleet (tCO ₂ / revenue mEUR)	Caverion divisions are still renewing vehicle fleet. More efficient logistics planning and pick ups.	8.4	7.6	Annual decrease	On target 
Health & Safety	LTIFR	Active analysing of accidents and near misses. Continue training employees with special focus on managers.	5.2	5.3	< 5	On track 
Health & Safety	Sick leave (%)	Actively monitored and proactive activities with support from Health services. Focus on leadership.	4.5	4.4	< 5	On target 
Our people	Voluntary turnover rate (%)	Listening to employees, focus on leadership, performance management and communication.	11	11	Declining trend	On track 
Compliance	Code of Conduct completion rate (%)	Annual deployment of revised CoC. Trainings and E-learning throughout the organisation.	93*	96	Increasing trend	On target 
Compliance	Supplier Code of Conduct sign off rate (%)	Implementation of revised SCoC continued. Mandatory appendix for new and updated agreements.	48	55	Increasing trend	On target 

* 2017 figure

Key figures

Consolidated income statement, Jan 1 - Dec 31

	2019	2018	2017	2016	2015
Revenue, EUR million	2,123.2	2,204.1	2,275.8	2,364.1	2,443.0
EBITDA, EUR million ¹⁾	103.0	-8.8	3.8	-11.4	91.5
EBITDA margin, % ¹⁾	4.8	-0.4	0.2	-0.5	3.7
Adjusted EBITDA, EUR million ¹⁾	120.4	53.4	25.8	-	-
Adjusted EBITDA margin, % ¹⁾	5.7	2.4	1.1	-	-
EBITA, EUR million ¹⁾	49.8	-15.4	-	-	-
EBITA margin, % ¹⁾	2.3	-0.7	-	-	-
Adjusted EBITA, EUR million ¹⁾	67.2	46.8	-	-	-
Adjusted EBITA margin, % ¹⁾	3.2	2.1	-	-	-
Operating profit, EUR million	35.3	-35.9	-26.6	-40.8	65.0
Operating profit margin, %	1.7	-1.6	-1.2	-1.7	2.7
Result before taxes, EUR million	27.0	-43.9	-32.3	-43.5	61.3
% of revenue	1.3	-2.0	-1.4	-1.8	2.5
Result for the period, EUR million	22.6	-48.1	-27.0	-31.7	46.6
% of revenue	1.1	-2.2	-1.2	-1.3	1.9

Consolidated statement of financial position, EUR million

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Total assets	1,281.4	1,024.5	1,093.2	1,163.3	1,157.7 ²⁾
Working capital	-100.9	-54.6	-30.8	-32.3	-15.4 ²⁾
Interest-bearing net debt	168.4	6.9	64.0	145.5	29.8

Key ratios and other data

	2019	2018	2017	2016	2015
Equity ratio, %	21.5	30.2	25.8	16.9	26.4 ²⁾
Gearing ratio, %	73.6	2.7	27.2	88.8	11.7 ²⁾
Return on equity, %	9.4	-19.7	-13.5	-20.0	19.0 ²⁾
Operating cash flow before financial and tax items, EUR million	143.7	21.6	-8.7	-22.4	85.8
Order backlog, EUR million	1,670.5	1,494.3	1,491.0	1,408.1	1,461.4
Personnel, average for the period	14,763	15,672	16,607	17,381	17,324
Personnel at the end of the period	16,273	14,950	16,216	16,913	17,399

Share-related key figures, Jan 1 - Dec 31

	2019	2018	2017	2016	2015
Earnings per share, basic, EUR	0.14	-0.40	-0.24	-0.25	0.37
Earnings per share, diluted, EUR	0.14	-0.40	-0.24	-0.25	0.37
Equity per share, EUR	1.7	1.9	1.9	1.3	2.0
Dividend per share, EUR	0.08 ³⁾	0.05	-	-	0.28
Dividend per earnings, %	55.8	-	-	-	75.2
Effective dividend yield, %	1.1	1.0	-	-	3.1
Price per earnings (P/E ratio)	50.2	-12.9	-24.7	-31.2	24.2
Share price trend					
Share price on Dec 31, EUR	7.19	5.09	5.89	7.92	9.03
Low, EUR	4.85	4.74	5.76	5.50	6.67
High, EUR	7.64	7.54	8.28	9.38	9.69
Average, EUR	6.18	6.37	7.19	6.86	8.69
Share capitalisation on Dec 31, EUR million	978.3	690.5	736.7	990.7	1,129.5
Share turnover trend					
Share turnover, thousands	22,944	41,403	51,196	63,831	36,439
Share turnover, %	16.9	31.6	40.9	51.0	29.1
Number of shares outstanding at the end of period, thousands	136,071	135,656	125,084	125,084	125,084
Weighted average number of shares, thousands	135,866	131,087	125,084	125,084	125,085
Weighted average number of shares, dilution adjusted, thousands	135,866	131,087	125,084	125,084	125,085

¹⁾ Alternative performance measure (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. Calculation of key figures is presented on the following page.

²⁾ Key figures have been corrected to reflect prior period adjustments made in 2016.

³⁾ Board of Directors' proposal to the Annual General meeting



Calculation of key figures

EBITDA =	Operating profit (EBIT) + depreciation, amortisation and impairment
Adjusted EBITDA =	EBITDA before items affecting comparability (IAC) ¹⁾
EBITA =	Operating profit (EBIT) + amortisation and impairment
Adjusted EBITA =	EBITA before items affecting comparability (IAC) ¹⁾
Working capital =	Inventories + trade and POC receivables + other current receivables - trade and POC payables - other current payables - advances received - current provisions
Interest-bearing net debt =	Interest-bearing liabilities - cash and cash equivalents
Equity ratio (%) =	$\frac{\text{Equity} + \text{non-controlling interest} \times 100}{\text{Total assets} - \text{advances received}}$
Gearing ratio (%) =	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents} \times 100}{\text{Shareholder's equity} + \text{non-controlling interest}}$
Return on equity, % =	$\frac{\text{Result for the period} \times 100}{\text{Total equity (average of the figures for the accounting period)}}$
Average number of employees =	The average number of employees at the end of previous financial year and of each calendar month during the accounting period
Earnings / share, basic =	$\frac{\text{Result for the financial year (attributable for equity holders)} - \text{hybrid capital expenses and accrued unrecognised interests after tax}}{\text{Weighted average number of shares outstanding during the period}}$
Earnings / share, diluted =	$\frac{\text{Result for the financial year (attributable for equity holders)} - \text{hybrid capital expenses and accrued unrecognised interests after tax}}{\text{Weighted average number of shares, dilution adjusted}}$

Equity per share =	$\frac{\text{Shareholders' equity}}{\text{Number of outstanding shares at the end of the period}}$
Dividend per share =	$\frac{\text{Dividend per share for the period}}{\text{Adjustment ratios of share issues during the period and afterwards}}$
Dividend per earnings (%) =	$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$
Effective dividend yield (%) =	$\frac{\text{Dividend per share} \times 100}{\text{Share price on December 31}}$
Price/earnings ratio (P/E ratio) =	$\frac{\text{Share price on December 31}}{\text{Earnings per share}}$
Average price =	$\frac{\text{Total EUR value of all shares traded}}{\text{Average number of all shares traded during the accounting period}}$
Market capitalisation =	(Number of shares – treasury shares) x share price on the closing date
Share turnover =	Number of shares traded during the accounting period
Share turnover (%) =	$\frac{\text{Number of shares traded} \times 100}{\text{Average number of outstanding shares}}$

¹⁾ 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).

Shareholders

At the end of December 2019, the number of registered shareholders in Caverion was 25,390 (2018: 26,583). At the end of December 2019, a total of 33.1 percent of the shares were owned by nominee-registered and non-Finnish investors (2018: 33.2%).

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

No shareholder, member or other person is controlling Caverion as meant in the Securities Markets Act section 2 paragraph 4. Caverion is not subject to any arrangements which separate the possession of the securities and the economic rights vested in them. The Board of Directors is not aware of any shareholder agreements or other similar type of arrangements having effect on Caverion shareholders or that might have a significant impact on share price.

Caverion Corporation's essential financing agreements include a change of control clause which is applicable in case more than 50 percent of company's shares are acquired by a single entity or parties controlled by it.

Ownership structure by sector on December 31, 2019

Sector	Share-holders	% of owners	Shares	% of all shares
Nominee registered and non-Finnish holders	125	0.5	45,944,158	33.1
Households	23,840	93.9	22,882,364	16.5
General government	15	0.1	18,939,411	13.6
Financial and insurance corporations	66	0.3	14,765,326	10.6
Non-profit institutions	281	1.1	4,586,218	3.3
Non-financial corporations and housing corporations	1,063	4.2	31,802,615	22.9
Total	25,390	100.0	138,920,092	100.0

Largest shareholders on December 31, 2019

Shareholder	Shares, pcs	% of all shares
1. Funds held by Antti Herlin, including directly held shares	20,503,753	14.8
2. Fennogens Investments SA	14,169,850	10.2
3. Varma Mutual Pension Insurance Company	11,138,407	8.0
4. Mandatum companies	5,567,201	4.0
5. Ilmarinen Mutual Pension Insurance Company	4,057,142	2.9
6. Caverion Oyj	2,849,360	2.1
7. Säästöpankki funds	2,758,375	2.0
8. Nordea funds	2,271,447	1.6
9. The State Pension Fund	1,850,000	1.3
10. Elo Mutual Pension Insurance Company	1,652,222	1.2
11. Fondita funds	1,640,000	1.2
12. Evli funds	1,610,000	1.2
13. Aktia funds	1,558,099	1.1
14. Brotherus Ilkka	1,048,265	0.8
15. Funds held by Ari Lehtoranta, including directly held shares	906,851	0.7
16. Kaleva Mutual Insurance Company	739,025	0.5
17. Sinituote Oy	672,400	0.5
18. Wihuri funds	290,400	0.2
19. Mikael Koivurinta Jan	249,746	0.2
20. Brotherus Monica	244,000	0.2
20 largest, total	75,776,543	54.5
Other shareholders	31,998,825	23.0
Nominee registered total	31,144,724	22.4
All shares	138,920,092	100.0

Public insider ownership of Caverion Group on December 31, 2019

Board of Directors		Direct holdings	Holdings of controlled companies	Total
Aho Jussi	Member	18,573	-	18,573
Ehnröoth Markus	Vice Chairman of the Board	4,581	-	4,581
Hallengren Joachim	Member	9,573	11,000	20,573
Herlin Antti	Member	33,753	20,470,000	20,503,753
Hinnerskov Thomas	Member	43,573	-	43,573
Hyvönen Anna	Member	5,573	-	5,573
Paulsson Mats	Chairman of the Board	6,047	77,200	83,247
Total		121,673	20,558,200	20,679,873

Group Management Board		Direct holdings	Holdings of controlled companies	Total
Ala-Härkönen Martti	Chief Financial Officer (CFO), Head of Finance, Strategy and IT	142,577	-	142,577
Gaaserud Knut	Head of Division Norway	91,884	-	91,884
Hietto Thomas	Deputy CEO, Head of Business Unit Services and Sales Development & Marketing	128,421	-	128,421
Kaiser Michael	Head of Business Unit Projects	132,555	-	132,555
Krause Frank	Head of Division Germany	-	-	-
Lehtoranta Ari	President and CEO	356,851	550,000	906,851
Mennander Juha	Head of Division Sweden	64,903	-	64,903
Schrey-Hyppänen Minna	Head of Human Resources	67,539	-	67,539
Simmet Manfred	Head of Division Austria	69,629	-	69,629
Sundbäck Kari	Head of Transformation and Supply Operations	58,321	-	58,321
Sørensen Carsten	Head of Division Denmark	56,722	-	56,722
Tamminen Ville	Head of Division Finland	85,922	-	85,922
Toikkanen Sakari	Head of Division Industrial Solutions	16,382	-	16,382
Viitala Anne	Head of Legal & Compliance	66,483	-	66,483
Total		1,338,189	550,000	1,888,189

Subsidiaries

Company name	Domicile	Holding of Caverion Group, %	Holding of Caverion Corporation, %
Caverion Suomi Oy	Helsinki	100.00	100.00
Caverion GmbH	Munich	100.00	100.00
Caverion Industria Oy	Helsinki	100.00	100.00
Caverion Sverige AB	Solna	100.00	100.00
Caverion Norge AS	Oslo	100.00	100.00
Caverion Danmark A/S	Fredericia	100.00	100.00
Caverion Österreich GmbH	Vienna	100.00	100.00
Caverion Emerging Markets Oy	Helsinki	100.00	100.00
Caverion Internal Services AB	Solna	100.00	100.00
Caverion Eesti AS	Tallinn	100.00	
Caverion Latvija SIA	Riga	100.00	
Caverion Lietuva UAB	Vilnius	100.00	
Caverion Huber Invest Oy	Helsinki	100.00	
Caverion Deutschland GmbH	Munich	100.00	
Duatec GmbH	Munich	100.00	
OOO Duatec RUS	Moscow	100.00	
MISAB Sprinkler & VVS AB	Solna	100.00	
ZAO Caverion St. Petersburg	St. Petersburg	100.00	
OOO Caverion Elmek	Moscow	100.00	
Teollisuus Invest Oy	Helsinki	100.00	
OOO Peter Industry Service	St. Petersburg	100.00	
Pelsu Pelastussuunnitelma Oy	Helsinki	100.00	
Huurre Finland Oy	Vantaa	100.00	
Huurre Sweden Ab	Västerås	100.00	
Maintpartner Group Oy	Espoo	100.00	
Maintpartner Oy	Espoo	100.00	
Maintpartner Expert Services Oy	Espoo	100.00	
Maintpartner ASI Sp. Z o.o.	Zabrze	100.00	
Maintpartner RO Sp. Z o.o.	Gdynia	100.00	
Maintpartner OÜ	Tallinn	100.00	
Oy Botnia Mill Service Ab ¹⁾	Kemi	49.83	
Kiinteistö Oy Leppävirran Teollisuustalotie 1	Leppävirta	60.00	

¹⁾ Oy Botnia Mill Service Ab is fully consolidated due to Caverion Group's controlling interest based on the shareholder's agreement. Caverion does not have subsidiaries with material non-controlling interests based on the Group's view.

Consolidated income statement

EUR million	Note	1.1.-31.12.2019	%	1.1.-31.12.2018 (non IFRS 16)	%
Revenue	2.1	2,123.2		2,204.1	
Other operating income	2.2	14.0		4.1	
Materials and supplies		-524.2		-570.6	
External services		-411.3		-425.0	
Employee benefit expenses	2.2	-868.9		-892.9	
Other operating expenses	2.2	-229.8		-328.4	
Share of results in associated companies	5.7	0.0		0.0	
Depreciation, amortisation and impairment	2.3	-67.6		-27.1	
Operating profit		35.3	1.7	-35.9	-1.6
Financial income		0.9		0.7	
Exchange rate differences (net)		1.9		-4.3	
Financial expenses		-11.1		-4.3	
Financial income and expenses	2.4	-8.4		-7.9	
Result before taxes		27.0	1.3	-43.9	-2.0
Income taxes	2.5	-4.4		-4.3	
Result for the financial year		22.6	1.1	-48.1	-2.2
Attributable to:					
Owners of the parent		22.6		-48.2	
Non-controlling interests		0.0		0.0	
Earnings per share for profit attributable to owners of the parent:					
Earnings per share, basic, EUR	2.6	0.14		-0.40	
Earnings per share, diluted, EUR		0.14		-0.40	

The notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

EUR million	Note	1.1.-31.12.2019	1.1.-31.12.2018 (non IFRS 16)
Result for the period		22.6	-48.1
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in the fair value of defined benefit pension		-5.7	0.4
- Deferred tax		1.6	0.0
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedging	5.5	0.1	0.1
Change in fair value of other investments	5.4	0.0	0.0
- Deferred tax			-0.2
Translation differences		0.7	2.6
Other comprehensive income, total		-3.3	2.9
Total comprehensive income		19.3	-45.2
Attributable to:			
Owners of the parent		19.3	-45.2
Non-controlling interests		0.0	0.0

The notes are an integral part of the consolidated financial statements.



Consolidated statement of financial position

EUR million	Note	Dec 31, 2019	Dec 31, 2018 (non IFRS 16)
ASSETS			
Non-current assets			
Property, plant and equipment	4.3	19.3	15.9
Right-of-use assets	5.9	135.0	
Goodwill	4.2	366.5	334.4
Other intangible assets	4.3	56.0	34.6
Investments in associated companies and joint ventures	5.7	1.7	0.1
Investments	5.4	1.3	1.2
Receivables	3.2	7.3	6.4
Deferred tax assets	3.5	19.3	9.9
Total non-current assets		606.4	402.6
Current assets			
Inventories	3.1	18.8	16.9
Trade receivables	3.2	329.6	311.6
POC receivables	3.2	197.6	207.4
Other receivables	3.2	33.7	31.7
Income tax receivables		1.7	3.2
Cash and cash equivalents		93.6	51.2
Total current assets		675.0	621.9
TOTAL ASSETS		1,281.4	1,024.5

The notes are an integral part of the consolidated financial statements.

EUR million	Note	Dec 31, 2019	Dec 31, 2018 (non IFRS 16)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	5.2	1.0	1.0
Treasury shares		-3.1	-3.2
Translation differences		-4.8	-5.5
Fair value reserve		-0.1	-0.2
Hybrid capital		66.1	100.0
Unrestricted equity reserve		66.0	66.0
Retained earnings		103.4	95.5
		228.5	253.6
Non-controlling interests		0.4	0.4
Total equity		228.9	254.0
Non-current liabilities			
Deferred tax liabilities	3.5	32.6	33.1
Pension obligations	5.8	49.1	43.9
Provisions	3.4	9.4	6.9
Lease liabilities	5.9	93.3	
Other interest-bearing debts	5.4	125.0	30.9
Other liabilities	3.3	2.1	0.2
Total non-current liabilities		311.5	115.0
Current liabilities			
Trade payables	3.3	173.7	184.1
Advances received	3.3	216.2	182.6
Other payables	3.3	258.7	231.8
Income tax liabilities		15.6	5.3
Provisions	3.4	33.1	24.6
Lease liabilities	5.9	43.6	
Other interest-bearing debts	5.4		27.2
Total current liabilities		741.0	655.5
Total liabilities		1,052.5	770.5
TOTAL EQUITY AND LIABILITIES		1,281.4	1,024.5



Consolidated statement of cash flows

EUR million	Note	1.1.-31.12.2019	1.1.-31.12.2018 (non IFRS 16)
Cash flow from operating activities			
Result for the financial year		22.6	-48.1
Adjustments for:			
Depreciation, amortisation and impairment		67.6	27.1
Reversal of accrual-based items		14.7	5.3
Financial income and expenses		8.4	7.9
Gains on the sale of tangible and intangible assets		0.9	2.9
Taxes		4.4	4.3
Total adjustments		95.9	47.5
Change in working capital:			
Change in trade and other receivables		13.0	59.4
Change in inventories		1.8	0.0
Change in trade and other payables		10.4	-37.1
Total change in working capital		25.2	22.3
Operating cash flow before financial and tax items		143.7	21.6
Interest paid		-9.7	-4.5
Other financial items, net		-0.6	2.3
Interest received		0.8	0.6
Dividends received		0.0	0.1
Taxes paid		-4.7	-1.2
Net cash generated from operating activities		129.4	18.9
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash	4.1	-48.6	-4.6
Disposals of subsidiaries and businesses, net of cash	4.1	1.5	-1.8
Investments in joint ventures	5.7	-1.6	
Purchases of property, plant and equipment	4.3	-7.9	-5.1
Purchases of intangible assets	4.3	-8.8	-6.9
Proceeds from sale of tangible and intangible assets		0.2	0.9
Proceeds from sale of investments		0.3	
Net cash used in investing activities		-65.0	-17.5

EUR million	Note	1.1.-31.12.2019	1.1.-31.12.2018 (non IFRS 16)
Cash flow from financing activities			
Change in loan receivables		-0.3	-3.1
Proceeds from borrowings		125.0	
Repayment of borrowings	5.3	-56.7	-28.7
Repayments of lease liabilities	5.9	-45.5	-2.2
Change in current liabilities, net	5.3	0.0	-5.0
Share issue			60.0
Share issue costs			-0.8
Share subscriptions			6.7
Hybrid capital repayment	5.2	-33.9	
Hybrid capital expenses and interests		-4.7	-4.6
Dividends paid		-6.8	0.0
Net cash used in financing activities		-23.0	22.2
Net change in cash and cash equivalents		41.5	23.6
Cash and cash equivalents at the beginning of the financial year		51.2	29.2
Foreign exchange rate effect on cash and cash equivalents		0.9	-1.7
Cash and cash equivalents at the end of the financial year		93.6	51.2

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

EUR million	Note	Attributable to owners of the parent							Non-controlling interests	Total equity	
		Share capital	Retained earnings	Translation differences	Fair value reserve	Treasury shares	Unrestricted equity reserve	Hybrid capital			Total
Equity on December 31, 2018		1.0	95.5	-5.5	-0.2	-3.2	66.0	100.0	235.6	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	235.8	0.4	254.1
Comprehensive income 1–12/2019											
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	5.5				0.1				0.1		0.1
Change in fair value of investments	5.4				0.0				0.0		0.0
- Deferred tax											
Translation differences				0.7					0.7		0.7
Comprehensive income 1–12/2019, total			18.5	0.7	0.0				19.3	0.0	19.3
Dividend distribution	5.2		-6.8						-6.8	0.0	-6.8
Share-based payments	6.2		0.1						0.1		0.1
Transfer of own shares	5.2		-0.1			0.1					
Hybrid capital repayment	5.2							-33.9	-33.9		-33.9
Hybrid capital interests and costs after taxes	5.2		-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	Note	Attributable to owners of the parent							Non-controlling interests	Total equity	
		Share capital	Retained earnings	Translation differences	Fair value reserve	Treasury shares	Unrestricted equity reserve	Hybrid capital			Total
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 1–12/2018											
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	5.5				0.1				0.1		0.1
Change in fair value of investments	5.4		-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 1–12/2018, total			-48.1	2.6	0.3				-45.3	0.0	-45.2
Dividend distribution	5.2									0.0	0.0
Share issue	5.2							60.0	60.0		60.0
Share issue costs after taxes								-0.7	-0.7		-0.7
Share-based payments	6.2		2.0						2.0		2.0
Share subscriptions	5.2							6.7	6.7		6.7
Hybrid capital interests after taxes	5.2		-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

The notes are an integral part of the consolidated financial statements.



1 Basis of preparation

Caverion has adopted the IFRS 16 Leases standard as of the effective date of 1 January 2019.

Accounting principles

can be found next to the relevant notes in sections 2–6.



General Information

Caverion Corporation (the "Parent company" or the "Company") with its subsidiaries (together, "Caverion" or "Caverion Group") is a service company in building systems, construction services and services for the industry. Caverion designs, builds, operates and maintains user-friendly and energy-efficient technical solutions for buildings and industries throughout the life cycle of the property. Caverion's services are used in offices and retail properties, housing, public premises, industrial plants and infrastructure, among other places.

Caverion Corporation is domiciled in Helsinki and its registered address is Torpantie 2, 01650 Vantaa, Finland. The company's shares are listed on the NASDAQ OMX Helsinki Ltd as of July 1, 2013. The copies of the consolidated financial statements are available at www.caverion.com or at the parent company's head office, Torpantie 2, 01650 Vantaa, Finland.

On June 30, 2013, the partial demerger of Building Systems business (the "demerger") of YIT Corporation became effective. At this date, all of the assets and liabilities directly related to Building Systems business were transferred to Caverion Corporation, a new company established in the partial demerger.

These consolidated financial statements were authorised for issue by the Board of Directors in their meeting on February 7, 2020 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

The consolidated financial statements have been prepared in accordance with the basis of preparation and accounting policies set out below.

The consolidated financial statements of Caverion Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union observing the standards and interpretations effective on December 31, 2019. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and corporate legislation complementing the IFRS regulation.

The figures in these consolidated financial statements are presented in million euros, unless stated otherwise. Rounding differences may occur.

Caverion Group's consolidated financial statements for the financial year ended 2019 have been prepared under the historical cost convention, except for investments, financial assets and liabilities at fair value through profit and loss and derivative instruments at fair value. Equity-settled share-based payments are measured at fair value at the grant date.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed under "Critical accounting estimates and judgements" below.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The total consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by Caverion Group. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's assets.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Disposal of subsidiaries

When the Group ceases to have control, any remaining interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognised through profit and loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if realised and recognised in the income statement. If the interest is reduced but control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are booked to non-controlling interest in equity.

Transactions with non-controlling interests

The Group accounts transactions with non-controlling interests that do not result in loss of control as equity transactions. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and exercise judgement in the application of the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may deviate from the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Accounting estimates and judgements are commented in more detail in connection with each item.

- Goodwill
- Revenue from contracts with customers
- Income taxes
- Provisions
- Employee benefit obligations
- Trade receivables

Foreign currency translation and transactions

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in euros, which is the Group's presentation currency.

The income statements of foreign Group companies are translated into euro using the average exchange rate for the reporting period. The balance sheets are translated at the closing rate at the date of that balance sheet. Translating the result for the period using different exchange rates in the income statement and balance sheet results in a translation difference, which is recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income. When a foreign subsidiary is disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction or valuation, where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income and expenses". All

other foreign exchange gains and losses are presented in the income statement above operating profit. Non-monetary items are mainly measured at the exchange rates prevailing on the date of the transaction date.

Caverion Group applies exchange rates published by the European Central Bank in the consolidated financial statements. Exchange rates used:

	Income statement January-December 2019	Income statement January-December 2018	Statement of financial position Dec 31, 2019	Statement of financial position Dec 31, 2018
1 EUR = CZK	25.6693	25.6455	25.4080	25.7240
DKK	7.4661	7.4532	7.4715	7.4673
NOK	9.8505	9.6002	9.8638	9.9483
PLN	4.2974	4.2612	4.2568	4.3014
RUB	72.4484	74.0687	69.9563	79.7153
SEK	10.5871	10.2584	10.4468	10.2548

Operating segments

The profitability of Caverion Group has been presented as one operating segment from January 1, 2014 onwards. The chief operating decision-maker of Caverion is the Board of Directors. Due to the management structure of Caverion, nature of its operations and its business areas, Group is the relevant reportable operating segment.

New standards and amendments adopted

IFRS 16 'Leases'

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 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.

The adoption of the new IFRS 16 standard also impacted the presentation of the consolidated statement of cash flows. Operating cash flow before financial and tax items increased with the impacted lease payments and Cash flow from financing activities and Interests paid decreased, 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 on 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 on 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

EUR million	Dec 31, 2018	IFRS 16 impact	Jan 1, 2019
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

Amendments to IAS 19 (Plan amendment, Curtailment or Settlement)

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. The IAS 19 amendment had no impact on consolidated financial statements as the Group didn't have any plan amendments, curtailments or settlements during the period. Caverion has applied the amendment as from 1 January 2019.

Evaluation of the future impact of new standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statements. The Group is not expecting a significant impact of those to the consolidated financial statements.



2 Financial performance

Revenue, EUR million	2,123.2
EBITDA, EUR million	103.0
EBITA, EUR million	49.8

In this section

This section comprises the following notes describing Caverion's financial performance in 2019:

2.1 Revenue from contracts with customers	40
2.2 Costs and expenses	41
2.3 Depreciation, amortisation and impairment	42
2.4 Financial income and expenses	42
2.5 Income taxes	43
2.6 Earnings per share	43

2.1 Revenue from contracts with customers

The disaggregation of revenue is set out below by Business Units and by division. The reportable segment of Caverion is the Group and thus, no reconciliation between segments and revenue from contracts with customers is presented.

Disaggregated revenue information

EUR million	2019	%	2018	%
Business units				
Services	1,274.9	60%	1,213.0	55%
Projects	848.3	40%	991.1	45%
Total revenue from contracts with customers	2,123.2	100%	2,204.1	100%
Revenue by division				
Sweden	435.4	21%	443.1	20%
Finland	384.3	18%	336.3	15%
Norway	359.6	17%	377.4	17%
Germany	355.5	17%	436.7	20%
Industrial Solutions	205.3	10%	229.2	10%
Austria	200.1	9%	176.8	8%
Denmark	109.5	5%	129.2	6%
Other countries	73.6	3%	75.5	3%
Total revenue from contracts with customers	2,123.2	100%	2,204.1	100%

Revenue from contracts with customers is recognised mainly over time.

Contract balances

EUR million	Dec 31, 2019	Dec 31, 2018
Contract assets		
POC receivables	197.6	207.4
Work in progress	1.7	2.3
Contract liabilities		
Advances received ¹⁾	216.2	182.6
Accrued expenses from long-term contracts	20.4	20.2

¹⁾ Advances received consist of advances received in cash and advances relating to percentage of completion method.

Amounts included in the contract liabilities at the beginning of the year are mainly recognised as revenue during the financial year. Revenue recognised from performance obligations satisfied in the previous years was not material in 2019 or 2018.

Performance obligations

A performance obligation is a distinct good or service within a contract that customer can benefit on stand-alone basis.

In Projects and Services business, performance obligation is satisfied by transferring control of a work delivered to a customer. At Caverion, control is transferred mainly over time and payment is generally due within 14–45 days.

In most of the contracts that Caverion has with its customers only one performance obligation is identified. Many contracts include different building systems (e.g. heating, sanitation, ventilation, air conditioning and electricity) that the customer has ordered from Caverion. All the different building systems (i.e. disciplines) could be distinct, because the customer could benefit from those on their own or together with other resources that are readily available. However, those are not concluded to be distinct in the context of the contract while based on the management's view, the customer has wanted to get all the building systems as a whole and the customer has requested for all technical solutions / services as one package. In addition, Caverion provides also project management services and is responsible for managing the project, which integrates the different goods and services as one total deliverable / combined output to the customer, which has been agreed in the contract and from the commercial point there are no separable risks related to the different parts of the project, as the project has one total price for the full delivery and possible sanctions are defined at the contract level.

Services business consists of Technical Maintenance, Advisory Services and Managed Services. In Services business performance obligations are maintenance agreements and separate repair orders which are distinct.

Remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December is as follows:

EUR million	2019	2018
Within one year	889.4	917.4
More than one year	781.1	576.8

Accounting principles

Income from the sale of products and services is recognised as revenue at fair value net of indirect taxes and discounts.

Revenue from sales of goods is recorded when the significant risks and rewards and control associated with the ownership of the goods have been transferred to the buyer. Revenue for sales of short-term services is recognised in the accounting period in which the services are rendered. Revenue is recognised when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Contracts under percentage of completion method are recognized as revenue on the stage of completion basis when the outcome of the project can be estimated reliably. The stage of completion of these contracts are measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for the contract or evaluated based on physical stage of completion. Invoicing which exceeds the revenue recognized based on the stage of completion is recognized in advances received. Invoicing which is less than the revenue recognized on the percentage of completion basis is deferred and presented as related accrued income. Costs in excess of the stage of completion are capitalised as work in progress and costs below the stage of completion are recorded as accrued expenses from long-term contracts.

Due to estimates included in the revenue recognition of contracts under percentage of completion method, revenue and profit presented by financial period only rarely correspond to the equal distribution of the total profit over the duration of the project. When revenue recognition is based on the percentage of completion method, the outcome of the projects and contracts is regularly and reliably estimated. Calculation of the total income of projects involves estimates on the total costs required to complete the project as well as on the development of billable work. If the estimates regarding the outcome of a contract change, the revenue and result recognised are adjusted in the reporting period when the change first becomes known and can be estimated. If it is probable that the total costs required to complete a contract will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

Revenue is recognised from any variable consideration at its estimated amount, if it is highly probable that no significant reversal of revenue will occur.

Caverion's customer contracts do not usually include any significant financing components.

The Group can also carry out a pre-agreed single project or a long-term service agreement through a construction consortium. The construction consortium is not a separate legal entity. The participating companies usually have a joint responsibility. Projects and service agreements performed by the consortium are included in the reporting of the Group company and revenue is recognised on the stage of completion basis according to the Group company's share in the consortium.

2.2 Costs and expenses

Employee benefit expenses

EUR million	2019	2018
Wages and salaries	694.8	710.2
Pension costs	64.3	68.6
Share-based compensations	3.4	1.9
Other indirect employee costs	106.4	112.3
Total	868.9	892.9
Average number of personnel	14,763	15,672

Information on the management's salaries and fees and other employee benefits is presented in note 6.1 Key management compensation.

Other operating income and expenses

EUR million	2019	2018 (non IFRS 16)
Loss on disposal of tangible and intangible assets	1.2	3.4
Expenses for office facilities ¹⁾	5.7	33.5
Other expenses for leases ¹⁾	23.3	51.2
Voluntary indirect personnel expenses	10.4	10.7
Other variable expenses for work in progress	65.9	55.5
Travel expenses	39.0	40.5
IT expenses	40.3	43.8
Premises expenses	9.0	8.3
Other fixed expenses ²⁾	35.1	81.6
Total of other operating expenses	229.8	328.4
Other operating income ³⁾	14.0	4.1
Total of other operating items	215.8	324.3

¹⁾ The decrease in costs in 2019 is mainly related to the adoption of IFRS 16 Leases standard.

²⁾ Other fixed expenses include consulting, legal, administrative, marketing and other fixed costs. In 2018, other fixed expenses include German anti-trust fine and related costs (EUR 42.1 million in total).

³⁾ Other operating income includes e.g. gains on the sale of tangible and intangible assets and rental income. In 2019, other operating income include additionally a compensation from the previous owners of a German subsidiary related to the cartel case.

The Group's research and development expenses amounted to EUR 0.8 (0.9) million in 2019. Research expenditure is expensed in the income statement as incurred.

Audit fee

The Annual General Meeting, held on 25 March 2019, re-elected Authorised Public Accountants Ernst & Young Oy as the company's auditor until the end of the next Annual General Meeting. PricewaterhouseCoopers Oy acted as the company's auditor during 2018 until Annual General Meeting 2018 was held. The auditor's remuneration will be paid according to invoice approved by Caverion.

EUR million	2019	2018
Ernst & Young		
Audit fee	0.7	0.6
Statement	0.0	0.1
Tax services	0.1	0.0
Other services	0.0	0.2
PricewaterhouseCoopers		
Audit fee		0.2
Statement		0.0
Tax services		0.2
Other services		0.0
Others	0.0	0.1
Total	0.8	1.5

Expenses for non-audit services Ernst & Young Oy has provided to Caverion Group entities in Finland amounted to EUR 0.1 (0.3) million during the financial year 2019. The services included auditors' statements (EUR 0.0 million), tax services (EUR 0.1 million) and other services (EUR 0.0 million).

Restructuring costs

EUR million	2019	2018
Personnel related costs	4.0	3.8
Rents	0.6	1.4
Other restructuring costs	0.1	0.1
Total	4.6	5.3

2.3 Depreciation, amortisation and impairment

EUR million	2019	2018 (non IFRS 16)
Depreciation and amortisation by asset category		
Intangible assets		
Allocations from business combinations	3.3	3.5
Other intangible assets	11.1	17.0
Tangible assets ¹⁾	53.2	6.5
Total	67.6	27.1

¹⁾ Depreciations on right-of-use assets in accordance with IFRS 16 have been presented in note 5.9 Lease agreements.

Accounting principles

The depreciation and amortisation are recorded on a straight-line basis over the economic useful lives of the assets:

Intangible assets:		Tangible assets:	
Allocations from business combinations	3–10 years	Buildings	40 years
Other intangible assets	2–5 years	Machinery and equipment	3–7 years
		Other tangible assets	10–40 years

2.4 Financial income and expenses

EUR million	2019	2018
Financial income		
Dividend income on investments	0.0	0.0
Interest income on loans and other receivables	0.8	0.5
Other financial income on loans and other receivables	0.1	0.1
Financial income, total	0.9	0.7
Financial expenses		
Interest expenses on liabilities at amortised cost	-4.5	-3.0
Other financial expenses on liabilities at amortised cost	-1.5	-1.4
Interest expenses on leases	-5.2	-0.1
Changes in fair values on financial instruments at fair value through profit and loss account	0.0	0.1
Financial expenses, total	-11.1	-4.3
Exchange rate gains ¹⁾	16.5	28.6
Exchange rate losses ¹⁾	-14.6	-32.9
Exchange rate differences, net	1.9	-4.3
Financial expenses, net	-8.4	-7.9

¹⁾ In connection with the process of closing an old project company in Russia, the company's internal loan denominated in euros in Russia was reclassified in 2018 from equity to liabilities and the translation gain of EUR 1.2 million was booked in December 2019 (EUR 4.8 million translation loss was booked in 2018). The bookings had no cash flow effect.

Accounting principles

Interest income and expenses are recognised using the effective interest method and dividend income when the right to receive payment is established. More detailed information about financial assets and interest-bearing liabilities can be found in note 5.4.

2.5 Income taxes

Income taxes in the income statement

EUR million	2019	2018
Tax expense for current year	16.5	4.9
Tax expense for previous years	-0.2	0.2
Change in deferred tax assets and liabilities	-12.0	-0.8
Total income taxes	4.4	4.3

The reconciliation between income taxes in the consolidated income statement and income taxes at the statutory tax rate in Finland 20.0% is as follows:

EUR million	2019	2018
Result before taxes	27.0	-43.9
Income taxes at the tax rate in Finland (20.0%)	5.4	-8.8
Effect of different tax rates outside Finland	-1.8	-6.3
Tax exempt income and non-deductible expenses ¹⁾	3.0	14.6
Impact of the changes in the tax rates on deferred taxes ²⁾	0.1	-0.4
Impact of losses for which deferred taxes is not recognised		3.8
Unrecognized losses from previous years	-0.6	0.0
Reassessment of deferred taxes	-1.6	1.2
Taxes for previous years	-0.2	0.2
Income taxes in the income statement	4.4	4.3

¹⁾ German anti-trust fine (EUR 40.8 million) affecting the non-deductible expenses in 2018

²⁾ In 2018, the effect of the change of tax rate mainly in Norway from 23.0% to 22.0% and in Sweden from 22.0% to 21.4% in 2019.

Accounting principles

Tax expenses in the income statement comprise current and deferred taxes. Taxes are recognised in the income statement except when they are associated with items recognised in other comprehensive income or directly in shareholders' equity. Current taxes are calculated on the taxable income on the basis of the tax rate stipulated for each country by the balance sheet date. Taxes are adjusted for the taxes of previous financial periods, if applicable. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The tax provisions recognised in such situations are based on evaluations by management. Evaluating

the total amount of income taxes at the Group level requires significant judgement, so the amount of total tax includes uncertainty.

2.6 Earnings per share

	2019	2018
Result for the financial year, EUR million	22.6	-48.2
Hybrid capital expenses and accrued interest after tax, EUR million	-3.1	-3.7
Adjusted result for the financial year, EUR million	19.5	-51.9
Weighted average number of shares (1,000 shares)	135,866	131,087
Earnings per share, basic, EUR	0.14	-0.40

Accounting principles

Earnings per share is calculated by dividing the result for the financial year attributable to the owners of the parent company (adjusted with the paid hybrid capital expenses and interests and accrued unrecognised interest after tax) by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the number of shares to assume conversion of all diluting potential shares. There were no diluting effects in 2019 and 2018.



3 Working capital and deferred taxes

Working capital,
EUR million **-100.9**

EUR million	2019	2018
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

In this section

This section comprises the following notes describing Caverion's working capital and deferred taxes for 2019:

3.1 Inventories	45
3.2 Trade and other receivables	45
3.3 Trade and other payables	46
3.4 Provisions	47
3.5 Deferred tax assets and liabilities	48

3.1 Inventories

EUR million	2019	2018
Raw materials and consumables	16.1	13.3
Work in progress	1.7	2.3
Advance payments	1.1	1.2
Total	18.8	16.9

The Group did not make any material write-downs in inventories in 2019 or 2018.

Accounting principles

Inventories are stated at the lower of cost and net realisable value. The acquisition cost of materials and supplies is determined using the weighted average cost formula. The acquisition cost of work in progress comprises the value of materials, direct costs of labour, other direct costs and a systematic allocation of the variable manufacturing overheads and fixed overhead. The net realisable value is the estimated selling price in the course of ordinary business less the estimated cost of completion and the estimated cost to make the sale.

3.2 Trade and other receivables

Milj. e	2019 Carrying value	2018 Carrying value
Trade receivables	329.6	311.6
POC receivables	197.6	207.4
Prepayments and other accrued income	23.2	16.6
Other receivables	10.5	15.1
Total	560.9	550.7

The average amount of trade receivables was EUR 268.1 (272.5) million in 2019.

Non-current receivables amounted to EUR 7.3 (6.4) million in 2019, out of which EUR 4.5 (4.1) million were loan receivables, EUR 2.3 (2.3) million defined benefit pension plan assets and EUR 0.4 (0.0) million other receivables.

Aging profile of trade receivables

Age analysis of trade receivables on December 31, 2019

EUR million	Carrying amount	Impaired	Gross
Not past due ¹⁾	254.7	-0.8	255.5
1 to 90 days	40.8	-0.1	40.9
91 to 180 days	7.9	-0.5	8.4
181 to 360 days	6.7	-1.2	7.9
Over 360 days	19.5	-3.2	22.7
Total	329.6	-5.8	335.5

Age analysis of trade receivables on December 31, 2018

EUR million	Carrying amount	Impaired	Gross
Not past due ¹⁾	241.1	-0.8	242.0
1 to 90 days	51.4	-0.6	52.0
91 to 180 days	5.4	-0.1	5.5
181 to 360 days	6.4	-0.8	7.2
Over 360 days	7.2	-4.0	11.2
Total	311.6	-6.3	317.9

¹⁾ Not past due trade receivables include IFRS 9 credit risk allowance.

Operational credit risk of receivables

Caverion's operational credit risk arises from outstanding receivable balances and long-term agreements with customers. Customer base and the nature of commercial contracts are different in each country, and local teams are responsible for ongoing monitoring of customer-specific credit risk. The exposure to credit risk is monitored on an ongoing basis.

The Group manages credit risk relating to operating items, for instance, by advance payments, upfront payment programs in projects, payment guarantees and careful assessment of the credit quality of the customer. Majority of Caverion Group's operating activities are based on established, reliable customer relationships and generally adopted contractual terms. The payment terms of the invoices are mainly from 14 to 45 days. Credit background of new customers is assessed comprehensively and when necessary, guarantees are required and client's paying behavior is monitored actively. Caverion Group does not have any significant concentrations of credit risk as the clientele is widespread and geographically spread into the countries in which the Group operates.

Credit losses and impairment of receivables amounted to EUR 1.6 (0.2) million. The Group's maximum exposure to credit risk at the balance sheet date (December 31, 2019) is the carrying amount of the financial assets. There are EUR 26.2 (13.6) million overdue receivables that are more than 180 days old. The majority of these receivables is related to disputed contracts. Receivables and the related risk are monitored on a regular basis and risk assessments are updated always when there are changes in circumstances.

Current receivables include operative risks which are described in more detail in the Board of Directors' Report.

Accounting principles

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less, they are classified as current. If not, they are presented as non-current.

The Group recognises an impairment loss on receivables when there is objective evidence that payment is not expected to occur. Recognised impairment loss includes estimates and critical judgements. The estimates are based on historical credit losses, past practice of credit management, client specific analysis and economic conditions at the assessment date. In addition to impairment losses recognized based on the evidence that the receivable cannot be collected in full, IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables - the so-called expected credit losses model. Caverion has chosen to apply a simplified credit loss matrix for trade receivables as the trade receivables do not contain significant financing components. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. The lifetime expected credit loss provision is calculated by multiplying the gross carrying amount of outstanding trade receivables by an expected default rate. Changes in expected credit losses are recognized in other operating expenses in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement.

Due to the application of the percentage of completion method, part of reliably estimated impairment losses are included in the cost estimate of a project and considered as weakened margin forecast. Therefore impairment losses of trade receivables in onerous projects are included in the loss reserve.

3.3 Trade and other payables

EUR million	2019 Carrying value	2018 Carrying value
Non-current liabilities		
Liabilities of derivative instruments	0.0	0.1
Other liabilities	2.1	0.0
Total non-current payables	2.1	0.2
Current liabilities		
Trade payables	173.7	184.1
Accrued expenses	144.4	114.3
Accrued expenses from long-term contracts	20.4	20.2
Advances received ¹⁾	216.2	182.6
Other payables	93.9	97.3
Total current payables	648.7	598.5

¹⁾ Advances received consist of advances received and invoiced advances.

Accounting principles

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

3.4 Provisions

EUR million	Warranty provision	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	Total
January 1, 2019	16.4	3.5	3.6	3.7	4.1	31.4
Translation differences	0.0	0.0	0.0	0.0		0.0
Provision additions	8.7	6.4	3.4	2.4	1.1	22.0
Released during the period	-3.3	-1.4	-3.5	-1.2	-0.4	-9.8
Reversals of unused provisions	0.0	0.0	-0.6	-0.3	-0.1	-1.0
Acquisitions through business combinations	0.2					0.2
Business disposals	-0.2			-0.1		-0.2
December 31, 2019	21.9	8.5	2.9	4.5	4.7	42.6
Non-current provisions	7.3		0.1		2.0	9.4
Current provisions	14.6	8.5	2.8	4.5	2.7	33.1
Total	21.9	8.5	2.9	4.5	4.7	42.6

EUR million	Warranty provision	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	Total
January 1, 2018	14.6	3.2	5.0	2.1	4.9	29.7
Translation differences	-0.1	-0.1	-0.2	0.0		-0.4
Provision additions	5.0	4.1	4.0	2.1	0.8	16.1
Released during the period	-3.2	-3.5	-4.3	-0.3	-1.5	-12.8
Reversals of unused provisions	0.0	0.0	-0.1	-0.1	-0.1	-0.2
Acquisitions through business combinations	0.0					0.0
Business disposals	0.0	-0.2	-0.8		0.0	-1.0
December 31, 2018	16.4	3.5	3.6	3.7	4.1	31.4
Non-current provisions	4.8		0.1		1.9	6.9
Current provisions	11.6	3.5	3.5	3.7	2.2	24.6
Total	16.4	3.5	3.6	3.7	4.1	31.4

The recognition of provisions involves estimates concerning probability and quantity. As of December 31, 2019 the provisions amounted to EUR 42.6 (31.4) million.

Accounting principles

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a past event, the realisation of the payment obligation is probable and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditure required to settle the obligation. If reimbursement for some or all of the obligations can be received from a third party, the reimbursement is recorded as a separate asset, but only when it is practically certain

that said reimbursement will be received. Provisions are recognised for onerous contracts when the unavoidable costs required to meet obligations exceed the benefits expected to be received under the contract. The amount of the warranty provision is set on the basis of experience of the realisation of these commitments.

Provisions for restructuring are recognised when the Group has made a detailed restructuring plan and initiated the implementation of the plan, or has communicated of it.

3.5 Deferred tax assets and liabilities

EUR million	2019	2018
Deferred tax asset	19.3	9.9
Deferred tax liability	-32.6	-33.1
Deferred tax liability, net	-13.4	-23.2
Changes in deferred tax assets and liabilities:		
Deferred tax liability, net January 1	-23.2	-24.2
Translation difference	-0.2	-0.2
Changes recognised in income statement	12.0	0.8
Changes recognised in comprehensive income	1.6	0.1
Changes recognised in equity	0.9	0.9
Acquisitions and allocations	-4.2	-0.5
Disposals	-0.3	
Deferred tax liability, net December 31	-13.4	-23.2

Changes in deferred tax assets and liabilities before the offset

2019

EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in comprehensive income	Recognised in equity	Acquisitions and allocations	Disposals	December 31
Deferred tax assets:								
Provisions	4.2	0.0	0.6			0.3	-0.3	4.8
Tax losses carried forward	38.9	-0.1	-12.7			0.2	-0.1	26.2
Pension obligations	7.5	0.0	-0.1	1.6				9.1
Percentage of completion method	0.3	0.0	0.2					0.5
Right-of-use assets (IFRS 16)	0.0	0.0	0.5					0.5
Other items	1.6	0.0	1.1			0.1		2.7
Total deferred tax assets	52.4	0.0	-10.4	1.6		0.6	-0.3	43.9
Deferred tax liabilities:								
Allocation of intangible assets ¹⁾	32.9	0.1	1.5			4.6		39.2
Accumulated depreciation differences	2.8	0.0	-0.4			0.1		2.5
Pension obligations	0.5	0.0	0.0					0.5
Percentage of completion method	38.2	0.0	-24.3					14.0
Other items	1.2	0.0	0.8		-0.9	0.1		1.2
Total deferred tax liabilities	75.6	0.2	-22.4		-0.9	4.8		57.3

2018

EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in comprehensive income	Recognised in equity	Acquisitions and allocations	Disposals	December 31
Deferred tax assets:								
Provisions	3.7	0.0	0.3	0.2				4.2
Tax losses carried forward	26.0	-0.4	13.3					38.9
Pension obligations	7.6	0.0	-0.2	0.1				7.5
Percentage of completion method	10.1	0.0	-9.8					0.3
Other items	2.0	0.0	-0.3	-0.1				1.6
Total deferred tax assets	49.4	-0.4	3.2	0.2				52.4
Deferred tax liabilities:								
Allocation of intangible assets ¹⁾	32.6	-0.1	-0.1			0.5		32.9
Accumulated depreciation differences	3.1	0.0	-0.3					2.8
Pension obligations	0.4		0.0	0.1				0.5
Percentage of completion method	36.3	-0.1	2.0					38.2
Other items	1.2	0.0	0.9		-0.9			1.2
Total deferred tax liabilities	73.6	-0.2	2.4	0.1	-0.9	0.5		75.6

¹⁾ Capitalisation of intangible assets include, besides capitalisation of intangible assets, the deductible amount of the deferred taxes of goodwill from the separate entities.

No deferred tax asset has been recognized on accumulated losses of EUR 2.5 (3.9) million, of which some part is not approved by tax authorities in 2019.



Accounting principles

Deferred taxes are calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be reverse in the foreseeable future. Deferred taxes have been calculated using the statutory tax rates or the tax rates substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

The most significant temporary differences arise from differences between the recognised revenue from long-term contracts using the percentage of completion method and taxable income, measurement at fair value in connection with business combinations and unused tax losses.

Deferred tax assets on taxable losses are booked to the extent the benefit is expected to be possible to deduct from the taxable profit in the future. Deferred tax liability on undistributed earnings of subsidiaries, where the tax will be paid on the distribution of earnings, has not been recognized in the statement of financial position, because distribution of the earnings is in the control of the Group and it is not probable in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



4 Business combinations and capital expenditure

Caverion made three notable acquisitions in 2019. Maintpartner and Huurre acquisitions were closed in the end of November and Pelsu Pelastussuunnitelma Oy in October.

In this section

This section comprises the following notes, which describe Caverion's business combinations and capital expenditure in 2019:

4.1 Acquisitions and disposals	52
4.2 Goodwill.	54
4.3 Tangible and intangible assets	56



4.1 Acquisitions and disposals

Acquisitions

Assets and liabilities of the acquired businesses (including fair value adjustments)

EUR million	2019	2018
Intangible assets	26.9	2.9
Right-of-use assets	7.7	
Tangible assets	2.0	0.1
Inventories	3.8	0.1
Investments	0.4	0.1
Trade and other receivables	28.0	6.3
Deferred tax assets	0.3	
Cash and cash equivalents	9.9	1.2
Total assets	78.9	10.8
Interest-bearing debts	3.8	0.0
Trade payables	10.7	0.2
Advances received	3.4	4.1
Provisions	1.3	
Lease liabilities	7.9	
Deferred tax liabilities	4.5	0.6
Other liabilities	27.6	2.6
Total liabilities	59.2	7.6
Net assets	19.6	3.2
Acquisition cost paid in cash ¹⁾	54.2	5.4
Contingent consideration	0.0	0.6
Goodwill	34.6	2.8

¹⁾ In addition to the paid acquisition cost, EUR 3.7 million of the acquired subsidiary's loans were paid back to external financing parties. In the cash flow statement, these are presented as a part of investing activities in acquisition of subsidiaries.

Year 2019

During 2019, Caverion acquired the Finnish, Estonian and Polish operations of the industrial operation and maintenance service provider Maintpartner, the refrigeration solutions business of Huurre Group Oy as well as the share capitals of Finnish Pelsu Pelastussuunnitelma Oy and the Norwegian Gascom AS.

The consolidation of the acquired businesses in accordance with IFRS 3 is still provisional as of 31 December 2019. Therefore the fair value measurement of the acquired assets and liabilities is preliminary and subject to adjustments during the 12-month period during which the acquisition calculations will be finalized.

In the fair value measurement of the 2019 acquisitions, customer relationships, technology, trademarks and order backlog have been identified as intangible assets. A total fair value of EUR 20.1 million has been allocated to customer relationships, EUR 1.8 million to technology, EUR 1.4 million to trademarks and EUR 0.4 million to order backlog.

Maintpartner

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). IFRS revenue after the acquisition date amounted to EUR 12.5 million and EBITDA to EUR 1.4 million. The goodwill arising from the acquisition is mainly attributable to workforce, expected synergies and geographical coverage. EUR 2.2 million of the goodwill has been considered tax deductible. The transaction costs amounted to EUR 1.9 million and were expensed during the financial year.

Huurre

Caverion signed an agreement to acquire the Refrigeration Solutions business of Huurre Group Oy on 29 October 2019. The acquisition was finalized on 29 November 2019 and included the share capitals of Huurre Finland Oy and Huurre Sweden AB. The acquired business is a leading supplier of energy-efficient CO₂ based refrigeration systems and related refrigeration automation solutions with operations in Finland and Sweden. Huurre Refrigeration Solutions has three business units: Services, Refrigeration Projects and related Automation. The purchased Refrigeration Solutions business employs 130 people in Sweden and 141 in Finland at the end of 2019. The product development and production are centralised in Finland. The acquired businesses were consolidated into Caverion's financial figures as of 30 November 2019.

The full year 2019 revenue of the acquired business amounted to EUR 50.6 million and EBITDA to EUR 1.3 million according to the acquired companies' local accounting standards. IFRS revenue after the acquisition date amounted to EUR 3.3 million and EBITDA to EUR -0.3 million. The goodwill arising from the acquisition is mainly attributable to workforce, expected synergies and geographical coverage. The goodwill is not tax deductible. The transaction price was not disclosed and the transaction costs amounted to EUR 1.1 million and were expensed during the financial year.

Other acquisitions

Caverion acquired the entire share capital of the Finnish company, Pelsu Pelastussuunnitelma Oy in October 2019 and the transaction was completed on 31 October 2019. The sellers were the main owners of the company: Fast Monkeys Oy, Sontek Ventures Oy, Eetu Kirsi, Okko Kouvalainen and several private shareholders. Pelsu Pelastussuunnitelma specialises in property security consulting services and easy-to-use digital web and mobile services. The transaction includes the electronic software and platform for emergency plans, called pelastussuunnitelma.fi. This service currently manages emergency plans for over 30,000 properties in Finland. The company is a market leader in its field in Finland. The acquired company was consolidated into Caverion's financial figures as of 31 October 2019.

The full year 2019 revenue of Pelsu Pelastussuunnitelma Oy amounted to EUR 1.9 million and EBITDA to EUR 1.1 million according to the Finnish accounting standards (FAS). IFRS revenue after the acquisition date amounted to EUR 0.3 million and EBITDA to EUR 0.2 million. The goodwill arising from the acquisition is mainly attributable to personnel know-how and expected synergies. The goodwill is not tax deductible. The transaction price was not disclosed and the transaction costs amounted to EUR 0.2 million and were expensed during the financial year.

Caverion acquired the share capital of the Norwegian Gascom AS on 1 January 2019. Gascom specialises in the assembly and maintenance of gas plants and the company's IFRS revenue totaled EUR 1.6 million and EBITDA EUR 0.1 million for the whole of 2019. The company permanently employed 5 people. Gascom AS was merged into Caverion Norge AS on 1 November 2019. No goodwill arose as a result of the acquisition and the transaction price was not disclosed.

Year 2018

Caverion Suomi Oy signed an agreement in November 2018 to acquire the entire share capital of Jetitek Oy from the management of the company. Jetitek is a Finnish service company specialised in energy-efficient cooling solutions that offers total deliveries of refrigeration systems and their design and dimensioning as well as maintenance, repair, and alterations. Jetitek's revenue amounted to EUR 16 million in 2018, and it employs 52 people in 6 different locations in Finland. The acquisition was completed in the end of November 2018. Jetitek Oy was merged into Caverion Suomi Oy in 2019.

Transaction costs amounted to EUR 0.1 million and were expensed during the financial year.

Disposals

Assets and liabilities of the disposed businesses

EUR million	2019	2018
Goodwill	2.4	
Right-of-use assets	0.6	
Other intangible assets	0.0	0.4
Tangible assets	0.0	4.6
Inventories	0.0	1.8
Trade and other receivables	2.7	0.5
Deferred tax assets	0.3	0.0
Cash and cash equivalents	1.3	
Total assets	7.3	7.4
Trade payables	1.7	
Advances received	0.0	1.5
Provisions	0.1	
Lease liabilities	0.6	
Deferred tax liabilities	0.0	
Other liabilities	1.1	3.9
Total liabilities	3.5	5.4
Net assets	3.8	1.9
Consideration paid in cash	3.6	-0.5
Contingent consideration		-0.9
Translation differences	-0.9	
Gain/loss on sales	-1.1	-3.3



Year 2019

Caverion announced the sale of its small subsidiaries in Poland and Czech Republic in the end of December 2018. The entire share capital of Caverion's Polish subsidiary Caverion Polska Sp. Z o.o. was sold to STRABAG PFS Austria GmbH, part of the construction and technology group Strabag SE. The sale was completed on 28 February 2019. The revenue of Caverion Polska Sp. Z o.o. was EUR 13 million and total assets amounted to EUR 4 million in 2018. The number of employees totaled 177 people. The subsidiary in Czech Republic was sold to KART, spol. s r.o., part of conglomerate CEZ Group. The revenue of Caverion Česká republika s.r.o. was EUR 2.8 million and total assets amounted to EUR 0.7 million in 2018. The number of employees was 39 people. The sale of the subsidiary in the Czech Republic was completed on 2 January 2019.

Divesting the subsidiaries in Poland and Czech Republic is part of Caverion's strategy implementation to improve the Group's financial performance and to focus on the Group's core business in its main market areas. The transaction prices were not disclosed.

Year 2018

Caverion made several divestments of non-core units during financial year 2018.

Caverion Industria Oy and a Finnish group of buyers agreed on the asset sale of Caverion's operations in Leppävirta, Finland, during the third quarter. The sale was closed in the end of August 2018. All 33 employees of Caverion's Leppävirta unit were transferred as old employees in the sale. The asset sale included e.g. machinery and appliances, material inventory and work in progress. Furthermore, the Mongstad unit in Division Norway was sold through a management buy-out as of 1 November 2018. Mongstad unit includes a large workshop with deliveries to industry and offshore.

Caverion signed in November 2018 an agreement to sell the project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division to Mimir Invest. The divestment was completed in the end of December 2018. The transaction value was not disclosed. The revenue of the sold business was approximately EUR 45 million in 2018. The business transferred from Caverion and its supporting business processes employed a total of 324 people.

4.2 Goodwill

Goodwill is allocated to the cash generating units (CGU) as follows:

EUR million	2019	2018
Finland	80.8	75.2
Sweden	46.8	41.8
Norway	69.7	69.7
Denmark	7.6	7.6
Industrial Solutions	65.7	41.8
Germany	77.7	77.7
Austria	18.3	18.3
Poland		2.4
Total goodwill	366.5	334.4

During 2019, Caverion acquired the Finnish, Estonian and Polish operations of the industrial operation and maintenance service provider Maintpartner, the refrigeration solutions business from Huurre Group Oy including the share capitals of Huurre Finland Oy and Huurre Sweden AB as well as the share capitals of Finnish Pelsu Pelastussuunnitelma Oy and the Norwegian Gascom AS. Goodwill recorded in Industrial Solutions related to Maintpartner acquisition amounted to EUR 24.0 million. Goodwill related to Huurre acquisition amounted to EUR 5.0 million in Sweden and EUR 1.4 million in Finland. Goodwill related to Pelsu Pelastussuunnitelma acquisition amounted to EUR 4.2 million in Finland. Goodwill allocated to the sold Polish subsidiary amounted to EUR 2.4 million.

There was no goodwill allocated to the division Industrial Solutions project piping business that was sold during the financial year 2018. During the financial year EUR 2.8 million of goodwill was recorded in relation to the acquisition of Jetitek Oy in division Finland.

Goodwill is reviewed for potential impairment whenever there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest cash generating unit level (CGU) which generates independent cash flows. The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. The future cash flow projections are based on the budget approved by the top management and the Board of Directors and other long-term financial plans. Cash flow projections cover two years, the terminal value is defined by extrapolating it on the basis of average development during the forecasted planning horizon. Cash flows beyond the forecast period are projected by using 1 percent long-term growth rate that is based on a prudent estimate about the long-term growth rate and inflation. Future growth estimates are based on the former experience and information available by external market research institutions on market development. The discount rate used in the impairment testing is the weighted average pre-tax cost of capital (WACC). The discount rate reflects the total cost of equity and debt and the market risks related to the segment. The country-specific WACC components are: the risk-free interest rate, the market risk premium and the credit spread. The common components for all tested CGUs are: the comparable peer industry beta, the Group capital structure and the size premium based on Caverion Group's size.



Assumptions used in goodwill impairment testing 2019	CGU 1 = Finland	CGU 2 = Sweden	CGU 3 = Norway	CGU 4 = Denmark	CGU 5 = Industrial Solutions	CGU 6 = Germany	CGU 7 = Austria
Pre-tax WACC	8.37%	7.95%	9.76%	8.00%	8.37%	8.71%	8.72%
Recoverable amount exceeds balance sheet value	>50%	>50%	>50%	>50%	>50%	20–50%	>50%
Recoverable amount in different sensitivity analysis scenarios in relation to balance sheet value							
Revenue -10% and operating profit -1%	>50%	>50%	>50%	>50%	>50%	Impairment	>50%
WACC -2%-points	>50%	>50%	>50%	>50%	>50%	Impairment	>50%
Long-term growth rate -0.5%-points	>50%	>50%	>50%	>50%	>50%	0–20%	>50%
All the above	>50%	20–50%	>50%	20–50%	>50%	Impairment	>50%

The goodwill test results are evaluated by comparing the recoverable amount (E) with the carrying value of the CGU assets (T), as follows:

Ratio	Estimate
E < T	Impairment
E 0–20% > T	Slightly above
E 20–50% > T	Clearly above
E 50%– > T	Substantially above

As a result of the impairment tests performed, no impairment loss has been recognised in 2019 or in 2018. In the 2019 testing the recoverable amount exceeded the balance sheet value in Germany clearly and in other CGUs substantially. In the 2018 testing the recoverable amount exceeded the balance sheet value in Germany slightly and in other CGUs substantially.

Values for sensitivity analysis in separate scenarios (1, 2, 3), with which recoverable amount = balance sheet value, Germany

	Basic assumption	Change in value
Revenue in the forecast period (scenario 1)	8.4% average growth (CAGR)	-3.6% p.p.
Average EBITDA percentage in the forecast period (scenario 1)	3.9%	-0.4% p.p.
Pre-tax WACC (scenario 2)	8.7%	+1.6% p.p.
Terminal growth assumption (scenario 3)	1.0%	-1.2% p.p.

Accounting principles

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets of the acquiree and the fair value of the non-controlling interest in the acquiree on the date of acquisition. The net identifiable assets include the assets acquired and the liabilities assumed as well as the contingent liabilities. The consideration transferred is measured at fair value.

Impairment testing

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is measured at the original acquisition cost less impairment. Impairment is expensed immediately in the income statement and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed of.

Goodwill is tested for any impairment annually in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The cash flows in the value-in-use calculations are based on the management's best estimate of market development for the subsequent years. The discount rate may be increased with a branch specific risk factor.

The recoverable amounts have been assessed in relation to different time periods and the sensitivity has been analysed for the changes of the discount rate, profitability and the terminal growth rate.

4.3 Tangible and intangible assets

Property, plant and equipment

2019	Land and water areas	Buildings and structures	Machinery and equipment ²⁾	Other tangible assets ¹⁾	Advance payments	Total
EUR million						
Historical cost on Jan 1, 2019	0.5	12.8	58.5	17.9	0.1	89.9
Translation differences		0.0	0.2	0.0		0.2
Increases		0.0	4.1	3.9	0.2	8.2
Acquisitions	0.1	0.9	10.4	0.4		11.8
Decreases ³⁾	0.0	-7.2	-23.6	-1.6		-32.5
Business disposals			0.0	0.4		0.4
Reclassifications between classes		-0.2	-5.2	0.9	-0.2	-4.7
Historical cost on Dec 31, 2019	0.6	6.2	44.4	21.9	0.1	73.3
Accumulated depreciation and impairment on Jan 1, 2019		-10.1	-49.3	-14.6		-73.9
Translation differences			-0.2	0.0		-0.2
Depreciation		-0.3	-3.6	-1.3		-5.2
Accumulated depreciation of increases and acquisitions		-0.3	-9.7	-0.4		-10.3
Accumulated depreciation of decreases and business disposals ³⁾		7.2	23.5	1.2		31.9
Reclassification between classes			4.3	-0.4		3.8
Accumulated depreciation and impairment on Dec 31, 2019		-3.4	-35.1	-15.5		-54.0
Carrying value on Jan 1, 2019	0.5	2.7	9.2	3.4	0.1	15.9
Carrying value on Dec 31, 2019	0.6	2.8	9.3	6.5	0.1	19.3

¹⁾ Other tangible assets include, among other things, capitalized leasehold improvement costs.

²⁾ In 2018, the carrying value of finance lease assets amounting to EUR 0.9 million was included in the carrying amount of machinery and equipment. In 2019, these assets are included in the IFRS 16 right-of-use assets, the contents of which are described in more detail in note 5.9 Lease agreements.

Accounting principles

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost over their estimated useful lives.

2018	Land and water areas	Buildings and structures	Machinery and equipment ²⁾	Other tangible assets ¹⁾	Advance payments	Total
EUR million						
Historical cost on Jan 1, 2018	1.0	15.4	65.8	18.1	0.3	100.5
Translation differences	0.0	0.0	-0.9	0.0		-0.9
Increases		1.4	3.3	0.9	0.1	5.8
Acquisitions			0.1			0.1
Decreases	-0.1	-0.8	-3.3	-0.9		-5.2
Business disposals	-0.4	-3.2	-4.8			-8.4
Reclassifications between classes			-1.7	-0.1	-0.3	-2.0
Historical cost on Dec 31, 2018	0.5	12.8	58.5	17.9	0.1	89.9
Accumulated depreciation and impairment on Jan 1, 2018		-11.6	-53.0	-14.0		-78.6
Translation differences		0.0	0.7	0.0		0.7
Depreciation		-0.4	-4.7	-1.5		-6.5
Accumulated depreciation of increases and acquisitions						
Accumulated depreciation of decreases and business disposals		1.9	5.9	0.9		8.6
Reclassification between classes			1.9			1.9
Accumulated depreciation and impairment on Dec 31, 2018		-10.1	-49.3	-14.6		-73.9
Carrying value on Jan 1, 2018	1.0	3.8	12.8	4.0	0.3	21.9
Carrying value on Dec 31, 2018	0.5	2.7	9.2	3.4	0.1	15.9

³⁾ The decreases in buildings and structures as well as in machinery and equipment during financial year 2019 are, for the most part, related to old fully depreciated assets which are no longer in use in the Industrial Solutions division.

The residual values and useful lives of assets are reviewed at the end of each reporting period. If necessary, they are adjusted to reflect the changes in expected economic benefits. Capital gains or losses on the disposal of property, plant and equipment are included in other operating income or expenses.



Intangible assets

2019				
EUR million	Goodwill	Allocations from business combinations	Other intangible assets ¹⁾	Total other intangible assets
Historical cost on January 1, 2019	335.3	63.5	97.0	160.5
Increases			8.7	8.7
Acquisitions	34.6	23.6	16.0	39.6
Decreases		-8.0	-6.1	-14.1
Business disposals	-3.3		-0.4	-0.4
Reclassifications between classes		-0.2	-0.5	-0.7
Translation differences		-0.4	0.0	-0.4
Historical cost on December 31, 2019	366.5	78.5	114.8	193.3
Accumulated amortisation and impairment on January 1, 2019	-0.9	-56.1	-69.8	-126.0
Amortisation and impairment		-3.3	-11.1	-14.5
Translation differences		0.4	0.0	0.4
Accumulated amortisation of increases and acquisitions			-12.2	-12.2
Accumulated amortisation of decreases and reclassifications		8.2	6.3	14.5
Accumulated amortisation of business disposals	0.9		0.3	0.3
Accumulated amortisation and impairment on December 31, 2019		-50.9	-86.5	-137.4
Carrying value on January 1, 2019	334.4	7.4	27.2	34.5
Carrying value on December 31, 2019	366.5	27.6	28.3	56.0

2018				
EUR million	Goodwill	Allocations from business combinations	Other intangible assets ¹⁾	Total other intangible assets
Historical cost on January 1, 2018	332.5	61.4	98.6	160.0
Increases			6.9	6.9
Acquisitions	2.8	2.9		2.9
Decreases			-5.5	-5.5
Business disposals			-0.6	-0.6
Reclassifications between classes			-2.0	-2.0
Translation differences		-0.9	-0.4	-1.2
Historical cost on December 31, 2018	335.3	63.5	97.0	160.5
Accumulated amortisation and impairment on January 1, 2018	-0.9	-53.3	-60.0	-113.4
Amortisation and impairment		-3.5	-17.0	-20.6
Translation differences		0.7	0.2	1.0
Accumulated amortisation of increases and acquisitions				
Accumulated amortisation of decreases and reclassifications			6.8	6.8
Accumulated amortisation of business disposals			0.2	0.2
Accumulated amortisation and impairment on December 31, 2018	-0.9	-56.1	-69.8	-126.0
Carrying value on January 1, 2018	331.6	8.1	38.5	46.7
Carrying value on December 31, 2018	334.4	7.4	27.2	34.5

¹⁾ Other intangible assets consist mainly of IT infrastructure, systems and solutions.

Allocations from business combinations:

EUR million	2019	2018
Customer relations and contract bases	23.3	4.6
Unpatented technology	1.7	
Trademarks	1.3	
Patents	1.0	1.2
Order backlog	0.2	1.6
Prohibition of competition clause	0.0	0.1
Total	27.6	7.4

Accounting principles

An intangible asset is initially recognised in the balance sheet at acquisition cost when the acquisition cost can be reliably determined and the economic benefits are expected to flow from the asset to the Group. Intangible assets with a known or estimated limited useful life are expensed in the income statement on a straight-line basis over their useful life.

Other intangible assets acquired in connection with business acquisitions are recognised separately from goodwill if they meet the definition of an intangible asset: they are separable or are based on contractual or other legal rights. Intangible assets recognised in connection with business acquisitions include e.g. the value of customer agreements and associated customer relationships, prohibition of competition agreements, the value of acquired technology and industry related process competence. The value of customer agreements and their associated customer relationships and industry related process competence is determined using the cash flows estimated according to the durability and duration of the assumed customer relations.

Impairment of tangible and intangible assets

At each closing date, the Group evaluates whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of said asset is estimated. In addition, the recoverable amount is assessed annually for each of the following assets regardless of whether there is any indication of impairment: goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use. The need for impairment is assessed at the level of cash-generating units.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the value in use. The value in use is determined based on the discounted future net cash flows estimated to be recoverable from the assets in question or cash-generating units. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is recognised immediately in the income statement and is initially allocated to the goodwill allocated to the cash-generating unit and thereafter to other assets pro rata on the basis of their carrying amounts. An impairment loss is reversed when the circumstances change and the amount recoverable from the asset has changed since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Impairment losses on goodwill are never reversed.



5 Capital structure

Net debt, EUR million	168.4
Equity ratio, %	21.5
Net debt/EBITDA ratio	1.4

In this section

This section comprises the following notes describing Caverion's capital structure for 2019:

5.1 Capital management	60
5.2 Shareholders' equity	60
5.3 Change in net debt	62
5.4 Financial assets and liabilities by category	63
5.5 Financial risk management	66
5.6 Derivative instruments	68
5.7 Investments in associated companies and joint ventures	69
5.8 Employee benefit obligations	70
5.9 Lease agreements	72
5.10 Commitments and contingent liabilities	73

5.1 Capital management

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.

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 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. Furthermore, Caverion also refinanced its bank loans and undrawn revolving credit facilities at the beginning of February 2019.

Caverion's business model is asset light and typically requires little investments. Caverion's targeted operational capex level (excluding acquisitions) should not exceed 1 percent of revenue. Acquisitions are only allowed for divisions performing well and in areas where adding complementing capabilities or assets to existing footprint especially in Services. Caverion aims at 100 per cent cash conversion (operating cash flow before financial and tax items/EBITDA) in order to ensure a healthy cash flow.

Caverion's management evaluates and continuously monitors the amount of funding required in the Group's business activities to ensure it has adequate liquid funds to finance its operations, repay its loans at maturity and pay annual dividends. The funding requirements have been evaluated based on an annual budget, monthly financial forecasts and short-term, timely cash planning. Caverion's Group Treasury is responsible for maintaining sufficient funding, availability of different funding sources and a controlled maturity profile for the external loans. Caverion targets a net debt to EBITDA ratio of less than 2.5 times.

Cash management and funding is centralised in Group Treasury. With a centralised cash management, the use of liquid funds can be optimised between different units of the Group.

Caverion's aim is to distribute at least 50% of the result for the year after taxes, however, taking profitability and leverage level into account.

Capital

EUR million	2019	2018
Share capital	1.0	1.0
Hybrid capital	66.1	100.0
Unrestricted equity reserve	66.0	66.0
Other equity	95.5	86.6
Equity attributable to owners of the parent company	228.5	253.6
Non-controlling interest	0.4	0.4
Total equity	228.9	254.0
Non-current borrowings	218.3	30.9
Current borrowings	43.6	27.2
Total interest-bearing debt	261.9	58.1
Total capital	490.8	312.0
Total interest-bearing debt	261.9	58.1
Cash and cash equivalents	93.6	51.2
Net debt	168.4	6.9
Net debt to EBITDA ¹⁾	1.4	0.2
Gearing ratio, %	73.6	2.7
Equity ratio, %	21.5	30.2

¹⁾ The Net Debt to EBITDA has been calculated according to confirmed calculation principles with lending parties.

5.2 Shareholders' equity

Share capital and treasury shares

	Number of outstanding shares	Share capital EUR million	Treasury shares EUR million
Jan 1, 2019	135,655,641	1.0	-3.2
Transfer of treasury shares	415,091		0.1
Dec 31, 2019	136,070,732	1.0	-3.1
Jan 1, 2018	125,083,764	1.0	-3.2
Transfer of treasury shares	1,047,877		
Directed share issue	9,524,000		
Dec 31, 2018	135,655,641	1.0	-3.2



The total number of Caverion Corporation's shares was 138,920,092 (138,920,092) and the share capital amounted to EUR 1.0 (1.0) million on December 31, 2019.

All the issued and subscribed shares have been fully paid to the company. Shares do not have a nominal value.

Treasury shares

Caverion held 2,849,360 (3,264,451) treasury shares on December 31, 2019.

The consideration paid for the treasury shares amounted to EUR 3.1 million on December 31, 2019 and is disclosed as a separate fund in equity. The consideration paid on treasury shares decreases the distributable equity of Caverion Corporation. Caverion Corporation holds the own shares as treasury shares and has the right to return them to the market in the future.

Translation differences

Translation differences include the exchange rate differences recognised in Group consolidation. In addition, the portion of the gains and losses of effective hedges on the net investment in foreign subsidiaries, which are hedged with currency forwards, is recognised in equity. There were no hedges of a net investment in a foreign operation in 2019 or 2018.

Fair value reserve

Fair value reserve includes movements in the fair value of the investments that are not held for trading, and the derivative instruments used for cash flow hedging.

Hybrid capital

In June 2017 Caverion Corporation issued a EUR 100 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. After the voluntary cash tender offer carried out at the end of first quarter 2019, the remaining amount of the hybrid bond outstanding is EUR 66.06 million. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of current shareholders. The coupon of the hybrid bond is 4.625 per cent per annum until June 16, 2020. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on June 16, 2020, and subsequently, on each coupon interest payment date. If the hybrid bond is not redeemed on June 16,

2020, there will be a step-up of 500 basis points in the coupon. The accrued unrecognised interest on the bond was EUR 1.7 (2.5) million at 31 December 2019.

The interest from the hybrid bond must be paid to the investors if Caverion Corporation pays dividends. If dividends are not paid, a separate decision regarding interest payment on the hybrid bond will be made. Related to the tendered hybrid notes, EUR 1.2 million interest was paid at the end of first quarter. In June 2019, Caverion paid EUR 3.1 million (EUR 4.6 million in 2018) in hybrid bond annual interest for the remaining amount. The hybrid bond is initially recognised at fair value less transaction costs and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is debited directly to equity, net of any related income tax benefit.

According to IAS 33, interest accrued in local books has been taken into account as an expense in earnings per share calculation as described in calculation of key figures.

Unrestricted equity reserve

Caverion announced in a stock exchange release on 7 February 2018 the establishment of a new share-based incentive plan directed at the key employees of the Group ("Matching Share Plan 2018–2022"). In connection with the technical execution of the plan a total of 3,800,000 new shares were subscribed for in Caverion Corporation's share issue directed to the company itself without payment, and were entered into the Trade Register on 19 February 2018. The total capital raised amounted to EUR 6.67 million and was recorded in entirety into the unrestricted equity reserve.

Caverion executed a directed share issue of new shares in June 2018 in order to maintain a strong balance sheet and to retain strategic flexibility after the payment of the German anti-trust fine. On 15 June 2018, the Company announced that it had directed a share issue of 9,524,000 new shares in the Company to institutional investors, corresponding to approximately 7.36 percent of all the shares and votes in the Company immediately prior to the share issue raising gross proceeds of EUR 60.0 million. The subscription price was recorded in its entirety into the unrestricted equity reserve of the company.

Dividends

The Annual General Meeting, held on 25 March 2019, decided that a dividend of EUR 0.05 per share will be paid for the financial year 2018.

The Board of Directors proposes to the Annual General Meeting to be held on March 23, 2020 that a dividend of EUR 0.08 per share will be paid for the financial year 2019.

5.3 Change in net debt

Net debt is defined as the total of interest-bearing liabilities less cash and cash equivalents.

EUR million	Liabilities from financing activities			Cash and cash equivalents	Net debt
	Non-current borrowings including repayments	Lease liabilities	Current loans		
Net debt as at 31 Dec 2018	57.1	0.9	0.0	51.2	6.9
Recognised on adoption of IFRS 16		140.5			
Net debt as at 1 Jan 2019	57.1	141.5	0.0	51.2	147.4
Change in net debt, cash:					
Proceeds from non-current borrowings	125.0				
Repayment of non-current borrowings	-56.7	-45.5			
Change in current liabilities					
Change in cash and cash equivalents				41.5	
Change in net debt, non-cash:					
Additions		36.5			
Acquisitions		7.7			
Disposals and business divestitures		-3.1			
Foreign exchange adjustments ¹⁾		0.0		0.9	
Other non-cash changes	-0.4				
Net debt as at 31 Dec 2019	125.0	136.9	0.0	93.6	168.4

EUR million	Liabilities from financing activities			Cash and cash equivalents	Net debt
	Non-current borrowings including repayments	Finance leases	Current loans		
Net debt as at 1 Jan 2018	85.7	2.5	5.0	29.2	64.0
Change in net debt, cash:					
Proceeds from non-current borrowings	0.0	0.6			
Repayment of non-current borrowings	-28.7	-2.2			
Change in current liabilities			-5.0		
Change in cash and cash equivalents				23.6	
Change in net debt, non-cash:					
Foreign exchange adjustments ¹⁾		0.0			-1.7
Other non-cash changes	0.1				
Net debt as at 31 December 2018	57.1	0.9	0.0	51.2	6.9

¹⁾ The cash flow statements of foreign subsidiaries are translated into euro using the financial year's average foreign currency exchange rates, and the cash and cash equivalents are translated using the exchange rates quoted on the balance sheet date.

5.4 Financial assets and liabilities by category

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The standard has been applied as of 1 January 2018.

2019				
EUR million	Fair value	Fair value through	Amortised	Carrying
Valuation	through profit	other comprehensive	cost	value
	and loss	income		
Non-current financial assets				
Investments	0.6	0.7		1.3
Trade receivables and other receivables			5.0	5.0
Current financial assets				
Trade receivables and other receivables			536.7	536.7
Derivatives (hedge accounting not applied)	0.9			0.9
Cash and cash equivalents			93.6	93.6
Total	1.5	0.7	635.2	637.4
Non-current financial liabilities				
Loans from financial institutions			49.9	49.9
Bonds			74.6	74.6
Other loans			0.5	0.5
Lease liabilities			93.3	93.3
Total non-current interest-bearing liabilities			218.3	218.3
Trade payables and other liabilities			0.3	0.3
Derivatives (hedge accounting not applied)				
Current financial liabilities				
Loans from financial institutions				
Pension loans				
Other loans				
Lease liabilities			43.6	43.6
Total current interest-bearing liabilities			43.6	43.6
Trade payables and other liabilities			483.9	483.9
Derivatives (hedge accounting not applied)	0.2			0.2
Total	0.2		746.1	746.3

2018				
EUR million	Fair value	Fair value through	Amortised	Carrying
Valuation	through profit	other comprehensive	cost	value
	and loss	income		
Non-current financial assets				
Investments	0.8	0.4		1.2
Trade receivables and other receivables			4.1	4.1
Current financial assets				
Trade receivables and other receivables			533.7	533.7
Derivatives (hedge accounting not applied)	0.3			0.3
Cash and cash equivalents			51.2	51.2
Total	1.1	0.4	589.0	590.5
Non-current financial liabilities				
Loans from financial institutions			30.0	30.0
Other loans			0.5	0.5
Finance lease liabilities			0.4	0.4
Total non-current interest-bearing liabilities			30.9	30.9
Trade payables and other liabilities			0.1	0.1
Derivatives (hedge accounting not applied)	0.1			0.1
Current financial liabilities				
Loans from financial institutions			20.0	20.0
Pension loans			6.7	6.7
Other loans			0.0	0.0
Finance lease liabilities			0.5	0.5
Total current interest-bearing liabilities			27.2	27.2
Trade payables and other liabilities			464.0	464.0
Derivatives (hedge accounting not applied)	1.1			1.1
Total	1.2		522.1	523.3

The carrying amount of financial assets and liabilities except for non-current loans approximate their fair value. The fair value of non-current loans amounted to EUR 129.2 (31.4) million at the end of 2019. The fair values of non-current loans are based on discounted cash flows and are categorised within level 2 of the fair value hierarchy. Discount rate is defined to be the rate that the Group was to pay for an equivalent external loan at year end. It consists of a risk-free market rate and a company and maturity related risk premium of 2.00% - 2.50% p.a (1.50% - 2.00% in 2018).

Investments consist of as follows:	2019	2018
Quoted shares (level 1 in fair value hierarchy)	0.6	0.8
Unquoted shares (level 3 in fair value hierarchy)	0.7	0.4
Total	1.3	1.2

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily funds and OMXH equity investments. Investments categorised in Level 3 are non-listed equity instruments and they are measured at acquisition cost less any impairment or prices obtained from a broker as their fair value cannot be measured reliably.

Accounting principles

Financial assets

Classification and measurement

Financial assets are classified at initial recognition into the following categories according to IFRS 9: at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. The classification depends on the objective of the business model and the characteristics of contractual cash flows of the item.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets or derivatives that do not meet the criteria for hedge accounting. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives and other financial assets at fair value through profit and loss are initially measured at fair value and transaction costs are expensed in the income statement. Subsequent to initial recognition, they are measured at fair value. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise. Assets in this category are classified as non-current

assets (Receivables) if expected to be settled after 12 months and as current assets (Trade and other receivables) if expected to be settled within 12 months.

Amortised cost

The Group's non-derivative financial assets and cash and cash equivalents are classified to amortised cost category. This category comprises loans receivables, trade receivables, cash and cash equivalents and other receivables. These are included in current assets, except for maturities greater than 12 months after the reporting period, which are classified as non-current. These assets are initially recognised at fair value and transaction costs are expensed in the income statement. Subsequent to initial recognition, they are carried at amortised cost using the effective interest rate method less any impairment. Due to the nature of short-term receivables and other receivables, their book value is expected to equal to the fair value.

Cash and cash equivalents include cash at hand, bank deposits withdrawable on demand and liquid short-term investments with original maturities of three months or less.

Financial assets at fair value through other comprehensive income

Equity investments in non-listed investments that are not held for trading, are classified as equity instruments designated at fair value through other comprehensive income.

These assets are initially recognised at fair value, plus any transaction costs. Subsequent to initial recognition, they are carried at fair value. Changes in the fair value are recognised in other comprehensive income and are presented in the fair value reserves under shareholders' equity, net of tax. When investments are sold or impaired, the accumulated fair value adjustments recognised in equity are never recycled to income statement.

These assets are non-current financial assets when the Group intends not to dispose them within the next 12 months.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date which is the date on which Caverion Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within finance income and expenses in the period in which they arise. Interest income from items at amortised cost are presented in the income statement within finance income in the period in which they arise. Dividend income from financial assets is recognised in the income statement as part of financial income when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised costs

Caverion Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset ("a loss event"). That loss event must impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired includes: default or delinquency in interest or principal payments, significant financial difficulty, restructuring of an amount due to the Group, indications that a debtor will enter bankruptcy or other financial reorganisation, observable data indicating that there is measurable decrease in expected cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement within other operating expenses. Caverion Group considers evidence of impairment at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

Risks related to trade and other operative receivables are described in note 3.2.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement.

Financial liabilities

Borrowings are recorded on the settlement date and initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost and any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Other borrowing costs are expensed in the period during which they are incurred. Fees paid on the establishment of loan facilities are recognised as expenses over the period of the facility to which it relates. Borrowings are derecognised when its contractual obligations are discharged or cancelled, or expire.

Borrowings are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current.

5.5 Financial risk management

Caverion Group is exposed in its business operations to liquidity risk, credit risk, foreign exchange risk and interest rate risk. The objective of Caverion's financial risk management is to minimise the uncertainty which the changes in financial markets cause to its financial performance.

Risk management is carried out by Caverion Group Treasury in co-operation with divisions under policies approved by the Board of Directors. Financing activities are carried out by finance personnel and management in the divisions and subsidiaries. Responsibilities in between the Group Treasury and divisions are defined in the Group's Treasury Policy. Divisions are responsible for providing the Group Treasury timely and accurate information on their financial position, cash flows and foreign exchange position in order to ensure the Group's efficient cash and liquidity management, funding and risk management. In addition, the Group's Treasury Policy defines main principles and methods for financial risk management, cash management and specific financing-related areas e.g. commercial guarantees, relationships with financiers and customer financing.

Interest rate risk

Caverion has interest-bearing receivables in its cash and cash equivalents but otherwise its revenues and cash flows from operating activities are mostly independent of changes in market interest rates.

Caverion's exposure to cash flow interest rate risk arises mainly from current and non-current loans. Borrowing issued at floating interest rates expose Caverion to cash flow interest rate risk. To manage the interest rate risk, the Board of Directors of Caverion Group has defined an average interest rate fixing term target for the Group's net debt (excluding cash). At the reporting date the average interest rate fixing term of net debt (excluding cash) was 33.5 (4.5) months. At the end of December 2019 Caverion has not used interest rate derivatives to hedge interest rate risk.

The weighted average effective interest rate of the whole loan portfolio excluding IFRS 16 effects was 2.96% (2.59%) at the end of December 2019. Fixed-rate loans accounted for approximately 60 (20) percent of the Group's borrowings.

In addition to the targeted average interest rate fixing term of net debt, Caverion Group's management monitors regularly the effect of the possible change in interest rate level on the Group's financial result. The monitored number is the effect of one percentage point rise in interest rate level on yearly net interest expenses.

Interest rate risk sensitivity

EUR million	Result before taxes	
	2019	2018
Interest rate of net debt 1 percentage point higher	0.2	0.1
The effect of fair valuation of interest rate derivatives for which hedge accounting is not applied, when interest rates rise by 1 percentage point	0.0	0.3

Net debt includes interest-bearing liabilities and cash and cash equivalents. Sensitivities are calculated based on the situation at the balance sheet date.

Financial counterparty risk

The financial instruments the Group has agreed with its banks and financial institutions contain a risk of the counterparty being unable to meet its obligations. The Group Treasury is responsible for the counterparty risk of derivative instruments and financial investment products.

Counterparties to the financial instruments are chosen based on Caverion Group management's estimate on their reliability. The Board of Directors of Caverion Group accepts the main banks used by the Group and counterparties to derivative instruments. CFO accepts counterparties to short-term investments. Short-term investments related to liquidity management are made according to Caverion's Treasury Policy. No impairment has been recognised on derivative instruments or investment products in the reporting period. Caverion Group's management does not expect any credit losses from non-performance by counterparties to investment products or derivative instruments.

As a result of the partial demerger of YIT Corporation registered on 30 June 2013, a secondary liability has been generated to Caverion Corporation, a new company established in the partial demerger, for those liabilities that have been 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 that remain with YIT Corporation after the demerger, if YIT Corporation falls into default. These Group guarantees amounted to EUR 30.9 (60.3) million at the end of December 2019.

Refinancing and liquidity risk

Refinancing risk is defined as a risk that funds are not available or the costs of refinancing maturing debt is high at the time a debt needs to be refinanced. The objective of liquidity risk management is to maintain a sufficient liquidity reserve in all situations. Liquidity and refinancing risk is managed by diversifying the maturities of external loans and monitoring the proportion of short-term debt (maturing in less than one year's time) and the long-term liquidity forecast for the Group. The Group shall always have liquidity reserve available to meet the need for debt repayments falling due during the calendar year and to cover the potential funding need over the planning period of business operations including planned capital expenditure. Adequate liquidity is maintained by keeping sufficient amount of unused committed credit facilities as a reserve.

In 2019 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 Group's interest-bearing loans and borrowings amounted to 125.0 (58.1) million at the end of December. Approximately 40 (86) percent of the loans have been raised from banks and approximately 60 percent from bond investors. The Group's net debt amounted to EUR 31.5 (6.9) million at the end of December excluding IFRS 16 effects and EUR 168.4 including IFRS 16 effects. At the end of December, the Group's gearing was 73.6 (2.7) percent and its equity ratio 21.5 (30.2) percent including IFRS 16 effects. Hybrid bond in amount of EUR 66.06 million is subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. Related to the tendered hybrid notes, EUR 1.2 million interest was paid at the end of first quarter. In June 2019, Caverion paid EUR 3.1 million (EUR 4.6 million in 2018) in hybrid bond annual interest for the remaining amount.

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 of December 2019 as a loan and excluding the German anti-trust fine and related legal and advisory fees.

To manage liquidity risk, Caverion uses cash and cash equivalents, Group accounts with overdraft facilities, credit facilities and commercial papers. Caverion's cash and cash equivalents amounted to EUR 93.6 (51.2) million at the end of December 2019. In addition, Caverion has undrawn overdraft facilities amounting to EUR 19 (19) million and undrawn committed revolving credit facilities amounting to EUR 100 (100) million. The committed revolving credit facilities are valid until February 2022.

The following table describes the contractual maturities of financial liabilities. The amounts are undiscounted. Interest cash flows of floating rate loans and derivative instruments are based on the interest rates prevailing on December 31, 2019 (December 31, 2018). Cash flows of foreign currency denominated loans are translated into euro at the reporting date. Cash flows of foreign currency forward contracts are translated into euro at forward rates.

Contractual maturity analysis of financial liabilities and interest payments at December 31, 2019

EUR million	2020	2021	2022	2023	2024	2025–	Total
Loans from financial institutions	3.7	3.7	52.7	77.4			137.6
Lease liabilities	40.4	38.0	23.7	16.6	9.9	18.3	146.9
Other financial liabilities						0.5	0.5
Trade and other payables	483.9						483.9
Foreign currency derivatives	0.2						0.2

Contractual maturity analysis of financial liabilities and interest payments at December 31, 2018

EUR million	2019	2020	2021	2022	2023	2024–	Total
Loans from financial institutions	21.1	30.4					51.5
Pension loans	6.7						6.7
Finance lease liabilities	0.5	0.2	0.1				0.9
Other financial liabilities	0.0	0.0				0.5	0.5
Trade and other payables	464.0						464.0
Interest rate derivatives, hedge accounting not applied	0.1	0.0					0.1
Foreign currency derivatives	1.1						1.1

Foreign exchange risk

Caverion Group operates internationally and is exposed to foreign exchange risks arising from the currencies of the countries in which it operates. Risk arises mainly from the recognised assets and liabilities and net investments in foreign operations. In addition, commercial contracts in the subsidiaries cause foreign exchange risk, but the contracts are mainly denominated in the entity's own functional currencies.

The objective of foreign exchange risk management is to reduce uncertainty caused by foreign exchange rate movements on income statement through measurement of cash flows and commercial receivables and payables. By the decision of the Board of Directors of Caverion Group, the investments in foreign operations are not hedged for foreign exchange translation risk.

Foreign currency denominated net investments at the balance sheet date

EUR million	2019 Net investment	2019 EUR strengthens by 10%, effect on equity	2019 EUR weakens by 10%, effect on equity	2018 Net investment	2018 EUR strengthens by 10%, effect on equity	2018 EUR weakens by 10%, effect on equity
SEK	-7.9	-0.8	0.8	-10.6	-1.1	1.1
NOK	9.2	0.9	-0.9	10.0	1.0	-1.0
DKK	5.4	0.5	-0.5	4.0	0.4	-0.4
Other currencies	-4.9	-0.5	0.5	-7.2	-0.7	0.7

Here net investment comprises equity invested in foreign subsidiaries and internal loans that qualify for net investment classification deducted by possible goodwill in the subsidiaries balance sheet.

In connection with the process of closing an old project company in Russia, the company's internal loan denominated in euros was reclassified from equity to liabilities. If the euro had strengthened by 10% against the Russian rouble at the reporting date, it would have increased a pre-tax foreign exchange loss by EUR 0.8 million. This would not have caused any cash flow effect.

According to Caverion Group's Treasury policy, all Group companies are responsible for identifying and hedging the foreign exchange risk related to the foreign currency denominated cash flows. All firm commitments of over EUR 0.2 million must be hedged by intra-group transactions with Group Treasury. Group Treasury hedges the net position with external counterparties but does not apply hedge accounting to derivatives hedging foreign exchange risk. Accordingly, the fair value changes of derivative instruments are recognised in the consolidated income statement. In 2019, the most significant currency in the Group which relates to commercial agreements and their hedges was the Swedish Crown. If the euro would have strengthened by 10% against the Swedish Crown at the reporting date, the valuation of foreign exchange contracts would have caused a pre-tax foreign exchange loss of EUR 0.2 million.

Excluding foreign exchange differences due to derivatives relating to the commercial agreements, the reclassified internal loan in Russia and its translation risk, the strengthening or weakening of the Euro does not have a significant impact on the Group's result. The sensitivity analysis comprises the foreign exchange derivative contracts made for hedging and both the internal and external loans and receivables, which offset the effect of changes in foreign exchange rates.

5.6 Derivative instruments

All derivatives are hedges according to Caverion Group's Treasury Policy, but hedge accounting as defined in IFRS 9 is not applied for valid derivative contracts. Foreign exchange forward contracts are mainly designated as hedges of financial items and have been charged to P/L in finance income/expenses. Foreign exchange forward contracts mature in 2020. There were no outstanding interest rate swaps in December 2019.

The Group's derivative instruments are subject to offsetting, enforceable master netting arrangements or similar agreements. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. Master netting agreements do not meet the criteria for offsetting in the statement of financial position and amounts are presented on a gross basis. Other financial assets or liabilities, for example trade receivables or trade payables, do not include any amounts subject to netting agreements.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair values for the derivative instruments categorised in Level 2 have been defined as follows: the fair values of foreign exchange forward and forward rate agreements have been defined by using the market prices at the closing day. The fair values of interest rate swaps are based on discounted cash flows.

Nominal values

EUR million	2019	2018
Foreign exchange forward contracts, hedge accounting not applied	66.7	88.6
Interest rate derivatives, hedge accounting not applied		30.0

Fair values

EUR million	2019 Positive fair value (carrying value)	2019 Negative fair value (carrying value)	2019 Net value	2018 Positive fair value (carrying value)	2018 Negative fair value (carrying value)	2018 Net value
Foreign exchange forward contracts						
Hedge accounting not applied	0.9	-0.2	0.7	0.3	-1.1	-0.8
Interest rate derivatives						
Hedge accounting not applied						
Interest rate swaps		0.0	0.0		-0.1	-0.1
Total	0.9	-0.2	0.7	0.3	-1.2	-0.9
Netting fair values of derivative financial instruments subject to netting agreements	-0.1	0.1		-0.2	0.2	
Net total	0.8	-0.1	0.7	0.1	-1.0	-0.9

Accounting principles

Derivatives are initially recognised at fair value on the date Caverion Group becomes party to an agreement and are subsequently re-measured at their fair value. Directly attributable transaction costs are recognised in the income statement. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currency forward contracts are used for hedging against the currency exposure of exchange rates and resulting changes in fair value are included in operating profit or financial income and expenses based on their nature in the financial period in which they were incurred. Interest rate swaps are used to hedge against changes in market interest rates. Changes in the fair value of interest rate swaps that do not meet the hedge accounting criteria under IFRS 9, are entered in financing income or expenses in the financial period in which they were incurred. Derivatives are classified as non-current liabilities when their contractual maturity is more than 12 months (Other liabilities) and current liabilities when maturity is less than 12 months (Trade and other payables).

Derivative instruments used in hedge accounting which meet the hedge accounting criteria under IFRS 9 are entered in the balance sheet at fair value on the day that Caverion Group becomes counterpart to the agreement. The Group has applied hedge accounting to hedge the benchmark rate of floating rate loans (cash flow hedging). The Group documents at inception of the transaction the

relationship between the hedged item and the hedging instruments and assesses both at hedge inception and on an ongoing basis, of whether the derivatives are effective in offsetting changes in cash flows of hedged items. The effectiveness is assessed at each balance sheet date at minimum. The effective portion of changes in the fair value of derivative instruments that qualify for cash flow hedges is recognised in other comprehensive income and accumulate in the fair value reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within financial income and expenses. Gains and losses accumulated in shareholders' equity are reclassified to income statement within financial income or expenses in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria of hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction occurs. Nevertheless, if the hedged forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income or expense.

5.7 Investments in associated companies and joint ventures

EUR million	2019			2018		
	Associated companies	Joint ventures	Total	Associated companies	Joint ventures	Total
Historical costs on January 1	0.1		0.1	0.1		0.1
Share of the profit	0.0	0.0	0.0	0.0		0.0
Additions		1.6	1.6			
Historical costs on December 31	0.1	1.6	1.7	0.1		0.1

The carrying amounts of the shares in associated companies do not include goodwill.

EUR million	Company	Domicile	Assets	Liabilities	Revenue	Profit/loss	Ownership
Joint ventures							
2019	CG FH St. Pölten GmbH	Vienna	7.5	4.3	0.0	0.0	50%
Associated companies							
2019	Arandur Oy	Vantaa	4.7	4.3	4.7	0.0	33%
2018	Arandur Oy	Vantaa	4.2	3.9	5.0	0.0	33%

Sales of goods and services sold to associated companies and joint ventures amounted to EUR 1.2 (1.1) million in 2019.

Accounting principles

The consolidated financial statements include associated companies in which the Group either holds 20%-50% of the voting rights or in which the Group otherwise has significant influence but not control. Companies where the Group has joint control with another entity are considered as joint ventures. Investments in associated companies and joint ventures are accounted for using the equity method: they are initially recorded at cost and the carrying amount is increased or decreased by Caverion's share of the profit or loss. The Group determines at each reporting date whether there is any indication of impairment.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in each associate.

5.8 Employee benefit obligations

Obligations in the statement of financial position:

EUR million	2019	2018
Defined benefit plans	49.1	43.9
Liability in the statement of financial position	49.1	43.9
Pension asset in the statement of financial position	-2.3	-2.3
Net liability	46.7	41.6

Income statement charge:

EUR million	2019	2018
Defined benefit plans	-0.9	-1.0
Included in financial expenses	-0.6	-0.6
Income statement charge, total (income (+) / expense(-))	-1.5	-1.6

Remeasurements, included in other comprehensive income:

EUR million	2019	2018
Defined benefit plans	-5.5	0.2
Change in foreign exchange rates	-0.2	0.3
Included in other comprehensive income, total	-5.7	0.4

Defined benefit pension plans

The Group has defined benefit pension plans in Norway, Germany, Austria and Finland. In all plans the pension liability has been calculated based on the number of years employed and the salary level. Most of the pension plans are managed in insurance companies, which follow the local pension legislation in their management.

The amounts recognised in the statement of financial position are determined as follows:

EUR million	2019	2018
Present value of funded obligations	5.6	5.2
Fair value of plan assets	-7.9	-7.5
Net deficit of funded plans	-2.3	-2.3
Present value of unfunded obligations	49.1	43.9
Total net deficit of defined benefit pension plans	46.7	41.6
Liability in the statement of financial position	49.1	43.9
Receivable in the statement of financial position	-2.3	-2.3

The movement in the net defined benefit obligation over the year is as follows:

EUR million	Present value of obligation	Fair value of plan assets	Total net obligation
At January 1, 2019	49.1	-7.5	41.6
Current service cost	0.9		0.9
Interest expense	0.6		0.6
Past service costs			
Gains on settlements			
Remeasurements:			
Return on plan assets, excluding interest expense		-0.8	-0.8
Gain (-) / loss (+) from change in demographic assumptions			
Gain (-) / loss (+) from change in financial assumptions	5.6		5.6
Experience gains (-) / losses (+)	0.7		0.7
Exchange difference	0.1		0.1
Employers' contributions	-0.4		-0.4
Acquired pension liability			
Benefit payments from plans	-2.0	0.3	-1.6
At December 31, 2019	54.7	-7.9	46.7

EUR million	Present value of obligation	Fair value of plan assets	Total net obligation
At January 1, 2018	50.0	-7.8	42.2
Current service cost	1.0		1.0
Interest expense	0.6		0.6
Past service costs			
Gains on settlements			
Remeasurements:			
Return on plan assets, excluding interest expense			
Gain (-) / loss (+) from change in demographic assumptions	0.6		0.6
Gain (-) / loss (+) from change in financial assumptions	3.1		3.1
Experience gains (-) / losses (+)	-3.9		-3.9
Exchange difference	-0.1		-0.1
Employers' contributions	-0.4		-0.4
Acquired pension liability			
Benefit payments from plans	-1.9	0.3	-1.5
At December 31, 2018	49.1	-7.5	41.6

The weighted average duration of the defined benefit plan obligation in Caverion Group is 15 (15) years.

The significant actuarial assumptions were as follows:

2019	Discount rate	Salary growth rate	Pension growth rate
Finland	0.60%	1.20%	1.50%
Norway	1.80%	2.25%	2.00%
Germany	0.85%	3.00%	2.25%
Austria	0.84%	-	2.25%
2018	Discount rate	Salary growth rate	Pension growth rate
Finland	1.70%	1.60%	1.90%
Norway	2.60%	2.75%	2.25%
Germany	1.80%	3.00%	2.25%
Austria	1.80%	-	2.25%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2019	Impact on defined benefit obligation ¹⁾		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 6.1%	Increase by 6.8%
Salary growth rate	0.50%	Increase by 0.2%	Decrease by 0.2%
Pension growth rate	0.50%	Increase by 6.3%	Decrease by 6.0%

2018	Impact on defined benefit obligation ¹⁾		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 6.1%	Increase by 6.7%
Salary growth rate	0.50%	Increase by 0.3%	Decrease by 0.2%
Pension growth rate	0.50%	Increase by 6.2%	Decrease by 5.9%

¹⁾ Based on the sensitivity analyses of the Group's most significant pension arrangements. The impacts of the other pension arrangements are similar.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

Plan assets are comprised as follows:

EUR million	2019	%	2018	%
Equity instruments	4.5	56	4.2	56
Debt instruments	1.6	20	2.1	28
Property				
Cash and cash equivalents	2.0	24	1.2	16
Total plan assets	8.0	100	7.5	100

Employer contributions are expected to be zero in 2020.

Multi-employer plan in Sweden

In Sweden, Caverion participates in a multi-employer defined benefit plan in Alecta insurance company. 897 employees of Caverion Sverige AB are insured through this pension plan. This multi-employer plan has not been able to deliver sufficient information for defined benefit accounting purposes, thus Caverion has accounted for this pension plan as a contribution plan.

Alecta's possible surplus may be credited to the employer, company or to the employee. The expected contributions to the plan for the next annual reporting period are EUR 6.4 million.

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields - A decrease in corporate bond yields will increase plan liabilities.

Inflation risk - some of the Group pension obligations are linked to inflation and higher inflation will lead to higher liabilities.

Life expectancy - The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Accounting principles

Caverion Group has several different pension schemes, both defined benefit and defined contribution pension plans, in accordance with local regulations and practices in countries where it operates.

Contributions to defined contribution pension plans are recognised in the income statement in the financial period during which the charge is due. Caverion Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The Group has defined benefit pension plans in Norway, Austria, Germany and Finland. Obligations connected with the Group's defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The discount rate used in calculating the present value of the pension obligation is the market rate of high-quality corporate bonds. The maturity of the bonds used to determine the reference rate substantially corresponds to the maturity of the related pension obligation. In defined benefit plans, the pension liability recognised on the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. Pension expenditure is expensed in the income statement, allocating the costs over the employment term of the employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement.

Occupational pensions in Sweden have been insured under a pension scheme shared with numerous employers. It has not been possible to acquire sufficient information on these pension obligation for allocating the liabilities and assets by employers. Occupational pensions in Sweden have been treated on a defined contribution basis.

The present value of pension obligations depends on various factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Changes in the assumptions rate have an effect on the carrying amount of pension obligation. The discount rate used is the market rate of high-quality corporate bonds or the interest rate of treasury notes for the currency in which the benefits will be realised. The maturity of the instruments used to determine the reference rate used corresponds substantially to the maturity of the related pension obligation. Other assumptions are based on actuarial statistics and prevailing market conditions.

5.9 Lease agreements

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

EUR million	Right-of-use assets			Total
	Buildings and structures	Cars	Other assets	
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

Lease liabilities EUR million

1 January 2019	141.5
Translation differences	0.0
Acquisitions	7.7
Additions	36.5
Disposals and business divestitures	-3.1
Interest expenses	5.1
Payments	-50.6
31 December 2019	136.9

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. 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 amounted to EUR 5.9 million at the end of 2019.

The Group has subleased some of its leased premises. Income recognised by the Group during the year was EUR 0.3 million.

Accounting principles Group as lessee

The lease liability is initially 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. Since the interest implicit in the lease is not available, a management estimate is 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 measures the right-of-use asset at an amount equal to the lease liability. After the initial measurement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

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. Management judgement based on realistic estimates is used when determining the lease term for short-term and leasing agreements with non-fixed terms. 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. 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.

Group as lessor

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). Caverion has not reclassified any of its sublease agreements as finance leases.

5.10 Commitments and contingent liabilities

EUR million	2019	2018
Other commitments		
Other contingent liabilities	0.2	0.2
Accrued unrecognised interest on hybrid bond	1.7	2.5

The Group's parent company has guaranteed obligations of its subsidiaries. On December 31, 2019 the total amount of these guarantees was EUR 456.0 (435.3) million. These consist of counter guarantees for external guarantees and parent company guarantees given according to general contracting practices.

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.

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. Creditors of YIT Corporation's major financial liabilities have waived their right to claim for settlement from Caverion Corporation on the basis of the secondary liability. 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 (60.3) million at the end of December 2019.



6 Others

In this section

This section comprises the following notes:

- 6.1 Key management compensation. 75
- 6.2 Share-based payments 75
- 6.3 Related party transactions 78

6.1 Key management compensation

Key management includes members of the Board of Directors and Group Management Board of Caverion Corporation. The compensation paid to key management for employee services is presented below:

EUR million	2019	2018
Salaries and other short-term employee benefits	4.8	4.8
Post-employment benefits	0.1	0.1
Termination benefits	0.6	0.2
Share-based payments ¹⁾	5.0	
Total	10.7	5.1

¹⁾The total value of transferred shares, cash bonus and transfer tax.

More detailed information on share-incentive schemes has been presented in note 6.2 Share-based payments.

Compensation paid for the members of the Board of Directors and President and CEO

EUR million	2019	2018
President and CEO		
Lehtoranta Ari	2.5	0.7
Members of the Board of Directors		
Aho Jussi	0.1	0.1
Ehrnrooth Markus	0.1	0.1
Hallengren Joachim	0.1	0.1
Herlin Antti	0.1	0.1
Hinnerskov Thomas	0.1	0.1
Hyvönen Anna	0.1	0.1
Lindqvist Eva, member of the Board until 26 March 2018		0.0
Paulsson Mats, Chairman of the Board as from 25 March 2019	0.1	0.0
Rosenlew Michael, member and Chairman of the Board until 25 March 2019	0.0	0.1
Total	0.5	0.5

Board membership fee for period 26.3.2019–23.3.2020 was paid as an annual fee, 50% of which was paid as cash and 50% in Caverion shares according to the decision by the Annual General Meeting. Due to the transition to a share based payment, the Board members exceptionally received payment in relation to two separate Board membership periods during 2019.

Termination compensation, pensions and retirement age of the President and CEO

The notice period for both parties is six months. Severance pay (if the company terminates the agreement) is compensation amounting to 12 months' base salary as monthly payments after the termination date. Ari Lehtoranta has a supplementary defined contribution pension plan, annual contribution being 20% of the base salary. Retirement age is 63 years.

Other members of the Group Management Board do not have any supplementary executive pension schemes and the statutory retirement age applies.

Remuneration of the President and CEO and Group Management Board

President and CEO Ari Lehtoranta's total monthly salary is 55,000 EUR including fringe benefits. In 2019, a share payment of 23,622 Restricted Share Units was made to Ari Lehtoranta in accordance with the terms and conditions of Caverion's long-term incentive plan approved by the Board of Directors on 1 January 2017 and a payment of 93,498 shares from the Matching Share Plan was made in accordance with the terms and conditions of Caverion's long-term incentive plan approved by the Board of Directors on 6 February 2018.

In 2019, a total of 233,882 shares were transferred to other members of the Group Management Board from the Matching Share Plan in accordance with the terms and conditions of Caverion's long-term incentive plan approved by the Board of Directors on 6 February, 2018.

EUR million	Fixed base salary	Fringe benefits	Short-term Incentive	Share-based payments	Total 2019
Group Management Board members excluding President and CEO ¹⁾	3.0	0.1	0.8	3.0	6.9

¹⁾Includes the members' total remuneration for the period they have been members of the Group Management Board.

In addition to the above compensation, some of the Group Management Board members are part of country specific group pension arrangements.

Also, a total of EUR 0.6 million of compensation related to the termination of Group Management Board members' employment was paid during financial year 2019.

Additional information of Management remuneration is presented in parent company financial statements.

6.2 Share-based payments

Caverion has long-term share-based incentive plans for the company's key senior executives. The performance share plans form a part of the incentive and commitment programme for the management and key personnel of Caverion Group. The key aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in its



targets. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

Caverion's Board of Directors approved a rolling long-term share-based incentive plan for the Group's senior management and key employees in December 2015. The share-based incentive plan consisted of a Performance Share Plan (PSP) as the main structure, supported by a Restricted Share Plan as a complementary structure for specific situations. Both plans consisted of annually commencing individual plans, each lasting a three-year period. The Board of Directors decided to continue the said incentive structure in December 2016 and in December 2017. The targets set for the first and second 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.

Caverion's Board of Directors approved the establishment of a new share-based long-term incentive plan for key employees of the Group in December 2018. The new plan is based on a performance share plan (PSP) structure. The Board approved at the same time the commencement of a new plan period 2019–2021 in the Restricted Share Plan (RSP) structure, a complementary share-based incentive structure for specific situations.

The potential share rewards under the first plan (PSP 2019–2021) within the new PSP structure will be paid in the spring 2022 provided that the performance targets set by the Board are achieved. PSP 2019–2021 may include a maximum of approximately 75 key employees of Caverion Group. However, the individuals who currently participate in Caverion's top management Matching Share Plan, including the members of Caverion's Group Management Board, are not included in this plan. The performance target KPI's 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 2019–2021 will comprise a maximum of approximately 1.3 million Caverion shares (gross before the deduction of applicable taxes).

The Restricted Share Plan 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 until the delivery of the share reward. The potential share rewards based on the Restricted Share Plans for 2016–2018, 2017–2019, 2018–2020 as well as 2019–2021 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 2021 and a maximum of 135,000 shares in the spring 2022.

In a stock exchange release on 7 February 2018, Caverion announced the establishment of a share-based incentive plan directed at the key employees of the Group ("Matching Share Plan 2018–2022"). The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to encourage the key employees to personally invest in the company's shares, to retain them at the company and to offer them a competitive reward plan that is based on acquiring, receiving and holding the company's shares. The prerequisite for participating in the Plan is that a key employee shall acquire company shares up to the number and in the manner determined by the Board of Directors. The plan participant may not participate in the Performance Share Plan simultaneously with participating in the Matching Share Plan. The rewards from the plan will be paid in four instalments, one instalment each in 2019, 2020, 2021 and 2022. However, the reward payment will be deferred, if a yield of the share has not reached the pre-set minimum yield level by the end of the matching period in question.

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 in 2019. 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.



Plan	Performance share programme 2019	Performance share plan 2016–2020	Restricted share plan				Matching share plan 2018–2022
	Performance share plan 2019–2021	Performance share plan 2018–2020	Restricted share plan 2019–2021	Restricted share plan 2018–2020	Restricted share plan 2017–2019	Restricted share plan 2016–2018	Matching share plan 2018–2022
Issuing date	Dec 17, 2018	Dec 17, 2015	Dec 17, 2015	Dec 17, 2015	Dec 17, 2015	Dec 17, 2015	Feb 6, 2018
Maximum number of shares	1,301,250	850,000	135,000	85,000	85,000	66,200	2,520,000
Dividend adjustment	No	Yes	No	No	No	No	Yes
Grant date	Apr 3, 2019	Feb 28, 2018	Apr 12, 2019	Jun 12, 2018	Jun 16, 2017	Jan 1, 2017	Mar 1, 2018
Beginning of earning period	Jan 1, 2019	Jan 1, 2018	Jan 1, 2019	Jan 1, 2018	Jan 1, 2017	Jan 1, 2016	Mar 1, 2018
End of earning period	Dec 31, 2021	Dec 31, 2018	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2022
End of restriction period	Apr 30, 2022	Feb 28, 2021	Feb 28, 2022	Feb 28, 2021	Feb 28, 2020	Jun 30, 2020	Jul 1, 2022
Vesting conditions	Relative total shareholder return (TSR), earnings per share (EPS), continued employment	Earnings per share (EPS), operating cash flow before financial and tax items, continued employment	continued employment	continued employment	continued employment	continued employment	Minimum yield of the share, continued employment
Maximum contractual life, years	3.3	3.0	3.2	3.2	3.2	3.2	4.8
Remaining contractual life, years	2.3	1.2	2.2	1.2	0.2	0.5	3.0
Number of persons at the end of the reporting year	70	89	16	18	16	1	19
Payment method	Cash and shares	Cash and shares	Cash and shares	Cash and shares	Cash and shares	Cash and shares	Cash and shares

Changes in plan during the period January 1, 2019

Outstanding at the beginning of the reporting period	-	381,600	-	50,000	69,500	62,000	2,102,417
Changes during the period							
Granted	947,500		97,000	34,500	15,000		197,430
Forfeited	12,500	236,828					
Earned (gross)		73,964				50,000	840,962
December 31, 2019							
Outstanding at the end of the period	935,000	70,808	97,000	84,500	84,500	12,000	1,458,885

Costs recognised for the share-based incentive plans

The consolidated financial statements include costs from share plans amounting to EUR 3.4 (1.9) million. EUR 1.9 (1.3) million of the cost recognised is related to the Group Management Board.

Performance and Restricted Share Plan 2020–2022

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).

Accounting principles

Caverion has share-based incentive plans for its management and key employees.

The Performance Share Plan contains a maximum value for the share reward payable to an individual participant. If the value of the share reward would at the time of payment exceed a maximum value set by the Board, the exceeding portion of the reward will not be paid. A person participating in the plan has the possibility to earn a share reward only if his/her employment continues until the payment of the reward.

Share allocations within the Restricted Share Plan will be made for individually selected key employees in special situations. Under the complementary Restricted Share Plan each individual 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 until the delivery of the share reward.

The prerequisite for participating in the Matching Share Plan is that a key employee acquires company shares up to the number and in the manner determined by the Board of Directors. The plan participant may not participate in the Performance Share Plan simultaneously with participating in the Matching Share Plan. Receiving of reward is tied to the continuance of participant's employment or service upon reward payment.

The equity-settled and cash-settled share-based payments are valued based on the market price of Caverion share as of the grant date and are recognised as an employee benefit expense over the vesting period with corresponding entry in the equity.

6.3 Related party transactions

Caverion announced in February 2018 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. By the end of December 2019 the total outstanding amount of these loans amounted to approximately 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. As a result, Caverion had 711,034 Caverion Corporation shares as a pledge at the end of the reporting period on 31 December 2019.

Share-based incentive plans have been described in more detail in note 6.2 Share-based payments.

Transactions with entities controlled by key management personnel

EUR million	2019
Sale of goods and services	0.1
Purchase of goods and services	1.4
Receivables	0.0
Liabilities	0.0

All transactions with entities controlled by key management personnel have been carried out on normal market terms and conditions and at market prices.

Transactions with associated companies and joint ventures are listed in note 5.7 Investments in associated companies and joint ventures.

Income statement, Parent company, FAS

EUR	Note	1.1.-31.12.2019	1.1.-31.12.2018
Other operating income	1	59,624,319.46	60,390,911.41
Personnel expenses	2	-15,208,556.34	-11,630,490.97
Depreciation, amortisation and impairments	3	-1,562,303.55	-2,569,729.84
Other operating expenses	4	-49,930,809.68	-54,562,176.41
Operating profit / loss		-7,077,350.11	-8,371,485.81
Financial income and expenses	5	-19,092,056.87	-20,728,858.95
Profit/loss before appropriations and taxes		-26,169,406.98	-29,100,344.76
Appropriations	6	11,030,188.36	9,040,399.39
Income taxes	7	-156,730.97	6.21
Profit/loss for the financial period		-15,295,949.59	-20,059,939.16

Balance sheet, Parent company, FAS

EUR	Note	31.12.2019	31.12.2018
Assets			
Non-current assets			
Intangible assets	8	3,636,009.21	3,802,270.57
Tangible assets	8	1,460,045.70	714,611.54
Investments	9	488,546,092.23	501,558,514.59
Total non-current assets		493,642,147.14	506,075,396.70
Current assets			
Non-current receivables	10	21,014,114.51	64,129,980.88
Current receivables	11	78,894,414.37	89,632,492.68
Cash and cash equivalents		67,105,222.23	37,005,271.75
Total current assets		167,013,751.11	190,767,745.31
Total assets		660,655,898.25	696,843,142.01
Equity and liabilities			
Equity			
	12		
Share capital		1,000,000.00	1,000,000.00
Unrestricted equity reserve		66,676,176.49	66,676,176.49
Retained earnings		119,979,813.78	146,960,595.01
Profit/loss for the period		-15,295,949.59	-20,059,939.16
Fair value reserve			-98,554.08
Treasury shares		-3,077,109.63	-3,213,988.55
Total equity		169,282,931.05	191,264,289.71
Appropriations	13	253,835.58	684,023.94
Liabilities			
Non-current liabilities	15	191,059,999.99	200,609,699.42
Current liabilities	16	300,059,131.63	304,285,128.94
Total liabilities		491,119,131.62	504,894,828.36
Total equity and liabilities		660,655,898.25	696,843,142.01

Cash flow statement, Parent company, FAS

EUR	1.1.–31.12.2019	1.1.–31.12.2018
Cash flow from operating activities		
Profit / loss before appropriations and taxes	-26,169,406.98	-29,100,344.76
Adjustments for:		
Depreciation, amortisation and impairments	1,562,303.55	2,569,729.84
Other adjustments	236,307.08	1,807,066.89
Financial income and expenses	19,092,056.87	20,728,858.95
Cash flow before change in working capital	-5,278,739.48	-3,994,689.08
Change in working capital		
Change in trade and other current receivables	-1,740,459.79	1,817,811.84
Change in trade and other current payables	-852,069.71	1,312,160.84
Cash flow before financial items and taxes	-7,871,268.98	-864,716.40
Cash flow from operating activities		
Interest paid and other financial expenses	-24,602,279.77	-36,388,058.18
Dividends received	5,216,756.22	
Interest received and other financial income	21,108,951.56	36,190,296.08
Income taxes paid	-131,432.03	944,300.53
Cash flow from operating activities	-6,279,273.00	-118,177.97

EUR	1.1.–31.12.2019	1.1.–31.12.2018
Cash flow from investing activities		
Purchases of tangible and intangible assets	-9,095,017.74	-6,998,261.25
Proceeds from the sales of tangible and intangible assets	6,827,932.08	11,707,915.63
Change in current loan receivables		-4,981,608.76
Investments in subsidiaries	-77,477,662.04	-22,785,860.67
Cash flow from investing activities	-79,744,747.70	-23,057,815.05
Cash flow from financing activities		
Group contributions received	9,000,000.00	9,000,000.00
Repayment of non-current borrowings	-92,606,666.66	-26,666,666.68
Share Issue		66,676,176.49
Change in non-current loan receivables	43,115,866.37	-4,129,980.88
Proceeds from non-current borrowings	125,000,000.00	
Change in short-term financing	38,398,174.98	1,559,541.64
Dividends paid	-6,783,403.51	
Cash flow from financing activities	116,123,971.18	46,439,070.57
Net change in cash and cash equivalents	30,099,950.48	23,263,077.55
Cash and cash equivalents at the beginning of the financial year	37,005,271.75	13,742,194.20
Cash and cash equivalents at the end of the financial year	67,105,222.23	37,005,271.75

Notes to the financial statements, Parent company

Caverion Corporation accounting principles

The financial statements have been prepared in accordance with the Finnish accounting standards (FAS).

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of the transaction. The balance sheet has been translated using the European Central Bank rates on the closing date.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Financial income and expenses".

Valuation of assets

Intangible and tangible assets are recognized in the balance sheet at original acquisition cost less planned depreciation and amortisation and possible impairment.

Planned depreciation and amortisation are calculated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of assets are the following:

Intangible assets	2–5 years
Buildings and structures	10 years
Machinery and equipment	3–5 years

Investments in subsidiaries as well as other investments are recognized at original acquisition cost or at fair value if fair value is lower than acquisition cost.

Income recognition

The parent company's income consists of services provided to Group subsidiaries. These service sales are booked to other operating income. The income is recognized once the services have been provided.

Future expenses and losses

Future expenses and losses which relate to the current or previous financial years and which are likely or certain to materialize and do not relate to a likely or certain future income, are recognized as an expense in the appropriate income statement category. When the precise amount or timing of the expenses is not known, they are recorded as provisions in the balance sheet.

Accrual of pension costs

The pension cover of the parent company is handled by external pension insurance companies. Pension costs are recognized in the income statement in the year to which these contributions relate.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting period end. These are classified as non-current. The assets are recognized at acquisition cost, and transaction costs are expensed in the income statement over the period of the loan to which they relate.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting period end. These are classified as non-current. The assets are recognized at acquisition cost, and transaction costs are expensed in the income statement over the period of the loan to which they relate.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the business. If collection is expected in 12 months or less, they are classified as current. If not, they are classified as non-current.

Cash and cash equivalents include cash in hand, bank deposits withdrawable on demand and other liquid short-term investments with original maturities of three months or less.

Financial liabilities and other liabilities

Hybrid bond is presented as a financial liability in the balance sheet of the parent company's financial statements. Borrowings are recorded on the settlement date at acquisition cost, and transaction costs are expensed in the financing expenses of the statement of income over the period of the liability to which they relate. Other borrowing costs are expensed in the period during which they are incurred. Fees paid on the establishment of loan facilities are recognised as an expense over the period of the facility to which they relate. Borrowings are derecognised when their contractual obligations are discharged, cancelled or expire.

Borrowings are classified as current liabilities if payment is due within 12 months or less. If not, they are classified as non-current.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities. Trade payables are recognized at acquisition cost.



Derivative instruments

Derivative contracts that are used to hedge currency and interest rate risks are valued at fair value. The fair values of foreign exchange derivatives are presented in Note 18 Derivative instruments. At the end of December 2019 Caverion has not used interest rate derivatives to hedge interest rate risk.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency denominated cash flows and changes in value of receivables and liabilities in foreign currency. Foreign exchange derivatives are valued employing the market forward exchange rates quoted on the balance sheet date. Foreign exchange gains and losses related to business operations are included in operating profit. Foreign exchange gains and losses associated with financing are reported in financial income and expenses. Foreign exchange derivatives mature within 2020. Hedge accounting is not applied to foreign exchange derivatives.

Income taxes

Income taxes relating to the financial year are recognized in the income statement. Deferred taxes have not been booked in the parent company's financial statements.



Notes to the income statement, Parent company

1. Other operating income

1 000 EUR	1.1.–31.12.2019	1.1.–31.12.2018
Service income	59,624.3	60,390.9
Total	59,624.3	60,390.9

2. Information concerning personnel and key management

1 000 EUR	1.1.–31.12.2019	1.1.–31.12.2018
Personnel expenses		
Wages and salaries	12,925.3	8,771.7
Pension expenses	2,004.2	1,656.3
Other indirect personnel costs	279.0	1,202.5
Total	15,208.6	11,630.5

Average number of personnel during the financial period	85	78
---------------------------------------------------------	----	----

Salaries and fees to the management

President and CEO	2,608.0	792.0
Members of the Board of Directors	524.3	494.4
Total	3,132.4	1,286.4

3. Depreciation, amortisation and impairments

1 000 EUR	1.1.–31.12.2019	1.1.–31.12.2018
Amortisation of intangible assets	1,119.4	2,547.0
Depreciation of buildings and structures	16.1	16.1
Depreciation of machinery and equipment	426.8	6.7
Total	1,562.3	2,569.7

4. Other operating expenses

1 000 EUR	1.1.–31.12.2019	1.1.–31.12.2018
Fees paid to the Auditor of the company		
Audit fee	250.0	256.7
Tax services		0.7
Other services	23.4	178.5
Total	273.5	435.9

Ernst & Young Oy, Authorized Public Accountants, operated as the company's auditor.

5. Financial income and expenses

1 000 EUR	1.1.–31.12.2019	1.1.–31.12.2018
Dividend income		
From Group companies	4,476.6	740.1
Interest income from non-current investments		
From Group companies	1,751.3	2,439.5
From others	84.6	69.1
Total	1,835.9	2,508.6
Other interest and financial income		
From Group companies	3,211.0	4,321.9
From other companies	297.8	55.4
Total	3,508.8	4,377.3
Impairment on investment assets		
Subsidiary shares	-20,000.0	-20,000.0
Total	-20,000.0	-20,000.0
Other interest and financial expenses		
Interest expenses to Group companies	-758.0	-458.9
Interest expenses to others	-6,702.1	-6,417.7
Other expenses to others	-2,135.7	-2,081.8
Valuation of interest rate derivatives at fair value		90.4
Total	-9,595.9	-8,868.0
Exchange rate gains	15,903.9	28,703.6
Change in the fair value of derivatives	1,577.1	-972.3
Exchange rate losses	-16,798.5	-27,218.2
Total	682.5	513.1
Total financial income and expenses	-19,092.1	-20,728.9

Notes to the balance sheet, Parent company

6. Appropriations

1 000 EUR	1.1.-31.12.2019	1.1.-31.12.2018
Change in the difference between planned and taxation depreciation	430.2	40.4
Group contributions received	10,600.0	9,000.0

7. Income taxes

1 000 EUR	1.1.-31.12.2019	1.1.-31.12.2018
Income taxes on operating activities, current year	-77.9	
Income taxes on operating activities, previous years	-78.8	0.0
Total	-156.7	0.0

8. Changes in fixed assets

1 000 EUR	31.12.2019	31.12.2018
Intangible assets		
Intangible rights		
Acquisition cost on Jan 1	10,789.8	12,627.6
Additions	94.0	295.7
Disposals		-2,133.5
Acquisition cost on Dec 31	10,883.9	10,789.8
Accumulated amortisation and impairments on Jan 1	-9,511.8	-9,098.4
Amortisation for the period	-1,107.8	-2,547.0
Accumulated amortisation for disposals		2,133.5
Accumulated amortisation and impairments on Dec 31	-10,619.6	-9,511.8
Book value on December 31	264.3	1,278.0
Renovations		
Acquisition cost on Jan 1		
Additions	251.8	
Disposals		
Acquisition cost on Dec 31	251.8	
Accumulated amortisation and impairments on Jan 1		
Amortisation for the period	-11.6	
Accumulated amortisation for disposals		
Accumulated amortisation and impairments on Dec 31	-11.6	
Book value on December 31	240.2	
Advance payments and construction in progress		
Acquisition cost on Jan 1	2,524.3	8,795.4
Additions	7,572.9	6,168.8
Disposals	-6,965.7	-12,440.0
Acquisition cost on Dec 31	3,131.5	2,524.3
Book value on December 31	3,131.5	2,524.3
Total intangible assets	3,636.0	3,802.3

1 000 EUR	31.12.2019	31.12.2018
Tangible assets		
Land and water areas		
Acquisition cost on Jan 1	109.8	109.8
Additions		
Disposals		
Acquisition cost on Dec 31	109.8	109.8
Book value on December 31	109.8	109.8
Buildings and structures		
Acquisition cost on Jan 1	160.9	160.9
Additions		
Disposals		
Acquisition cost on Dec 31	160.9	160.9
Accumulated depreciation and impairments on Jan 1	-88.5	-72.4
Depreciation for the period	-16.1	-16.1
Accumulated depreciation and impairments on Dec 31	-104.6	-88.5
Book value on December 31	56.3	72.4
Machinery and equipment		
Acquisition cost on Jan 1	715.4	181.7
Additions	1,188.3	533.7
Disposals	-12.1	
Acquisition cost on Dec 31	1,891.6	715.4
Accumulated depreciation and impairments on Jan 1	-183.1	-176.4
Depreciation for the period	-414.7	-6.7
Accumulated depreciation and impairments on Dec 31	-597.7	-183.1
Book value on December 31	1,293.9	532.4
Total tangible assets	1,460.0	714.6

9. Investments

1 000 EUR	31.12.2019	31.12.2018
Shares in Group companies		
Acquisition cost on Jan 1	501,558.5	428,282.6
Additions	6,987.6	93,275.9
Impairments	-20,000.0	-20,000.0
Acquisition cost on Dec 31	488,546.1	501,558.5
Total investments	488,546.1	501,558.5

10. Non-current receivables

1 000 EUR	31.12.2019	31.12.2018
Receivables from Group companies		
Loan receivables	16,500.0	60,000.0
Receivables from associated personnel		
Loan receivables	4,514.1	4,130.0
Total non-current receivables	21,014.1	64,130.0

Loan arrangements with Group key personnel are described in more detail in Note 19 Salaries and fees to the management.

11. Current receivables

1 000 EUR	31.12.2019	31.12.2018
Receivables from group companies		
Trade receivables	19,342.5	21,841.2
Loan receivables	41,479.0	55,563.6
Other receivables	11,115.0	10,307.3
Receivables, external		
Trade receivables	20.7	20.5
Other receivables	893.3	265.8
Accrued income	6,044.0	1,634.1
Total	78,894.5	89,632.5
Accrued income consists of:		
Accrued financial expenses	647.5	661.1
Tax receivables		6.5
Other receivables	5,396.5	966.4
Total	6,044.0	1,634.1

12. Equity

1 000 EUR	31.12.2019	31.12.2018
Share capital on Jan 1	1 000.0	1 000.0
Share capital on Dec 31	1 000.0	1 000.0
Unrestricted equity reserve on Jan 1	66,676.2	
Share issue		66,676.2
Unrestricted equity reserve on Dec 31	66,676.2	66 676.2
Retained earnings on Jan 1	123,686.7	142,654.1
Share-based incentive plans	-136.9	1,092.5
Dividend distribution	-6,784.0	
Distribution of own shares	136.9	
Retained earnings on Dec 31	116,902.7	143,746.6
Net profit for the financial period	-15,295.9	-20,059.9
Fair value reserve on Jan 1	-98.6	-164.3
Cash flow hedges	98.6	65.7
Fair value reserve on Dec 31		-98.6
Total equity	169,282.9	191,264.3
Distributable funds on Dec 31		
Retained earnings	116,902.7	143,746.6
Net profit for the financial period	-15,295.9	-20,059.9
Unrestricted equity reserve	66,676.2	66,676.2
Fair value reserve		-98.6
Distributable funds from shareholders' equity	168,282.9	190,264.3

Treasury shares of Caverion Corporation

December 31, 2019 parent company had treasury shares as follows:

Number	Total number of shares	% of total share capital and voting rights
2,849,360	138,920,092	2.05%

Caverion announced in a stock exchange release on 7 February 2018 the establishment of a new share-based incentive plan directed at the key employees of the Group ("Matching Share Plan 2018–2022"). In connection with the technical execution of the plan a total of 3,800,000 new shares were subscribed for in Caverion Corporation's share issue directed to the company itself without payment, and were entered into the Trade Register on 19 February 2018. The total capital raised amounted to EUR 6.67 million and was recorded in entirety into the unrestricted equity reserve.

Caverion executed a directed share issue of new shares in June 2018 in order to maintain a strong balance sheet and to retain strategic flexibility after the payment of the German anti-trust fine. On 15 June 2018, the Company announced that it had directed a share issue of 9,524,000 new shares in the Company to institutional investors, raising gross proceeds of EUR 60.0 million. The subscription price was recorded in its entirety into the unrestricted equity reserve of the company.

13. Appropriations

1 000 EUR	31.12.2019	31.12.2018
Accumulated depreciation difference on Jan 1	684.0	724.4
Increase / decrease	-430.2	-40.4
Accumulated depreciation difference on Dec 31	253.8	684.0

14. Deferred taxes and liabilities

1 000 EUR	31.12.2019	31.12.2018
Deferred tax assets		
Tax losses		158.4
Total		158.4
Deferred tax liabilities		
Accumulated depreciation difference	50.8	136.8
Total	50.8	136.8

Deferred taxes have not been recognized in the parent company's financial statements.

15. Non-current liabilities

1 000 EUR	31.12.2019	31.12.2018
Liabilities to Group companies		
Other loans		70,490.1
Liabilities, external		
Loans from credit institutions	50,000.0	30,000.0
Hybrid bond	66,060.0	100,000.0
Senior bond	75,000.0	
Derivative liabilities		119.6
Total	191,060.0	200,609.7

16. Current liabilities

1 000 EUR	31.12.2019	31.12.2018
Liabilities to Group companies		
Trade payables	768.1	858.4
Accrued expenses	460.5	398.4
Other liabilities	284,327.3	268,688.7
Liabilities, external		
Loans from credit institutions		20,000.0
Trade payables	2,703.2	3,487.9
Other current liabilities	1,138.2	1,057.4
Accrued expenses	10,661.8	9,794.4
Total	300,059.1	304,285.1
Accrued expenses consist of:		
Personnel expenses	4,212.8	2,206.5
Interest expenses	3,704.9	2,718.3
Accrued expenses to group companies	460.5	398.4
Other expenses	2,744.2	4,869.6
Total	11,122.3	10,192.8

17. Commitments and contingent liabilities

1 000 EUR	31.12.2019	31.12.2018
Leasing commitments		
Payable during the next fiscal year	2,689.6	2,647.6
Payable during subsequent years	20,873.1	22,993.7
Total	23,562.7	25,641.4
Guarantees		
On behalf of Group companies		
Contractual work guarantees	444,870.4	417,262.4
Loan guarantee		6,666.7
Leasing commitment guarantees	8,759.9	7,024.9
Factoring related guarantees	2,353.9	4,325.0

18. Derivate instruments

1 000 EUR	31.12.2019	31.12.2018
External foreign currency forward contracts		
Fair value	716.5	-854.5
Value of underlying instruments	66,718.6	88,645.8
Internal foreign currency forward contracts		
Fair value	-0.1	-6.1
Value of underlying instruments	3,376.5	2,822.3
Interest rate swaps		
Fair value		-119.3
Value of underlying instruments		30,000.0

Derivative instruments are categorized to be on Level 2 in the fair value hierarchy. The fair values for the derivative instruments categorized in Level 2 have been defined as follows: The fair values of foreign exchange forward agreements have been defined by using the market prices at the closing day of the fiscal year. The fair value of interest rate swaps are based on discounted cash flows. There were no transfers between the levels of the fair value hierarchy during the period.

19. Salaries and fees to the management

Decision-making procedure regarding remuneration

Caverion Corporation's Annual General Meeting decides on the remuneration of the Board of Directors. The Human Resources Committee of the Board of Directors prepares the proposal on the remuneration of the Board of Directors for the Annual General Meeting. The Human Resources Committee also prepares the general remuneration principles, short and long-term incentive schemes and the compensation policy of Caverion Group which is approved by the Board of Directors.

The Board of Directors appoints the President and CEO and approves his/her terms of employment including remuneration. The Board of Directors also appoints the members of the Group Management Board. According to Caverion Guidelines all individual remuneration decisions have to be approved by the manager's manager. The Chairman of the Board approves the remuneration of the Group Management Board members.

Remuneration of the Board of Directors

Based on the decisions of Caverion Corporation's Annual General Meeting on March 25, 2019, the members of the Board of Directors are entitled to the following fees:

- Chairman of the Board of Directors EUR 6,600 per month (EUR 79,200 per year)
- Vice Chairman of the Board of Directors EUR 5,000 per month (EUR 60,000 per year)
- Members of the Board of Directors EUR 3,900 per month (EUR 46,800 per year)

A meeting fee of EUR 550 is paid for each Board and Committee meeting attended in addition to the associated travel costs. None of the Board members have an employment relationship or service contract with Caverion Group and they are not part of any of Caverion Group's short or long-term incentive schemes or pension plans.

Fees paid to the Board of Directors

EUR	Board membership monthly fee 1.1.2019–25.3.2019	Board membership annual fee 26.3.2019–23.3.2020*	Audit committee meetings	Human Resources committee meetings	Meeting fees	Total 2019	Total 2018
Jussi Aho	10,957	46,800		2,200	4,950	64,907	53,950
Markus Ehrnrooth	14,048	60,000	2,750		4,950	81,748	69,900
Joachim Hallengren	10,957	46,800	2,200	550	4,400	64,907	55,050
Antti Herlin	10,957	46,800		2,200	4,950	64,907	54,500
Thomas Hinnerkov	10,957	46,800	2,200		4,950	64,907	56,700
Anna Hyvönen	10,957	46,800		2,200	4,950	64,907	55,600
Eva Lindqvist							13,343
Mats Paulsson	10,957	79,200	550	1,650	4,950	97,307	43,543
Michael Rosenlew	18,543		550	550	1,100	20,743	91,850
Total	98,333	373,200	8,250	9,350	35,200	524,333	494,436

* Board membership fee for period 26.3.2019–23.3.2020 was paid as an annual fee, of which 50% was paid as cash and 50% of Caverion shares according to the decision by the Annual General Meeting. Due to the transition to a share based payment, the Board members exceptionally received payment in relation to two separate Board membership periods during 2019.

Management remuneration

The remuneration paid to the Group's Management Board members consists of:

- Fixed base salary
- Fringe benefits
- Short-term incentive scheme, such as annual performance bonus plan, and
- Long-term incentive schemes, such as share-based incentive plans

Short term incentive schemes

The basis of remuneration at Caverion is a fixed base salary. In addition, the Group's management and most of the salaried employees are included in a performance based short-term incentive plan. The aim of the annual short-term incentive plan is to reward the management and selected employees based on the achievement of pre-defined and measurable financial and strategic targets. The Board of Directors approves the terms of the short-term incentive plan every year, according to which possible incentives are paid. Performance of the Group, the President and CEO as well as Group Management Board members is evaluated by the Board of Directors. Potential incentives are approved by the Board of Directors and they are paid out after the financial statements have been prepared.

The amount of the possible incentive payment is based on the achievement of the set financial performance targets, such as the Group's and/or division's and/or unit's financial result, strategic targets and/or development objectives set separately. Individual target and maximum incentive opportunity are



defined on the role based responsibilities. Possible incentive payments can vary from zero payment to the pre-defined maximum incentive payment based on the achievement of targets set.

Performance and development discussions are an essential part of the annual incentive plan and performance development process at Caverion. Individual targets, their relative weighting and achievement of the previously agreed targets are set and reviewed in these discussions.

The maximum short-term incentive paid to the President and CEO may be at the maximum level 100% of the annual fixed base salary. The maximum short-term incentive paid to the members of the Group Management Board may equal at maximum level to 70% of the annual fixed base salary.

Long-term incentive schemes

Long-term incentive schemes at Caverion are determined by the Board of Directors and they are part of the remuneration of management and key personnel of Caverion Group. The aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in becoming a leading service company and a selective master of projects by covering the whole life cycle of buildings, industries and infrastructure. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

Share-based long-term incentive plan 2016–2018

Caverion's Board of Directors approved a share-based long-term incentive plan in its December 2015 meeting. The plan consists of a Performance Share Plan, complemented with a Restricted Share Plan for special situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board.

The Performance Share Plan 2016–2018 consists of a one-year operative financial performance period (2016), followed by a two-year share price performance period. The potential reward has been based on the targets set for Group revenue and Earnings per share (EPS) until the end of 2016. The targets set for the Performance Share Plan 2016–2018 were not met and therefore no reward will be paid to the participants of the plan.

In the 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 that is used for special situations.

Share-based long-term incentive plan 2017–2019

Caverion's Board of Directors approved a share-based long-term incentive plan in its December 2016 meeting. The plan consists of a Performance Share Plan, complemented with a Restricted Share Plan for special situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board.

The Performance Share Plan 2017–2019 consists of a one-year operative financial performance period (2017), followed by a two-year share price performance period. The potential reward is based on the targets set for Group revenue and Earnings per share (EPS) until the end of 2017. The targets set for the Performance Share Plan 2017–2019 were not met and therefore no reward will be paid to the participants of the plan.

Share-based long-term incentive plan 2018–2020

Caverion's Board of Directors approved a share-based long-term incentive plan in its December 2017 meeting. The plan consists of a Performance Share Plan, complemented with a Restricted Share Plan for special situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board.

The Performance Share Plan 2018–2020 consists of a one-year operative financial performance period (2018), followed by a two-year share price performance period. The potential reward is based on the targets set for Cash Flow from Operations and Earnings per share (EPS) at the end of 2018. The targets set for the Performance Share Plan 2018–2020 were partially met and estimated share rewards comprising approximately a total value corresponding to 84,000 shares (gross before the deduction of applicable payroll tax) will be delivered in February 2021.

Matching Share Plan 2018–2022

Caverion's Board of Directors approved a new share-based long-term incentive plan "Matching Share Plan 2018–2022" in its February 2018 meeting. The prerequisite for participating in the Plan is that a key employee shall acquire company shares up to the number and in the manner determined by the Board of Directors. The Plan includes four matching periods, all beginning on 1 March 2018 and ending on 28 February 2019, 29 February 2020, 28 February 2021 or 28 February 2022. The plan participant may not participate in the Performance Share Plan 2018–2020 simultaneously with participating in the Matching Share Plan.

The rewards from the plan will be paid in four instalments, one instalment each in 2019, 2020, 2021 and 2022. However, the reward payment will be deferred, if a yield of the share has not reached the pre-set minimum yield level by the end of the matching period in question. If the pre-set minimum yield level has not been reached by the end of reward instalment specific grace periods ending in 2021–2022, no reward from a matching period in question will be paid.

The target set for the Matching Share Plan 2018–2022 was achieved. In the directed share issues without consideration, 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.

Share-based long-term incentive plan 2019–2021

Caverion's Board of Directors decided on a new share-based long-term incentive plan for key employees of the Group in its December 2018 meeting. The new plan is based on a performance share plan (PSP) structure. The Board approved at the same time the commencement of a new plan period 2019–2021 in the Restricted Share Plan (RSP) structure, a complementary share-based incentive structure for specific situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board.

The Performance Share Plan 2019–2021 consists of a three-year operative financial performance period (2019–2021). The potential reward is based on the targets set for Total Shareholder Return and Earnings per share (EPS) at the end of 2021.

Remuneration of the President and CEO

The Board of Directors decides on the remuneration, benefits and other terms of the Managing Director agreement of the President and CEO. The remuneration paid to the President and CEO consists of fixed base salary, fringe benefits, annual short-term incentive plan, long-term incentive plan and other possible benefits such as defined contribution pension scheme. The President and CEO's annual short-term incentive can be up to 100% of the annual fixed base salary. In 2019, 50% of the total incentive opportunity was based on Group's EBITDA and 50% on Group's Cash Flow. These measures are based on Caverion's strategic targets.

Ari Lehtoranta's pension, retirement age and termination compensation

The contractual retirement age of the President and CEO Ari Lehtoranta is 63 years. He has a supplementary defined contribution pension plan. During 1.1.–31.12.2019 the cost of his total pension scheme was EUR 132,000.

The President and CEO's notice period for both parties is six months. Severance pay (if the company terminates the agreement) is compensation amounting to 12 months' base salary as monthly payments.

Remuneration paid to the President and CEO in 2019

Ari Lehtoranta's base salary and fringe benefits as the President and CEO during 1.1.–31.12.2019 were in total EUR 647,782. Ari Lehtoranta had a share payment of 23 622 Restricted Share Units according to the terms and conditions of the Caverion's long-term incentive plan approved by the Board of Directors on January 1st, 2017 as well as a share payment of 93,498 shares from the Matching Share Plan according to the terms and conditions of the Caverion's long-term incentive plan approved by the Board of Directors on February 6th, 2018.

EUR	Fixed base salary	Fringe benefits	Short-term incentive payment	Long-term incentive payment	Supplementary pension scheme	Total 2019
Ari Lehtoranta 1.1.–31.12.2019	647,542	240	151,668	1,676,567	132,000	2,608,018

President and CEO's pension costs 1.1.–31.12.2019						Total 2019
Ari Lehtoranta	Statutory pension scheme					127,113
Ari Lehtoranta	Supplementary defined contribution pension scheme					132,000

A regularly updated table on the Group Management Board members' holdings of shares is available in insider register.

Loans to associated parties

The President and CEO and the members of the Board of Directors did not have cash loans from the company or its subsidiaries on December 31, 2019.

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. By the end of December 2019 the total outstanding amount of these loans amounted approximately to EUR 4.5 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.



Signatures to the Board of Directors' report and Financial statements and Auditor's note

Board of Directors' proposal for the distribution of distributable equity

The distributable equity of the parent company Caverion Corporation on December 31, 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 March 23, 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

The Auditor's note

Our auditor's report has been issued today
Helsinki, 7 February 2020

Ernst & Young Oy
Authorised Public Accountants

Antti Suominen
Authorised Public Accountant

Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of Caverion Oyj

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Caverion Oyj (business identity code 2534127-4) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5 (1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.2 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in

forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

**Key audit matter****Revenue recognition**

The accounting principles and disclosures concerning revenue recognition are disclosed in Note 2.1.

In accordance with its accounting principles Caverion applies the percentage-of-completion method ("POC method") for recognizing significant portion of its revenues.

The recognition of revenue by applying POC method and the estimation of the outcome of projects require significant management judgment in estimating the cost-to-complete as well as total revenues. From the financial statement perspective, significant judgment is required especially when the project execution and the associated revenues extend over two or more financials years.

The areas where significant judgment is required are more prone to the risk that the assumptions may be deliberately misappropriated. Based on above, revenue recognition was a key audit matter. This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

Our audit procedures to address the risk of material misstatement included:

- Assessing of the Group's accounting policies over revenue recognition of sales contracts.
- Examination of the project documentation such as contracts, legal opinions and other written communication.
- Analytical procedures and review of financial KPI's as well as development of projects by
 - reviewing the changes in estimated total revenues, cost-to-complete and changes in reserves, and
 - discussing with the different levels of the organization including project, division and group management.
- Analyzing key elements in management's estimates such as the estimated future costs-to-complete and the estimated time necessary to complete the project.
- Evaluating the appropriateness of the Group's disclosures in respect of revenue recognition.

Key audit matter**Valuation of goodwill**

The accounting principles and disclosures concerning goodwill are disclosed in Note 4.2.

The annual impairment test was a key audit matter because the assessment process is judgmental, it is based on assumptions relating to market or economic conditions extending to the future, and because of the significance of the goodwill to the financial statements. As of balance sheet date 31 December 2019, the value of goodwill amounted to 367 million euro representing 29% of the total assets and 160% of the total equity.

The valuation of goodwill is based on management's estimate about the value-in-use calculations of the cash generating units. There are number of underlying assumptions used to determine the value-in-use, including the revenue growth, EBITDA and discount rate applied on net cash-flows.

Estimated value-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.

How our audit addressed the Key Audit Matter

Our audit procedures regarding the valuation of goodwill included involving EY valuation specialists to assist us in evaluating methodologies, impairment calculations and underlying assumptions applied by the management in the impairment testing.

In evaluation of methodologies, we compared the principles applied by the management in the impairment tests to the requirements set in IAS 36 Impairment of assets standard and ensured the mathematical accuracy of the impairment calculations.

The key assumptions applied by the management in impairment tests were compared to

- approved budgets and long-term forecasts,
- information available in external sources, as well as
- our independently calculated industry averages such as weighted average cost of capital used in discounting the cashflows.

In addition, we compared the sum of discounted cash flows in impairment tests to Caverion's market capitalization.

We also assessed the sufficiency of the disclosures as well as whether the disclosures about the sensitivity of the impairment assessment are appropriate.



Key audit matter

Valuation of trade receivables

The accounting principles and disclosures concerning trade receivables are disclosed in Note 3.2.

Valuation of trade receivables was a key audit matter because the valuation of overdue trade receivables requires management to make significant judgments. As of balance sheet date 31 December 2019, the carrying value of trade receivables amounted to 330 million euros, of which 34 million euros were trade receivables overdue for more than 90 days.

The carrying value of trade receivables shown in the balance sheet as of 31 December 2019 is a result of gross receivables deducted by reserve for bad debts which is based on management's judgment.

Valuation of aged trade receivables requires management to evaluate probability of the recoverability of receivables and to record a reserve based on judgment for receivables for which payment is not likely.

How our audit addressed the Key Audit Matter

On the group level we evaluated the valuation methods applied on trade receivables as well as performed quarterly analyses of overdue and undue gross receivable balance development and corresponding movement in bad debt reserve.

In addition, we analyzed management's assessment of the recoverability of the most significant overdue receivables considering

- the customer payment pattern,
- legal opinions, and
- recent communications with the counterparties.

We have also discussed the valuation with the group's business and financial management as well as with the legal management.

On subsidiary level our audit procedures regarding the valuation of trade receivables included analysis of the aging of receivables as well as evaluation the recoverability of individual aged receivable balances by sending balance confirmation requests or by testing of subsequent cash receipts.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting

unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current

period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 26 March 2018, and our appointment represents a total period of uninterrupted engagement of 2 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.




Helsinki, 7 February 2020

Ernst & Young Oy, *Authorized Public Accountant Firm*

Antti Suominen,

Authorized Public Accountant

Caverion Corporation • P.O.Box 71, FI-01601 Vantaa • Tel. +358 10 4071 • www.caverion.com

 @CaverionSuomi  facebook.com/caveriongroup  www.linkedin.com/company/caverion



Our Annual Reporting for 2019 consists of Annual Review (including Financial Statements and Board of Directors' Report), Sustainability Report, Corporate Governance Statement and Remuneration Statement. Reports are available at www.caverion.com/caverion-annual-review-2019.