Annual Review 2020

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Caverion – Building Performance

By making built environments smart and sustainable, Caverion enables performance and people's wellbeing. Customers can trust our expert guidance during the entire life cycle of their buildings, infrastructure or industrial sites and processes: from advisory services to design & build, projects, technical and industrial maintenance as well as facility management.

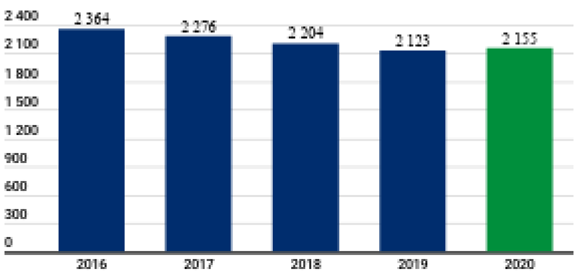
Our customers are supported by over 15,000 professionals in 11 countries in Northern, Central and Eastern Europe. Our revenue in 2020 was approximately EUR 2.2 billion. Caverion's shares are listed on Nasdaq Helsinki. Caverion's head office is located in Vantaa, Finland.

Ambitious sustainability targets

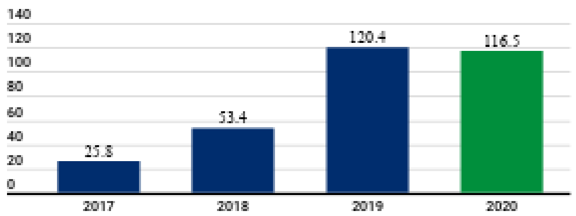
Caverion published its first sustainability targets in 2020. Our target is to create sustainable impact through our solutions, with a positive carbon handprint 10 times greater than our own carbon footprint by 2030. Going forward, we are actively striving to make the sustainability impacts visible and measurable to our customers throughout our offering.

Caverion has a strong market position and is ranked among the top 5 players in the building solutions market measured by revenue in most of its operating countries. In future, we see good growth prospects especially in smart and sustainable technology areas, including Building Automation, Refrigeration, and Security and Safety.

Revenue (EUR million)



Adjusted EBITDA (EUR million)



Our business units: Services and Projects

Services

Caverion is a partner for its customers within built environment services, from technical maintenance and property management services to solutions based on smart technologies and advisory services. Being a forerunner in sustainability, digitalisation and technology, supported by a wide local service network, we are able to offer our customers sustainable, flexible and high-quality services. Our focus is on delivering impactful outcomes for our customers: carbon footprint decrease, energy savings, improved end-user satisfaction and optimal building conditions.

Our goal is to be a leading service company and customers' trusted partner, and to profitably grow faster than the market.

Projects

Caverion delivers building technology and infrastructure projects for new building investments and modernisations. As a lifecycle partner with design&build expertise, we install all building technologies. We enable our customers' building performance with smart and energy efficient solutions, always focusing on connectivity and human-centric design. Our customers count on us for future-proof installations and technical solutions that meet regulations, safety and sustainability requirements of the future.

As a selective master of projects, our goal is to set the optimal foundation for a long-term customer relationship which we further grow with our service capabilities throughout the entire lifecycle.

Services and Projects for industry

Caverion is improving efficiency and minimising losses and emissions from production processes by measuring, monitoring, maintaining, operating and modernising production. When customers' production facilities operate as planned, production disruptions, uncontrolled emissions and waste are eliminated.

Revenue by division

- Sweden 20%
- Finland 19%
- Germany 17%
- Norway 15%
- Industry 13%
- Austria 9%
- Denmark 4%
- Other countries 3%

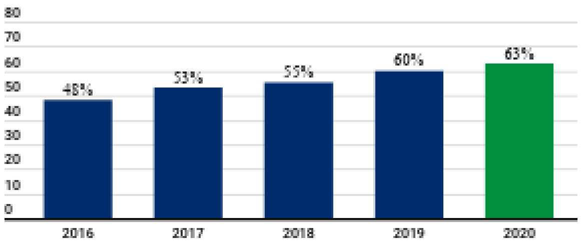
Revenue by business unit

- Services 63%
- Projects 37%

Personnel by division

- Finland 19%
- Sweden 17%
- Norway 16%
- Industry 16%
- Germany 15%
- Other countries 7%
- Austria 6%
- Denmark 4%
- Group Services 1%

Services business share of revenue, %



Revenue by customer segment

- Industry 34%
- Real Estate Users 23%
- Public Sector 16%
- General Contractors 16%
- Real Estate Investors and Developers 12%

MSCI ESG RATINGS A

CDP DRIVING SUSTAINABLE ECONOMIES

SUSTAINABLE DEVELOPMENT GOALS

From the CEO

Our target remains to come out of the corona crisis as a stronger company than entering it. In 2020, we continued our Fit for Growth strategy implementation and streamlined and adjusted our operations proactively as the pandemic effected the market environment. At the same time, we continued to invest in sustainable solutions for Smart Cities. A major share of EU and governmental economic stimulus investments is directed to make cities more sustainable. Caverion is well positioned to support its customers' sustainability efforts.

The best way to fight a crisis is to focus on helping customers through it

Throughout 2020, we focused hard on employee, customer and end-user safety and on ensuring that our teams take all necessary precautions in their daily work against the virus. Staying close to customers and walking through the challenges posed by Covid-19 together with them is the best recipe for staying safe and looking forward. Many of the services we provide helped to keep critical services and infrastructure up and running.

Sustainable solutions for smart cities – delivering outcome

Customers increasingly trust us for delivering complete outcomes. We make their buildings and industries better for the planet and better for people. We progressed very well throughout the year in long-term and large agreements, with e.g. several large city administrations. I am humbled and encouraged by this development. It tells me to accelerate our efforts.

Climate change continues to be the biggest threat our earth is facing. In November we launched our sustainability targets. We commit to making a difference in sustainability together with our customers and in line with our strategy and purpose: enabling performance and people's wellbeing in smart and sustainable built environments. I am proud of these targets. They require us to continuously improve and to expand our smart technology and digital solution offering to increase customer value and handprint. By 2030 we want to reach a ten times higher positive impact from our activities with customers than our own carbon footprint.

In the other two key sustainability target areas, we commit to caring for our employees and enabling their continuous success and we committing to ensure efficient and high-quality implementation of sustainability.

Strong development in Services, Smart technology and digital solutions

Caverion is transforming in a fast-changing market environment. Cities are responsible for over 70% of global CO_2 emissions. Industrial sites, transport, and buildings are amongst the largest contributors. Our customers who own, run or use these urban facilities and sites feel the pressure – they are facing immense challenges. They need a partner who can support them on their way to a sustainable future, which means that their properties reduce emissions, fulfil governmental regulations, are safe, user-friendly and attractive. All of this is based on how well they can utilise modern smart technology and apply data analytics. They need to stay competitive. Their building partner needs to be on top of developments, learning and adapting in order to be able to guide them; there is no time for wrong attempts – they want a commitment, a partner who promises outcomes and delivers them in high quality.

Caverion is ideally equipped to be that partner. We deliver this kind of sustainable building performance no matter at what stage they are at in the lifecycle of their building or industry. We commit to outcomes. We advise them on their journey. For our unique Caverion way of delivering these promises, digitalisation is at the core: we install and connect technology that becomes the digital backbone of any property, utilise the data gathered in the operational phase of a building to maintain and to continuously improve its performance for it to remain a high-value asset.

Defence victory

Despite all the difficulties that came with coronavirus, we managed to close the year with what I call a "defence victory". The economic environment had an impact on our order backlog, revenue and profitability. The order backlog at the end of December decreased by 3.7 percent compared to the previous year. In the second half of the year, the impacts of corona were more visible in the Projects order backlog. The Services business order backlog was less affected by corona during the year.

Adjusted EBITA for January–December amounted to EUR 60.6 (67.2) million, or 2.8 (3.2) percent of revenue. In Services, although the demand environment remained rather stable towards the end of the year, our ad hoc works were impacted by corona. In the Industry division, the last quarter saw a positive impact from earlier postponed shutdown services. In Projects, the pandemic continued to impact our productivity to a certain extent. Productivity was also lowered by restructuring costs related to FIT actions we carried out in both Services and Projects. Our cash flow was again strong as a result of our performance management program.

Resetting our setup for growth

The impacts of the pandemic have required us to continue to improve productivity in order to stay competitive. Rather than purely cutting costs, we redesigned our operations in such a way that we built a solid foundation for growth and we are more resilient to any upcoming economic impacts of corona and other market fluctuations in general. We made our organisation leaner, and we brought everyone closer to customers. This also makes communication faster and easier. When growth picks up, we are fit and well positioned to meet new customer demand.

During the year, we integrated the activities of the Maintpartner acquisition into our reshaped Industry division. We also finalised the integration of the Huurre acquisition. I am pleased with customer retention in both cases – within the boundaries set by competition authorities.

Committed people in a safe work environment

We continued our long-term work to ensure a safe work environment. The accident frequency rate was 4.2 (5.3). This is a very encouraging development. Even though we are among the highest performers in our field in terms of work safety, we are not satisfied yet with where we are today. We continue to challenge all Caverion people to proactively carry responsibility for safety and we put more and more emphasis on preventive and proactive measures.

I am grateful for the engagement of our people. It showed on a daily basis throughout the safety and economic challenges of the year. Our people focused on customers and on moving forward with them. I am grateful for that and I take it as a sign of trust from our employees in our purpose, and in the sustainable growth opportunities we have with our customers.

Ari Lehtoranta

Ari Lehtoranta was the President and CEO of Caverion Corporation until 28 February 2021.

We give expert guidance along the lifecycle of built environments:

Buildings & Infrastructure

Industrial Operations

BUILD

New buildings, investments and modernisations

MAINTAIN

Maintenance, modernisations and shutdown services

SMART

Cutting edge scalable technologies for data driven decisions, industrial production and processes.

PARTNER

Facility and lifecycle management and industrial operation and maintenance partnerships

Our strategy: Fit for Growth

Caverion is well positioned to enable a sustainable, digital future for its customers. Our strategy builds on our purpose to enable performance and people's wellbeing in smart and sustainable built environments.

The coronavirus pandemic in 2020 slowed the implementation of our Fit for Growth strategy. However, the crisis also showed that a large part of Caverion's services is vital in keeping critical services and infrastructure up-and-running. This includes ensuring the continued functioning of energy and transportation infrastructure, health facilities, pharmaceutical and food industries, retail and logistics as well as facilities and services used by public authorities. Throughout 2020, we focused hard on employee, customer and end-user safety and on ensuring that our teams take all necessary precautions in their daily work against the virus.

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. Due to the lengthened corona crisis in 2020 and the resulting downturn, Caverion continued Fit actions and planned further personnel reductions, reorganisation and operating model development for most of its divisions. By making our organisation leaner, we bring everyone closer to customers. This also makes communication faster and easier. With these changes, we have improved Caverion's competitiveness in the market: we are more resilient to any upcoming economic impacts of corona and other market fluctuations in general. When growth picks up, we are fit and well positioned to meet new customer demand.

In 2020, we also continued initiatives preparing Caverion for the Growth phase of our strategy and invested in smart technology, sustainability offerings and brand – and related human capital.

In the Growth phase, our target is to further accelerate profitable growth in the Services business and exceed market growth. In Projects, we continue our selective approach and the development of our operating model to improve our overall performance. Projects remain important as we focus on growing with long-term customer partnerships and over the life cycle of buildings and industries.

We continue to focus our growth efforts into advisory services, delivering complete outcomes, Smart Technology and digital solutions.

Sources of our future growth

Our organic growth will be supported by bolt-on acquisitions in selected growth areas and in complementary capabilities. In 2020, we finished the Maintpartner and Huurre integrations.

Read more about our strategy and financial targets in Board of Directors' report pages 13-14.

Fit for Growth strategy

PURPOSE

We enable performance and people's wellbeing in smart and sustainable built environments

VISION

First choice in digitalising environments

MUST-WINS

- Excellent customer experience
- Sustainable solutions
- Top performance at every level
- Winning team

FOUNDATION

Building Performance culture and values
Safety | Quality

KEY THEMES

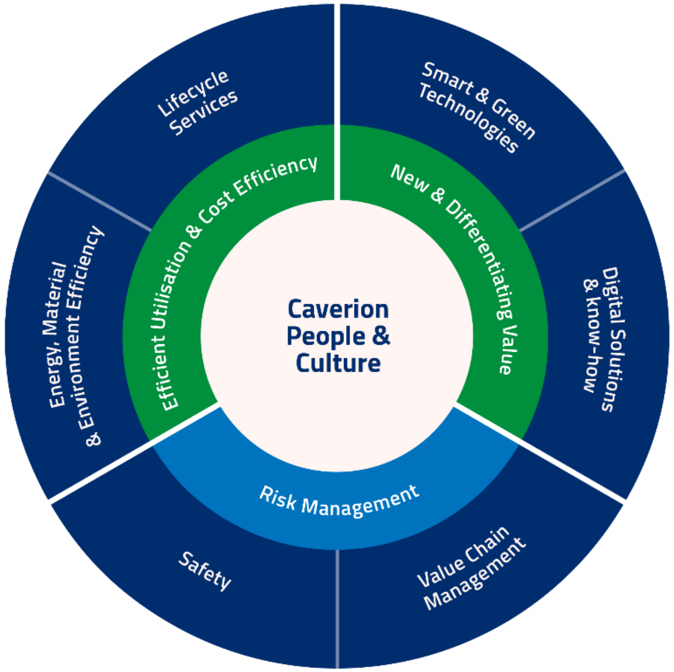
Digitalisation and sustainability

Caverion drives sustainable impact

We deliver sustainable outcomes for our customers

Our sustainability targets are in line with our strategy and purpose – Enabling performance and people's well-being in smart and sustainable built environments

We have set clear actions and KPIs to reach these targets



Focus areas:

Our business makes sustainable impact **E**

We care for our employees and enable their continuous success **S**

We ensure efficient and high-quality implementation of sustainability **G**

Read more about our new sustainability targets in Board of Directors' report pages 25-26.

Delivering sustainable outcomes and value in a smart city

Cities are key in the battle against climate change. Therefore, urban renewal - the modernisation of existing built environments - is by far the most effective means of combating climate change.

Smart Cities are created with the goal to provide their inhabitants with a healthier, safer and more comfortable life environment. Smart Buildings, smart factories, infrastructure and transportation are the scalable key elements of a smart city. They must comply with the same design principles as the whole smart city: be user-driven and ecologically friendly.

Caverion wants to shape this urban renewal, combining experience and expertise with new technological, commercial and customer tailor-made services.

Build your own smart city: smartcity.caverion.com/

Board of Directors' Report January 1 –December 31, 2020

Operating environment in 2020

The outbreak of the corona pandemic had a major impact on the operating environment in 2020. The overall market and demand situation started to weaken in mid-March. Thereafter Caverion experienced more workforce absences as well as more work site delays and closures especially in April-May. Most of Caverion's operating countries were also locked down in the early part of the second quarter, after which government restrictions and the impacts on Caverion's business started to clearly ease up in June. At the beginning of the third quarter, the corona pandemic was well contained in most Caverion countries, after which the second wave of corona became more visible at the end of the third quarter, again increasing the risk exposure. In the fourth quarter the situation was more stable compared to the second quarter, but the corona pandemic impacted operations more than in the third quarter. This was visible particularly in the Projects business, whereas the Services business remained more stable. On a positive note, Caverion did not experience any major constraints in the supply chain during the year.

In order to minimise the negative financial impacts from the pandemic on its operations, Caverion implemented cost saving actions and adapted its resources. In most of the operating countries, the key flexibility measures were the use of temporary lay-offs and the reduction of subcontracting. Furthermore, due to the lengthened corona crisis and the resulting downturn, Caverion carried out proactive streamlining and adjustments of its operations during the fourth quarter. These actions included personnel reductions, reorganisation and operating model development. Due to the increased uncertainty around the market outlook as a result of the corona pandemic, the President and CEO and the top management of Caverion also decided to voluntarily lower their compensation for 2020 in the spring of 2020.

More information on the operating environment of the business units has been presented in the financial statements release published on 11 February 2021.

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 most of its operating countries. The market is overall still very fragmented in Caverion 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 top-10 players 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 2020

Caverion's year 2020 started according to expectations, while towards the end of the first quarter, the general business environment radically changed with the outbreak of the coronavirus pandemic. Caverion's performance in the first quarter showed that Caverion was not at the frontline taking the immediate hits from the corona crisis, as a large part of its services is vital in keeping critical services and infrastructure up-and-running. Caverion had an all-time high order backlog in the first quarter and its strong cash flow and liquidity supported in tackling the first wave of the corona crisis.

The impacts of the corona crisis were more visible to Caverion's business in the second quarter. The coronavirus pandemic had an impact on both revenue and profitability in the second quarter, but there was still improvement year-on-year. In Services, the ad-hoc orders were lower in April-May, followed by a recovery in June. In Projects, the corona pandemic impacted Caverion's productivity during the first half of the year. The Projects business profitability was also affected by completion of the last few old projects, ramping down the large projects business in Denmark and the inflexibility to adjust personnel costs with temporary lay-offs in Central Europe. The integration of the most recent acquisitions progressed according to plan.

As the year progressed, Caverion's profitability improved in the third quarter compared to the challenging second quarter. The new order intake was positive especially in Services, whereas in Projects there was a negative impact from the corona related downturn. Caverion also closed the divestment of certain parts of the industrial operations in Finland. More information about the divestment can be read under Group's 2020 financial statement note 4.1 "Acquisitions and disposals".

Towards the end of the year the business Caverion's adjusted EBITA improved in the fourth quarter compared to the previous quarters of the year, but the quarter was still impacted by the second wave of the corona pandemic. Due to this, Caverion carried out proactive streamlining and adjustments of its operations during the fourth quarter. These fit actions included personnel reductions, reorganisation and operating model development. The restructuring costs amounted to EUR 7.7 million in the fourth quarter of 2020. The resulting savings will be at least EUR 25 million for 2021. A part of the savings will be invested in growing particularly Caverion's digital and smart technology businesses across the divisions.

Furthermore, Caverion also made an overall critical assessment of its Projects business risks when closing the year due to the potential negative effects of the downturn on project forecasts. Measured by the start year of the project, the margin slippages in the Projects business have clearly decreased each year in recent years. Caverion's risk exposure related to projects is smaller going forward due to various efforts Caverion has made in project management, execution and financial steering. Caverion made write-downs on the last remaining major risk project in Germany totalling EUR 7.7 million in the fourth quarter. Compared to earlier estimate being the end of 2020, the project is now expected to be completed by the end of the first half of 2021. The execution has been delayed due to corona and other reasons beyond Caverion's control.

Caverion published its guidance for 2020 on 7 February 2020, according to which the Group's revenue (2019: EUR 2,123.2 million) and adjusted EBITA (2019: EUR 67.2 million) were estimated to grow in 2020 compared to 2019. Caverion announced on 14 April 2020 that it withdraws its guidance for 2020 due to the increased uncertainty around the market outlook as a result of the corona pandemic. Due to the continued corona pandemic and economic uncertainty experienced at the end of the third quarter, Caverion decided not to give any guidance for the remainder of 2020.

For the full year, Caverion's revenue increased by 1.5 percent to EUR 2,154.9 (2,123.2) million. The Group's Services business revenue increased by 7.1 percent and amounted to EUR 1,364.9 (1,274.9) million and its relative share of the Group's total revenue increased to 63.3 (60.0) percent of revenue. The Projects business revenue decreased to EUR 790.0 (848.3) million. The Group's adjusted EBITA amounted to EUR 60.6 (67.2) million, or 2.8 percent of revenue. In 2020, Caverion reported one old major risk project from Germany in adjusted EBITA. The write-downs, expenses and/or income from this risk project amounted to EUR 12.8 million in 2020. Information on project and other risks is given under "Short-term risks and uncertainties".

Caverion's cash flow was again strong and the highlight of the year. Operating cash flow before financial and tax items amounted to EUR 157.6 (143.7) million in 2020. The Group's working capital at the end of 2020 was EUR -160.4 (-100.9) million. Caverion's liquidity position was strong and Caverion had a high amount of undrawn credit facilities at the end of the year. The Group's gearing was 60.4 (73.6) percent and the equity ratio 18.9 (21.5) percent at the end of December. Net debt amounted to EUR 118.6 (168.4) million at the end of December and the net debt/EBITDA ratio was -0.2x (1.4x). Caverion raised a 5-year TyEL pension loan of EUR 15 million and a EUR 35 million hybrid bond in the second quarter. The previously outstanding EUR 66.06 million 2017 Hybrid Capital Securities were redeemed in full on 16 June 2020.

Group strategy and financial targets

Caverion's Fit for Growth strategy and the financial targets launched on 4 November 2019 remain valid.

Climate change continues to be the biggest threat our earth is facing. Caverion is contributing to a carbon-neutral society through its energy-efficient and sustainable solutions. Going forward, digitalisation and sustainability are key themes driving Caverion's growth. Caverion commits to making a difference in sustainability together with its customers in line with its strategy and purpose: enabling performance and people's wellbeing in smart and sustainable built environments. This year, Caverion also published its sustainability targets, KPIs and actions. These are described in more detail under "Disclosure regarding non-financial information". Over the longer term, Caverion's target by 2030 is to create sustainable impact through its solutions, with a positive carbon handprint 10 times greater than its own carbon footprint (Scope 1-2).

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 seeks growth both organically and inorganically through acquisitions.

Financial targets

Caverion continues to prioritise cash flow generation. In the Services business, the target is to boost profitable growth. 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 following table presents the Group's financial targets and the progress in them during 2020.

Financial targets (mid-term)	Progress in 2020
Cash conversion = Operating cash flow before financial and tax items / EBITDA > 100%	- Cash conversion 158.5 (139.5)% in 2020 - Operating cash flow improved to EUR 157.6 (143.7) million in 2020*
Profitability: Adjusted EBITA* > 5.5% of revenue	- Adjusted EBITA margin amounted to 2.8 (3.2)% in 2020
Debt leverage: Net debt/EBITDA** < 2.5x	- At the level of -0.2x (1.4x) as per 12/2020
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 7.1% in 2020 - The share of Services continued to grow to 63.3 (60.0) percent of revenue in 2020
Dividend policy: 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 24 March 2021 that a dividend of EUR 0.10 per share and an extraordinary dividend of EUR 0.10 per share, in total EUR 0.20 per share will be paid for the year 2020. The Board of Directors has decided that no dividend will be paid for the year 2019.

** 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.*

Group financial development 2020

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.

Order backlog

Order backlog at the end of December decreased by 3.7 percent to EUR 1,609.1 million from the end of December in the previous year (EUR 1,670.5 million). At comparable exchange rates the order backlog decreased by 3.5 percent.

Order backlog increased by 0.7 percent in Services compared to the previous year, while it decreased by 8.8 percent in Projects. In the second half of the year, the impacts of corona were more visible in the Projects order backlog. Services business order backlog was less affected by corona during the year.

Revenue

Revenue for January–December was EUR 2,154.9 (2,123.2) million, an increase of 1.5 percent compared to the previous year. At the previous year's exchange rates, revenue was EUR 2.181,9 million and increased by 2.8 percent compared to the previous year. Changes in Swedish crona had a positive effect of EUR 4.0 million and changes in Norwegian krone and Russian rouble a negative effect of EUR 28.3 million and EUR 2.3 million, respectively.

Organic growth was -4.1 percent, impacted by the corona crisis and the downturn. Revenue was also impacted by fluctuations in currency exchange rates and the Maintpartner and Huurre acquisitions as of December 2019.

Revenue increased in Finland, Germany and Industry, while it decreased in other divisions.

The revenue of the Services business unit increased and was EUR 1,364.9 (1,274.9) million in January–December, an increase of 7.1 percent, or 8.7 percent in local currencies. The revenue of the Projects business unit was EUR 790.0 (848.3) million in January–December, a decrease of 6.9 percent, or 6.2 percent in local currencies. Project business revenue was affected by the continuous selectivity approach in projects and the closure of the large projects business in Denmark.

The Services business unit accounted for 63.3 (60.0) percent of Group revenue, and the Projects business unit for 36.7 (40.0) percent of Group revenue in January–December.

Distribution of revenue by Division and Business Unit

Revenue, EUR million	1-12/2020	%	1-12/2019	%	Change
Sweden	420.6	19.5	435.4	20.5	-3.4%
Finland	416.0	19.3	384.3	18.1	8.2%
Norway	318.9	14.8	359.6	16.9	-11.3%
Germany	368.8	17.1	355.5	16.7	3.7%
Austria	191.4	8.9	200.1	9.4	-4.4%
Industry	275.9	12.8	205.3	9.7	34.4%
Denmark	93.6	4.3	109.5	5.2	-14.5%
Other countries*	69.7	3.2	73.6	3.5	-5.2%
Group, total	**2,154.9**	**100**	**2,123.2**	**100**	**1.5%**
Services	1,364.9	63.3	1,274.9	60.0	7.1%
Projects	790.0	36.7	848.3	40.0	-6.9%

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

Organic growth

Revenue change	Change	Change in local currencies	Organic growth *	Currency impact	Acquisitions and divestments impact
Services	7.1%	8.7%	-2.2%	-1.7%	10.9%
Projects	-6.9%	-6.2%	-6.9%	-0.7%	0.7%
Group, total	**1.5%**	**2.8%**	**-4.1%**	**-1.3%**	**6.8%**

** Revenue change in local currencies, excluding acquisitions and divestments*

Profitability

EBITA and operating profit

Adjusted EBITA for January–December amounted to EUR 60.6 (67.2) million, or 2.8 (3.2) percent of revenue and EBITA to EUR 42.4 (49.8) million, or 2.0 (2.3) percent of revenue.

In the adjusted EBITA calculation, the capital gains from divestments and the transaction costs related to divestments and acquisitions totalled EUR -6.0 million. The write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 12.8 million. The Group's restructuring costs amounted to EUR 10.7 million, the majority of which related to Germany, Sweden, Norway and Denmark. Other items totalled EUR 0.6 million.

The operating profit (EBIT) for January–December decreased to EUR 27.2 (35.3) million, or 1.3 (1.7) percent of revenue.

Costs related to materials and supplies increased to EUR 529.0 (524.2) million and external services decreased to EUR 410.1 (411.3) million in January–December. Personnel expenses increased by 3.9 percent from the previous year and amounted to a total of EUR 902.6 (868.9) million for January–December, explained mainly by the completed acquisitions in 2019. Personnel expenses decreased from the previous year excluding the effect of the acquisitions. Division Sweden received a grant from the government in 2020 for short-term layoffs and sick-leave compensation amounting to about EUR 3.6 million. This has been presented in income statement as a reduction of personnel costs. Other operating expenses decreased to EUR 225.3 (229.8) million. Other operating income was EUR 11.5 (14.0) million. The capital gain from the sale of a subsidiary in Russia is reported under other operating income for the period and it amounted to EUR 7.3 million, mainly consisting of cumulative translation differences. The transaction had no cash flow impact. The figures for 2019 only include the costs of the companies acquired in late 2019 as of the date of closing.

Depreciation, amortisation and impairment amounted to EUR 72.2 (67.6) million in January–December affected by acquisitions completed. Of these EUR 57.0 (53.2) million were depreciations on tangible assets and EUR 15.2 (14.5) million amortisations on intangible assets. Of the depreciations, the majority related to right-of-use assets in accordance with IFRS 16 amounting to EUR 51.0 (47.9) million. The amortisations related to allocated intangibles on acquisitions and IT.

EBITA is defined as Operating profit + amortisation and impairment on intangible assets. Adjusted EBITA = EBITA before items affecting comparability (IAC). Items affecting comparability (IAC) in 2020 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 2019 and 2020, major risk projects only include one risk project in Germany reported under category (2). In 2019, 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 were reported under category (4). In 2020, costs related to a subsidiary in Russia sold during the second quarter have been reported under category (4).

Adjusted EBITA and items affecting comparability (IAC)

EUR million	1–12/20	1–12/19
EBITA	42.4	49.8
EBITA margin, %	2.0	2.3
Items affecting comparability (IAC)		
- Capital gains and/or losses and transaction costs related to divestments and acquisitions	-6.0	4.8
- Write-downs, expenses and income from major risk projects*	12.8	17.1
- Restructuring costs	10.7	4.6
- Other items**	0.6	-9.0
Adjusted EBITA	60.6	67.2
Adjusted EBITA margin, %	2.8	3.2

** Major risk projects include only one risk project in Germany in 2019 and 2020.*
*** In 2019, including 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. In 2020, including legal and other costs related to the German anti-trust fine and costs related to a subsidiary in Russia sold during the second quarter.l*

Adjusted EBITDA is affected by the same adjustments as adjusted EBITA, except for restructuring costs, which do not include depreciation and impairment relating to restructurings. These amounted to EUR 1.1 million in January–December. In 2019, the EBITA adjustments did not include depreciation and impairment.

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

Result before taxes amounted to EUR 16.0 (27.0) million, result for the period to EUR 8.6 (22.6) million, and earnings per share to EUR 0.05 (0.14) in January–December. Net financing expenses in January–December were EUR 11.2 (8.4) million. This includes an interest cost on lease liabilities amounting to EUR 4.5 (5.2) million and an exchange rate loss from an internal loan denominated in euros in Russia amounting to EUR 1.0 million.

The restructuring and project write-downs completed in two divisions caused negative results for these divisions in 2020, for which no deferred tax asset was recorded due to the prudence principle applied for the deferred tax asset valuation. The economic uncertainties caused by the corona pandemic were also considered in the assessment. Therefore, the Group's effective tax rate was exceptionally high, 46.0 (16.2) percent in January-December 2020.

Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets totalled EUR 16.7 (73.4) million in January–December, representing 0.8 (3.5) percent of revenue. Investments in information technology totalled EUR 9.7 (9.4) 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 7.0 (64.0) million.

Information on acquisitions and disposals during 2020 is presented in the Group's 2020 financial statement note 4.1 "Acquisitions and disposals".

Research and development

The Group's expenditure related to research and development activities related to product and service development amounted to approximately EUR 1.3 (0.8) million in 2020, representing 0.1 (0.0) percent of revenue. Of the total amount EUR 0.9 (0.8) million was recognised as an expense in the income statement and EUR 0.4 (0.0) million of the development expenses was capitalised.

Investments in research and development amounted to EUR 0.9 million in 2018, representing 0.0 percent of revenue. This was recognised as an expense in the income statement.

Cash flow, working capital and financing

The Group's operating cash flow before financial and tax items improved to EUR 157.6 (143.7) million in January-December and cash conversion (LTM) was 158.5 (139.5) percent. The Group's free cash flow improved to EUR 137.3 (74.0) million. Cash flow after investments was EUR 127.8 (64.5) million.

Cash flow was negatively impacted by previously postponed authority payments due to corona totalling EUR 6.8 million paid in the fourth quarter. The final postponed authority payments totalling EUR 3.3 million will be paid in in the first half of 2021. The Group's free cash flow was EUR 76.9 (24.4) million. Cash flow after investments was EUR 74.2 (21.4) million.

The Group's working capital improved to EUR -160.4 (-100.9) million at the end of December. There were improvements in all divisions except for Industry compared to the previous year. The amount of trade and POC receivables decreased to EUR 506.5 (527.2) million and other current receivables to EUR 30.2 (32.6) million. On the liabilities side, advances received increased to EUR 252.2 (216.2) million and other current liabilities to EUR 273.3 (269.2) million, while trade and POC payables decreased to EUR 188.0 (194.1) million.

Caverion's liquidity position was strong and Caverion had a high amount of undrawn credit facilities on 31 December 2020. Caverion's cash and cash equivalents amounted to EUR 149.3 (93.6) 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 138.7 (125.0) million at the end of December, and the average interest rate was 2.7 (3.0) percent. Approximately 46 percent of the loans have been raised from banks and other financial institutions and approximately 54 percent from capital markets. Lease liabilities amounted to EUR 129.2 (136.9) million at the end of December 2020, resulting to total gross interest-bearing liabilities of EUR 267.9 (261.9) million.

The Group's interest-bearing net debt excluding lease liabilities amounted to EUR -10.6 (31.5) million at the end of December and including lease liabilities to EUR 118.6 (168.4) million. At the end of December, the Group's gearing was 60.4 (73.6) percent and the equity ratio 18.9 (21.5) percent.

Excluding the effect of IFRS 16, the gearing would have amounted to -5.4 (13.7) percent and the equity ratio to 21.5 (24.6) percent.

Caverion raised a 5-year TyEL pension loan of EUR 15 million on 29 April 2020.

On 15 May 2020 Caverion issued a EUR 35 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders. The coupon of the hybrid bond is 6.75 per cent per annum until 15 May 2023. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on 15 May 2023, and subsequently, on each coupon interest payment date. If the hybrid bond is not redeemed on 15 May 2023, the coupon will be changed to 3-month EURIBOR added with a Re-offer Spread (706.8 bps) and a step-up of 500bps.

The previously outstanding EUR 66.06 million 2017 Hybrid Capital Securities were redeemed in full on 16 June 2020 in accordance with their terms and conditions.

In June a one-year extension option to move the maturity of RCF (100M€) and term loan (50M€) from 2022 to February 2023 was utilised.

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 -0.2x according to the confirmed calculation principles. The confirmed calculation principles exclude the effects of the IFRS 16 standard and contain certain other adjustments.

Board of Directors, Auditors, President and CEO

Board of Directors

The Annual General Meeting was held on 25 May 2020. 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, Thomas Hinnerskov, Kristina Jahn and Jasmin Soravia as members of the Board of Directors for a term of office expiring at the end of the Annual General Meeting 2021.

At the beginning of 2020 until the closing of the Annual General Meeting, the previous Board of Directors consisted of Chairman Mats Paulsson, Vice Chairman Markus Ehrnrooth as well as Jussi Aho, Joachim Hallengren, Antti Herlin, Thomas Hinnerskov and Anna Hyvönen 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 Report, 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 2020. 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	12/20	12/19	Change
Sweden	2,601	2,961	-12%
Finland	2,876	2,795	3%
Norway	2,366	2,431	-3%
Germany	2,260	2,253	0%
Industry	2,464	2,929	-16%
Other countries	1,050	1,223	-14%
Austria	852	828	3%
Denmark	565	734	-23%
Group Services	129	119	8%
Group, total	**15,163**	**16,273**	**-7%**

Caverion Group employed 15,773 (14,763) people on average in January–December 2020. At the end of December, the Group employed 15,163 (16,273) people. Personnel expenses for January–December amounted to EUR 902.6 (868.9) million.

Employee safety continued to be a high focus area in year 2020. Due to the corona situation, many extra actions have been taken to protect the employees, to organise the work in a way that it is safe to complete and to establish different supportive trainings, tools and communication methods. The Group's accident frequency rate at the end of December was 4.2 (5.3).

Changes in Caverion's Group Management

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

Other disclosure related to Group management

Caverion announced on 29 October 2020 that it has come to its attention that the public prosecutor has decided to press charges in a matter concerning suspected disclosure offence in a Nokian Tyres plc related matter against several persons including Ari Lehtoranta, the President and CEO of Caverion Corporation. The matter does not in any manner relate to Lehtoranta's position as the President and CEO of Caverion Corporation and he enjoys full trust of the Board of Directors. More information can be found in the stock exchange release issued on 29 October 2020.

Short-term risks and uncertainties

There have been no material changes in Caverion's significant short-term risks and uncertainties compared to those reported in the Interim Report Q3/2020. Those risks and uncertainties are still valid.

The impacts of the corona pandemic and the consequent economic downturn on Caverion, and the actions taken by the company are summarised separately after this section and described earlier in the report in the "Market outlook for Caverion's services and solutions" and "Operating environment in 2020" sections.

Caverion is exposed to different types of strategic, operational, political, market, customer, financial and other risks. Caverion estimates that the trade, health and political risks are increasing globally and have partly already materialised during the corona pandemic and the consequent economic downturn.

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

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 and 2020, Caverion reported only one old major risk project from Germany in adjusted EBITA, the completion of which has been delayed approximately into the second quarter of 2021. It is possible that further risks may emerge in this old project or other projects.

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. The corona crisis has increased the general risk level related to the financial standing of customers and the collection of 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 concerned 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. In the end of March 2020, the FCO issued its final decision on the cartel case against the other building technology companies involved in the matter. There is a risk that civil claims may be presented against the involved companies, including Caverion Deutschland GmbH. It is not possible to evaluate the magnitude of the risk for Caverion 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 some of its client projects executed in that time. Caverion brought its findings to the attention of the authorities and supported them in investigating the case. In the end of June 2020, the public prosecutor's office in Munich informed Caverion that no further investigative measures are intended and that no formal fine proceedings against Caverion will be initiated related to those cases. There is a risk that civil claims may be presented against Caverion Deutschland GmbH. It is not possible to evaluate the magnitude of the risk for Caverion at this time. Caverion will disclose any relevant information on the potential civil law claims 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 compliance programme all employees must complete an annual e-learning module and further training is given across the organisation. All new employees have to familiarise themselves with Caverion's Code of Conduct and to take the e-learning. 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. The outbreak of the coronavirus pandemic has increased the general risk level related to the availability of financing as well as foreign exchange related risks.

Caverion's business typically involves granting financial guarantees to customers or other stakeholders, especially in large projects, e.g. for the security of advance payments received, performance of contractual obligations, and 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 countries where it operates. The outbreak of the coronavirus pandemic has increased the general risk level related to the availability of guarantee facilities.

Reliability of the key IT systems and partnership is essential for Caverion's continuous operations. Prolonged disruption in the key systems could limit Caverion's ability to conduct operations in a profitable and efficient manner. In addition, increasing sophistication of and frequency of cyber threats pose a risk to Caverion's information assets. Data privacy related breaches may have a negative impact on Caverion's reputation. Over time Caverion has made significant investments in its IT systems, and there is a risk that the expected pay-back of these investments is not fully materialised.

Financial risks have been described in more detail in the 2020 Financial Statements under Note 5.5 "Financial risk management".

Caverion's risk management principles and the description of Caverions' key risks is available on the Company's website www.caverion.com/investors.

Impact of corona pandemic and consequent economic downturn on Caverion

The first wave of the corona pandemic and the consequent economic downturn negatively impacted Caverion's business in 2020. After major impacts in the second quarter, the impact reduced and was more limited during the third quarter, with somewhat increased impacts again in the fourth quarter.

The second wave of corona was visible in the fourth quarter of 2020, again increasing the risk exposure. The second wave of corona led to renewed lockdown measures also in Caverion countries and somewhat increased the negative business impacts.

Caverion's business is exposed to various risks associated with corona and the economic downturn. These include, for example, suspension or cancellation of existing contracts by customers, lack of demand for new services, absenteeism of employees and subcontractor staff, closures of work sites and other work premises by customers or authorities and defaults in customer payments.

Apart from its immediate effects, the corona pandemic has also led to a global economic downturn, which in many areas can negatively impact the general demand and the pricing environment also for Caverion. However, a material part of Caverion's offering is of such nature that customers will need these services also during a downturn.

It is still unclear how long the corona pandemic will last, how deep and long the consequent downturn will be and what will be the speed of the economic recovery. The business volume and the amount of new order intake are important determinants to Caverion's performance in 2021. Large-scale vaccination against the corona virus is expected to improve the overall risk situation going forward. Caverion estimates that the first half of 2021 will still be negatively impacted by the corona pandemic, after which the operating environment is expected to improve.

Authorisations

Repurchase and/or acceptance as pledge of own shares of the company

The Annual General Meeting of Caverion Corporation, held on 25 May 2020, 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 accepted 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 and/or accepted as pledge. Repurchase of own shares may be made using, inter alia, derivatives. Repurchase and/or acceptance as pledge of own shares may be made otherwise than in proportion to the share ownership of the shareholders (directed repurchase or acceptance as pledge).

The authorisation cancels the authorisation given by the General Meeting on 25 March 2019 to decide on the repurchase and/or on the acceptance as pledge of the Company's own shares. The authorisation is valid until 23 September 2021. 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 announced on 7 February 2018, 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 689,056 Caverion Corporation shares as a pledge at the end of the reporting period on 31 December 2020.

Share issues

The Annual General Meeting of Caverion Corporation, held on 25 May 2020, 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 develop the Company's capital structure, to broaden the Company's ownership base, 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 programs. The authorisation is valid until the closing of the next annual general meeting, however no later than 24 May 2021.

The Board of Directors of Caverion Corporation decided on two directed share issues without payment for the payment of the reward instalments from Caverion's share plans during the period. In these directed share issues without payment, 39,127 Caverion Corporation shares held by the company were conveyed to 16 key employees according to the terms and conditions of Caverion's Restricted Share Plan 2017–2019 on 27 February 2020, and 6,673 Caverion Corporation shares held by the company were conveyed to a key employee according to the terms and conditions of Caverion's Restricted Share Plan 2016–2018 on 26 June 2020. 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 Annual General Meeting on 25 March 2019 and the latter on the authorisation given by the Annual General Meeting on 25 May 2020.

Information about shares in Caverion Corporation

Updated lists of Caverion's largest shareholders and ownership structure by sector as per December 31, 2020 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, 2020 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 2020. Caverion held 2,849,360 treasury shares on 1 January 2020. At the end of the reporting period, the total number of shares in Caverion was 138,920,092. Caverion held 2,807,991 treasury shares on 31 December 2020, representing 2.02 percent of the total number of shares and voting rights. The number of shares outstanding was 136,112,101 at the end of December 2020.

Caverion's Board of Directors approved in December 2020 the commencement of a new plan period 2021-2023 in the share-based long-term incentive scheme. The scheme is based on rolling 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 2021-2023 in the Restricted Share Plan (RSP) structure, which is a complementary share-based incentive structure for specific situations. More information on the plans have been published in a stock exchange release on 9 December 2020. Any potential share rewards based on PSP 2021-2023 and RSP 2021-2023 will be delivered in the spring 2024. PSP 2021-2023 may include a maximum of approximately 90 key employees of Caverion Group. The performance targets, based on which the potential share rewards under PSP 2021-2023 will be paid, are the relative total shareholder return and earnings per share. If maximum criteria of both targets will be achieved, the share rewards based on PSP 2021-2023 will comprise a maximum of approximately 1.6 million Caverion shares (gross before the deduction of applicable taxes). The maximum number of Caverion shares that may be allocated and delivered within the RSP 2021-2023 totals approximately 165,000 shares (gross before the deduction of applicable taxes).

More information on the incentive plans is presented in the Consolidated Financial Statements for 2020 under Note 6.2 "Share-based payments".

Caverion Corporation does not have any stock option programmes in place.

Trading in shares

The opening price of Caverion's share was EUR 7.24 at the beginning of 2020. The closing rate on the last trading day of the review period on 30 December was EUR 5.81. The share price decreased by 20 percent during January–December. The highest price of the share during the review period January–

December was EUR 8.25, the lowest was EUR 3.79 and the average price was EUR 5.73. Share turnover on Nasdaq Helsinki in January–December amounted to 65.2 million shares. The value of share turnover was EUR 373.4 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 790.8 million. Market capitalisation has been calculated excluding the 2,807,991 shares held by the company as per 31 December 2020.

Outlook for 2021

Guidance for 2021

Caverion will provide a guidance for 2021 as soon as the level of uncertainty caused by the pandemic on Caverion's operating environment and operations has diminished.

Market outlook for Caverion's services and solutions

Caverion expects the economic environment particularly in the first quarter of 2021 still to be challenging and to negatively impact general demand and pricing, while market demand is expected to gradually pick up as of the second half of the year. This base case scenario assumes a successful implementation of the ongoing corona vaccination programmes and no material unforeseen negative surprises in 2021.

Various economic scenarios exist on how deep and long the economic downturn will be and what the speed of the economic recovery will be. The business volume and the amount of new order intake are important determinants of Caverion's performance in 2021. A negative scenario whereby the corona pandemic continues longer than currently anticipated cannot be ruled out. Nevertheless, a large part of Caverion's services is vital in keeping critical services and infrastructure up-and-running. This includes ensuring the continued functioning of energy and transportation infrastructure, health facilities, pharmaceutical and food industries, retail and logistics as well as facilities and services used by public authorities. An important share of these services needs to be performed even during a downturn.

The monetary and fiscal policies currently in place are clearly supporting an economic recovery in 2021. As an example, the economic stimulus packages provided by national governments and the EU are expected to increase infrastructure, health care and different types of sustainable investments in Caverion's operating area. The main themes in the EU stimulus packages are green growth and digitalisation. The EU member states must prepare and present their own national plans during spring 2021. Caverion expects these national and EU programmes to increase demand also in Caverion's areas of operation as of the second half of 2021.

The digitalisation and sustainability megatrends are in many ways favourable to Caverion and believed to increase demand for Caverion's offerings going forward. The increase of technology in built environments, increased energy efficiency requirements, increasing digitalisation and automation as well as urbanisation remain strong and are expected to promote demand for Caverion's services and solutions over the coming years. Especially the sustainability trend is expected to continue strong. Increasing awareness of sustainability is supported by both EU-driven regulations and national legislation setting higher targets and actions for energy efficiency and carbon-neutrality. Caverion has put a large effort to develop its offering and solutions to meet this demand.

The Energy Performance of Buildings Directive (EPBD) passed by the EU requires all buildings from 2021 to be nearly zero-energy buildings (NZEB). Furthermore, EU Member States shall lay down requirements to ensure that, where technically and economically feasible, non-residential buildings with an effective rated output for heating systems or systems for combined space heating and ventilation of over 290 kW are equipped with building automation and control systems by 2025. The building automation and control systems shall be capable of (a) continuously monitoring, logging, analysing and allowing for adjusting energy use; (b) benchmarking the building's energy efficiency, detecting losses in efficiency of technical building systems, and informing the person responsible for the facilities or technical building management about opportunities for energy efficiency improvement; and (c) allowing communication with connected technical building systems and other appliances inside the building.

The nearly zero or very low amount of energy required should be covered to a very significant extent from renewable sources. As concrete numeric thresholds or ranges are not defined in the EPBD, these requirements leave room for interpretation and thus allow EU Member States to define their nearly zero-energy buildings in a flexible way, taking into account their country-specific climate conditions, primary energy factors, ambition levels, calculation methodologies and building traditions. Several Caverion countries have already passed the national legislation based on the EPBD framework, for example Finland and Germany in the fourth quarter of 2020.

Services

While the corona crisis and the economic downturn have negatively impacted the demand environment in Services, especially in ad-hoc works and small service projects, an economic recovery is expected to turn the Services business back to growth. Caverion's Services business is overall by nature more stable and resilient through business cycles than the Projects business. Stimulus packages are also expected to positively impact general demand in the Services business.

There is an increased interest for services supporting sustainability, such as energy management. Caverion has had a special focus for several years both in so-called Smart Technologies within building technologies as well as in digital solutions development, both of which are believed to grow faster than more basic services on average and enable data-driven operations with recurring maintenance. In Cooling, as an example, there is a technical change ongoing from environmentally harmful F-gases into CO_2-based refrigeration, providing increased need for upgrades and modernisations. The sustainability trend is also increasing the demand for building automation upgrades.

As technology in buildings increases, the need for new services and digital solutions is expected to increase. Customer focus on core operations also continues to open outsourcing and maintenance as well as various facility management opportunities for Caverion.

Projects

The corona crisis and the economic downturn are in general impacting the demand environment negatively in Projects. In the short term, new builds are still expected to decrease while modernisations are expected to grow more modestly in larger cities. Commercial and office construction will still suffer from uncertainty. Due to the late-cyclical nature of the Projects business, even after the economic environment recovers, it typically takes some time before the Projects business turns back to growth. However, the stimulus packages are expected to positively impact the general demand also in the Projects business.

From the trends perspective, the digitalisation and sustainability megatrends are supporting demand also in Projects, as Caverion's target is to offer long-term solutions binding both Projects and Services together. The requirements for increased energy efficiency, better indoor climate and tightening environmental legislation continue to drive demand over the coming years.

Disclosure regarding non-financial information

Caverion drives sustainable impact

Caverion started the work during 2020 to define the net impacts of all our operations. We have identified multiple services and products that we will be tracking going forward. Due to the reason that our business being focused on services rather than physical products our climate impact of our own operations is moderate. Respectively considerable part our business and offering creates well-being and emission mitigating results for the society and our customers. Our environmental handprint is meaningful.

Caverion also has a major positive impact on the society through the jobs created and taxes paid. In addition, Caverion contributes to societal infrastructure by being involved in essential building projects. Positive impact on health is identified due to the construction and maintenance services provided for institutional buildings such as hospitals.

Everything Caverion delivers to its customers and society is produced by its 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.

As Caverion designs and builds solutions for buildings, industry, infrastructure and the society, these solutions are in the core of Caverion's business. Once completed, they require service for the entire lifecycle and thus create long-term recurring business opportunities for Caverion. 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.

A significant amount of the corona-related economic stimulus packages is also directed towards sustainable investments enabling smart buildings and cities and promoting a sustainable recovery. We are very well positioned for sustainable, profitable growth.

To support our overall sustainability ledership, in 2020, Caverion decided to commit to the UN Global Compact and its ten principles concerning human rights, labour rights, environment and anti-corruption to support our efforts to provide sustainable impact.

Success through our people

We create Caverion's business success together with our approximately 15,000 service and project professionals. We currently operate in eleven countries across Europe. Caverion is continuing its journey towards a leading service company and a selective master of projects covering the whole lifecycle of buildings, industries and infrastructure. We also continue to build our capability to become a forerunner especially on smart technologies, providing excellent customer and employee experience.

Caverion value creation

ASSETS

- Over 15,000 employees in 11 European countries
- Leading competence in building technologies
- Caverion brand
- 4,600 service vehicles
- Equity capital EUR 196.6 m
- Interest-bearing debt EUR 267.9m (incl. lease liabilities)

BUSINESS

Services and Projects:
Build
Smart
Maintain
Partner

- Revenue: EUR 2,154.9m
- EBITDA EUR 99.4m
- Market capitalisation: EUR 790.8m on Dec. 31, 2020

VALUE CREATED AND IMPACT

- Major positive contribution to GHG emission reductions due to smart services
- Already carbon positive compared to Scope 1-2 emissions
- Decreased fleet fuel emissions 12,000 tCO2
- Expanding the life-cycle of infrastructure, such as hospitals and schools
- Positive impact to the society through the jobs created and taxes paid (EUR 8,5m)
- Personnel expenses EUR 902.6m
- Expenses for materials and services EUR 939.1m
- Net financing expenses paid EUR 9.5m
- Still improved work safety – LTIFR 4.2

Our customers appreciate Caverion's service mindset, ability to respond quickly and solve the challenges of our customers in efficient way. Our people are the interface to our customers in everything we do, and hence it is important to offer such a working environment for our employees that they can perform at their highest potential at every level and provide an excellent service experience to our customers. To enforce this, we have key principles on people management as well as guidance on safety, reward, leadership and many other important people practices. In November 2020 we took into use a common people management system that will support our employees in all people processes and practices, ensuring transparency and common ways of working.

All of Caverion's activities are compliant and guided by ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, wellbeing as well as the prohibition of any kind of discrimination. We value diverse workforce and want to enable same opportunities for all. We have announced our sustainability targets this year, and one concrete target there is to develop our ways of working and our working environment also to increase the number of female employees across Caverion.

Our approach to health & safety is guided by our commitment to prevent any harm on our people's health and safety. The management approach comprises safeguarding people and the environment through design, ongoing reviews of technical and non-technical barriers, proactive maintenance work, periodical risk assessments and emergency preparedness training as well as through collaboration with our partners and contractors. To improve our results, we regularly evaluate monitoring indicators, review and learn from incidents, conduct verification activities, and implement improvement initiatives as needed. We have put these measures in place to ensure continuous improvement and help us in achieving our target of zero harm to people and the environment.

Despite of all difficulties that the corona pandemic created in 2020, Caverion has had a positive development in health and safety area. One of the most important concepts that Caverion management team exercised in 2020 was to increase the 'maturity' of the organisation's safety culture. This includes safety training for top management for them to be able to facilitate our managers better in order to eliminate the safety risks in our daily work.

We are enhancing common Caverion culture and good foundation for the best workplace in many ways. We started Caverion cultural journey already during 2019 by listening to our employees and customers. We continued the journey in 2020 and analysed and clustered the gathered feedback with the leaders.

The business environment continues to evolve. The megatrends, world economy and increasing focus on sustainability have a big impact on our business and working conditions. We have continued to work on the same strategic focus areas:

- Top performance at every level
- Inspiring leadership
- Right people in right places
- Professional growth

Respecting 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 guides actively 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. Code of Conduct training is also part of Caverion employee onboarding 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 2020 with good results. Suppliers, subcontractors, and other business partners shall:

- Respect human rights by following international treaties, in particular the United Nations' Universal Declaration of Human Rights;
- Comply with fundamental conventions as defined by the International Labour Organization;
- Ascertain that their own suppliers comply with requirements that meet or exceed the requirements laid down in Caverion's Supplier Code of Conduct.

Caverion operates primarily in developed, transparent markets. Potential risks relate to the uncertainty or unawareness of how subcontractors conduct their daily business. The risks of breach in the area of human rights 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.

Working against corruption and bribery

Caverion has several standard control processes aimed at preventing corruption and bribery from happening. These processes are part of both the sales and delivery phases. They include checks and controls (for example monitoring, reviews, due diligence measures and approvals) in tender preparation and procurement activities as well as in delivery and execution of our services and projects. Risks of corruption and bribery are treated as inherent risks of our sector due to its global nature and involvement in wide networks including various suppliers.

Caverion has a Compliance Programme that includes clear milestones in order to ensure that all Caverion's business is conducted legally, ethically and in a compliant manner. Caverion furthermore has a Group-level Compliance unit headed by the 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. Furthermore, Caverion operates a Group Ethics & Compliance Committee consisting of the President and CEO, Group General Counsel, Head of HR and Safety and the Compliance Officer. The committee reviews the annual compliance plan and progress of it, and the reported or otherwise identified compliance cases and other group level ethics and compliance matters.

Caverion has compiled its Group level policies, instructions and guidelines in a structured manner into Caverion Guidelines. Caverion's Code of Conduct is the corner stone of Caverion's policies. To ensure awareness and understanding of the requirements of the Code of Conduct, an annual e-Learning module is mandatory for all employees. The completion rate of the 2019 e-Learning was 96%. The 2020 e-Learning is ongoing at the time of this report and the completion rate is not yet available. The e-Learning 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 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 means to monitor compliance is to investigate all reports made through its ethical reporting channel. The channel is a web-based online reporting tool and it is available to all Caverion personnel. The anonymous reporting line 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.

Net positive operations guiding our environmental work

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 is the key for our success.

By 2025 Caverion is committing to the target that its positive carbon handprint will be 5 times greater than its carbon footprint. This is what is in sight now, but Caverion is also thinking beyond this. Over the longer term, Caverion's target by 2030 is to create sustainable impact through its solutions, with a positive carbon handprint 10 times greater than its own carbon footprint (Scope 1-2). We focus on minimising our footprint and expand our positive handprint.

Main parts of our **handprint** accumulate from automation services, remote services, cooling and refrigeration capabilities, electricity and energy projects and consulting. From the identified services and products, we have during 2020 calculated the annual customer CO2 savings from our Building management systems (BMS), remote centers and Energy Performance Contracting (EPC). These services create one part of the huge CO2 saving potential we provide for our customers and society. BMS, Remote Center and EPC CO2 savings for customers alone are more than own Scope 1-2 CO2 emissions. For example, in 2020 EPC savings for customers was 65 000 MW/h which corresponds to the average annual consumption of 27,000 3-room flats in an apartment building.

Our **footprint** and the Scope 1-2 emissions and impact Caverion has on the environment is moderate, due to the business being focused on services rather than physical products. In Caverion's own operations, the fuel consumption of its car fleet leaves the most significant environmental footprint. Caverion's service fleet in 2020 consisted of 4,600 vehicles. Caverion's target is to use logistical solutions and modern vehicles to reduce greenhouse gas emissions. Caverion mostly uses fuel-efficient diesel cars in its service and business car fleet. In 2020, 95% of the fuel consumption of Caverion's fleet was diesel fuel and using bio-diesel options is being promoted. The CO2 emissions of Caverion's service fleet continued to decrease to a level of 15,200 tCO2 (2019: 16,200 tCO2). This indicates fuel efficiency improvements of our operations. Scope 2 emissions are mainly from our low energy consuming office buildings and we aim to expand the used amount of renewable energy as we already do at our headquarters. 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.

Caverion has defined three focus areas until 2025 which support in reaching the sustainability targets:

> Our business makes sustainable impact
> We care for our employees and enable their continuous success
> We ensure efficient and high-quality implementation of sustainability

Some of the KPIs have been reported as part of Caverion's non-financial disclosure and sustainability reporting. For example, Caverion reports on its emissions annually to the Carbon Disclosure Project (CDP) and its sustainability impacts according to the Global Reporting Initiative (GRI). Other KPIs, such as customers' handprint, are under development and more defined calculation principles will be further introduced during 2021. The company has also taken into account the EU taxonomy requirements applicable to listed companies as of the beginning of 2022. The next goal is to align reporting and targets with the EU taxonomy and the recommendations of The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD).

Our overall sustainability performance is presented in the KPIs and targets table, linked with the relevant UN Sustainable Development Goals (SGs). We are well on track to achieve our 2025 sustainability targets.

Caverion sustainability performance with new KPIs and targets 2020

Focus area	KPI	Actions	2019	2020	Target 2025	SDGs
Our business makes sustainable impact	Carbon handprint / footprint (Scope 1-2)	Caverion drives sustainable impact and positive handprint through its offering	>1x	>1x	5x	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
We ensure efficient and high-quality implementation of sustainability	Decreasing footprint: CO_2 Emissions of service vehicle fleet (tCO_2 / revenue mEUR)	More efficient logistics planning and decreased number of pick-ups.	7.6	7.0	Decreasing	13 CLIMATE ACTION
We care for our employees and enable their continuous success	LTIFR	Active analysing of accidents and near misses. Continue training employees with special focus on managers.	5.3	4.2	< 2	3 GOOD HEALTH AND WELL-BEING
We care for our employees and enable their continuous success	Share of female employees %	Supporting and enhancing gender equality at Caverion.	11	11	15	5 GENDER EQUALITY
We ensure efficient and high-quality implementation of sustainability	Code of Conduct completion rate (%)	Annual deployment of revised CoC. Trainings and E-learnings throughout the organisation.	96	96	100	8 DECENT WORK AND ECONOMIC GROWTH
We ensure efficient and high-quality implementation of sustainability	Suppier Code of Conduct sign off rate (%)	Implementation of revised SCoC continued. Mandatory appendix for new and updated agreements.	55	63	90	8 DECENT WORK AND ECONOMIC GROWTH

Key figures

Consolidated income statement, Jan 1 - Dec 31	2020	2019	2018	2017	2016
Revenue, EUR million	2,154.9	2,123.2	2,204.1	2,275.8	2,364.1
EBITDA, EUR million [1]	99.4	103.0	-8.8	3.8	-11.4
EBITDA margin, % [1]	4.6	4.8	-0.4	0.2	-0.5
Adjusted EBITDA, EUR million [1]	116.5	120.4	53.4	25.8	-
Adjusted EBITDA margin, % [1]	5.4	5.7	2.4	1.1	-
EBITA, EUR million [1]	42.4	49.8	-15.4	-	-
EBITA margin, % [1]	2.0	2.3	-0.7	-	-
Adjusted EBITA, EUR million [1]	60.6	67.2	46.8	-	-
Adjusted EBITA margin, % [1]	2.8	3.2	2.1	-	-
Operating profit, EUR million	27.2	35.3	-35.9	-26.6	-40.8
Operating profit margin, %	1.3	1.7	-1.6	-1.2	-1.7
Result before taxes, EUR million	16.0	27.0	-43.9	-32.3	-43.5
% of revenue	0.7	1.3	-2.0	-1.4	-1.8
Result for the period, EUR million	8.6	22.6	-48.1	-27.0	-31.7
% of revenue	0.4	1.1	-2.2	-1.2	-1.3

Consolidated statement of financial position, EUR million	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Total assets	1,292.4	1,281.4	1,024.5	1,093.2	1,163.3
Working capital	-160.4	-100.9	-54.6	-30.8	-32.3
Interest-bearing net debt	118.6	168.4	6.9	64.0	145.5

Key ratios and other data	2020	2019	2018	2017	2016
Equity ratio, %	18.9	21.5	30.2	25.8	16.9
Gearing ratio, %	60.4	73.6	2.7	27.2	88.8
Return on equity, %	4.0	9.4	-19.7	-13.5	-20.0
Operating cash flow before financial and tax items, EUR million	157.6	143.7	21.6	-8.7	-22.4
Order backlog, EUR million	1,609.1	1,670.5	1,494.3	1,491.0	1,408.1
Personnel, average for the period	15,773	14,763	15,672	16,607	17,381
Personnel at the end of the period	15,163	16,273	14,950	16,216	16,913

Share-related key figures, Jan 1 - Dec 31	2020	2019	2018	2017	2016
Earnings per share, basic, EUR	0.05	0.14	-0.40	-0.24	-0.25
Earnings per share, diluted, EUR	0.05	0.14	-0.40	-0.24	-0.25
Equity per share, EUR	1.4	1.7	1.9	1.9	1.3
Dividend per share, EUR [2]	0.20	-	0.05	-	-
Dividend per earnings, %	400.0	-	-	-	-
Effective dividend yield, %	3.4	-	1.0	-	-
Price per earnings (P/E ratio)	125.1	50.2	-12.9	-24.7	-31.2
Share price trend					
Share price on Dec 31, EUR	5.81	7.19	5.09	5.89	7.92
Low, EUR	3.79	4.85	4,74	5.76	5.50
High, EUR	8.25	7.64	7,54	8.28	9.38
Average, EUR	5.73	6.18	6.37	7.19	6.86
Share capitalisation on Dec 31, EUR million	790.8	978.3	690.5	736.7	990.7
Share turnover trend					
Share turnover, thousands	65,208	22,944	41,403	51,196	63,831
Share turnover, %	47.9	16.9	31.6	40.9	51.0
Number of shares outstanding at the end of period, thousands	136,112	136,071	135,656	125,084	125,084
Weighted average number of shares, thousands	136,105	135,866	131,087	125,084	125,084
Weighted average number of shares, dilution adjusted, thousands	136,105	135,866	131,087	125,084	125,084

[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] Financial year 2020 dividend is the Board of Directors' proposal to the Annual General meeting. No dividend was paid for financial year 2019.

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 (%) =	Equity + non-controlling interest x 100 / Total assets - advances received
Gearing ratio (%) =	Interest-bearing liabilities - cash and cash equivalents x 100 / Shareholder's equity + non-controlling interest
Return on equity, % =	Result for the period x100 / 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 =	Result for the financial year (attributable for equity holders) – hybrid capital expenses and accrued unrecognised interests after tax / Weighted average number of shares outstanding during the period
Earnings / share, diluted =	Result for the financial year (attributable for equity holders) – hybrid capital expenses and accrued unrecognised interests after tax / Weighted average number of shares, dilution adjusted
Equity per share =	Shareholders' equity / Number of outstanding shares at the end of the period
Dividend per share =	Dividend per share for the period / Adjustment ratios of share issues during the period and afterwards
Dividend per earnings (%) =	Dividend per share x 100 / Earnings per share
Effective dividend yield (%) =	Dividend per share x 100 / Share price on December 31
Price/earnings ratio (P/E ratio) =	Share price on December 31 / Earnings per share
Average price =	Total EUR value of all shares traded / 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 (%) =	Number of shares traded x 100 / Average number of outstanding shares
Organic growth =	Defined as the change in revenue in local currencies excluding the impacts of (i) currencies; and (ii) acquisitions and divestments. The currency impact shows the impact of changes in exchange rates of subsidiaries with a currency other than the euro (Group's reporting currency). The acquisitions and divestments impact shows how acquisitions and divestments completed during the current or previous year affect the revenue reported.

1) 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 EBITDA is affected by the same adjustments as adjusted EBITA, except for restructuring costs, which do not include depreciation and impairment relating to restructurings.

Shareholders

At the end of December 2020, the number of registered shareholders in Caverion was 26,747 (2019: 25,390). At the end of December 2020, a total of 31.0 percent of the shares were owned by nominee-registered and non-Finnish investors (2019: 33.1%).

Updated lists of Caverion's largest shareholders, the holdings of public insiders and ownership structure by sector as per December 31, 2020, 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, 2020

Sector	Share-holders	% of owners	Shares	% of all shares
Nominee registered and non-Finnish holders	125	0.5	43,007,713	31.0
Households	25,134	94.0	24,528,144	17.7
General government	16	0.1	18,884,063	13.6
Financial and insurance corporations	71	0.3	14,254,229	10.3
Non-profit institutions	272	1.0	4,458,196	3.2
Non-financial corporations and housing corporations	1,129	4.2	33,787,747	24.3
Total	**26,747**	**100.0**	**138,920,092**	**100.0**

Largest shareholders on December 31, 2020

Shareholder	Shares, pcs	% of all shares
1. Funds held by Antti Herlin, including directly held shares	20,504,392	14.8
2. Fennogens Investments SA	14,169,850	10.2
3. Varma Mutual Pension Insurance Company	9,728,407	7.0
4. Mandatum companies	5,673,347	4.1
5. Ilmarinen Mutual Pension Insurance Company	3,780,000	2.7
6. Säästöpankki funds	3,502,367	2.5
7. Elo Mutual Pension Insurance Company	3,081,001	2.2
8. Caverion Oyj	2,807,991	2.0
9. The State Pension Fund	2,050,000	1.5
10. Nordea funds	1,453,838	1.0
11. Fondita funds	1,430,000	1.0
12. Brotherus Ilkka	1,403,765	1.0
13. Aktia funds	1,370,000	1.0
14. Evli funds	1,253,000	0.9
15. Kaleva Mutual Insurance Company	969,025	0.7
16. Funds held by Ari Lehtoranta, including directly held shares	917,051	0.7
17. Sinituote Oy	672,400	0.5
18. OP funds	453,204	0.3
19. Kirkon Eläkerahasto	357,000	0.3
20. Foundation for Economic Education	300,000	0.2
20 largest, total	75,876,638	54.6
Other shareholders	34,825,930	25.1
Nominee registered total	28,217,524	20.3
All shares	**138,920,092**	**100.0**

Public insider ownership of Caverion Group on December 31, 2020

Board of Directors		Direct holdings	Holdings of controlled companies	Total
Aho Jussi	Member	27,275	-	27,275
Ehrnrooth Markus	Vice Chairman of the Board	9,327	-	9,327
Hallengren Joachim	Member	13,275	11,000	24,275
Hinnerskov Thomas	Member	47,275	-	47,275
Jahn Kristina	Member	3,063	-	3,063
Paulsson Mats	Chairman of the Board	12,312	107,200	119,512
Soravia Jasmin	Member	3,063	-	3,063
Total		**115,590**	**118,200**	**233,790**

Group Management Board		Direct holdings	Holdings of controlled companies	Total
Ala-Härkönen Martti	Chief Financial Officer (CFO), Head of Finance, Strategy and IT	144,447	-	144,447
Engman Elina	Head of Division Industry	-	-	-
Gaaserud Knut	Head of Division Norway	91,884	-	91,884
Hietto Thomas	Deputy DEO. Head of Business Unit Services and Sales Development & Marketing	129,356	-	129,356
Kaiser Michael	Head of Business Unit Projects	132,555	-	132,555
Krause Frank	Head of Division Germany	-	-	-
Lehtoranta Ari	President and CEO	367,051	550,000	917,051
Mennander Juha	Head of Division Sweden	67,442	-	67,442
Schrey-Hyppänen Minna	Head of Human Resources	74,679	-	74,679
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	61,918	-	61,918
Tamminen Ville	Head of Division Finland	84,922	-	84,922
Viitala Anne	Head of Legal & Compliance	67,418	-	67,418
Total		**1,349,622**	**550,000**	**1,899,622**

Subsidiaries

Company name	Domicile	Holding of Caverion Group, %	Holding of Caverion Corporation, %
Caverion Suomi Oy	Helsinki	100.00	100.00
Caverion GmbH	München	100.00	100.00
Caverion Industria Oy	Vantaa	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	Wien	100.00	100.00
Caverion Emerging Markets Oy	Helsinki	100.00	100.00
Caverion Internal Services AB	Solna	100.00	100.00
Huurre Technologies Oy	Kuopio	100.00	100.00
Caverion Eesti AS	Tallinna	100.00	
Caverion Latvija SIA	Riika	100.00	
UAB Caverion Lietuva	Vilna	100.00	
Caverion Huber Invest Oy	Helsinki	100.00	
Caverion Deutschland GmbH	München	100.00	
Duatec GmbH	München	100.00	
MISAB Sprinkler & VVS AB	Solna	100.00	
ZAO Caverion St. Petersburg	Pietari	100.00	
Teollisuus Invest Oy	Helsinki	100.00	
OOO Peter Industry Service	Pietari	100.00	
Huurre Finland Oy	Vantaa	100.00	
Huurre Sweden Ab	Västerås	100.00	
Maintpartner ASI S.A.	Zabrze	100.00	
Maintpartner RO S.p.z.oo	Gdynia	100.00	
Maintpartner OÜ	Tallinna	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.-31.12.2020	%	1.1.-31.12.2019	%
Revenue	2.1	**2,154.9**		**2,123.2**	
Other operating income	2.2	11.5		14.0	
Materials and supplies		-529.0		-524.2	
External services		-410.1		-411.3	
Employee benefit expenses	2.2	-902.6		-868.9	
Other operating expenses	2.2	-225.3		-229.8	
Share of results in associated companies	5.7	0.0		0.0	
Depreciation, amortisation and impairment	2.3	-72.2		-67.6	
Operating profit		**27.2**	1.3	**35.3**	1.7
Financial income		0.8		0.9	
Exchange rate differences (net)		-0.9		1.9	
Financial expenses		-11.2		-11.1	
Financial income and expenses	2.4	-11.2		-8.4	
Result before taxes		**16.0**	0.7	**27.0**	1.3
Income taxes	2.5	-7.3		-4.4	
Result for the financial year		**8.6**	0.4	**22.6**	1.1
Attributable to:					
Owners of the parent		8.6		22.6	
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	0.05		0.14	
Earnings per share, diluted, EUR		0.05		0.14	

Consolidated statement of comprehensive income

EUR million	Note	1.1.-31.12.2020	1.1.-31.12.2019
Result for the period		**8.6**	**22.6**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in the fair value of defined benefit pension		-0.7	-5.7
-Deferred tax		0.5	1.6
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedging	5.5	0.0	0.1
- Deferred tax			
Change in fair value of investments	5.4	0.0	0.0
- Deferred tax			
Translation differences		-9.3	0.7
Other comprehensive income, total		**-9.5**	**-3.3**
Total comprehensive income		**-0.9**	**19.3**
Attributable to:			
Owners of the parent		-0.9	19.3
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, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4.3	18.9	19.3
Right-of-use assets	5.9	125.5	135.0
Goodwill	4.2	365.0	366.5
Other intangible assets	4.3	49.1	56.0
Investments in associated companies and joint ventures	5.7	1.7	1.7
Investments	5.4	1.3	1.3
Receivables	3.2	8.1	7.3
Deferred tax assets	3.5	19.6	19.3
Total non-current assets		**589.1**	**606.4**
Current assets			
Inventories	3.1	16.3	18.8
Trade receivables	3.2	316.5	329.6
POC receivables	3.2	190.0	197.6
Other receivables	3.2	31.0	33.7
Income tax receivables		0.2	1.7
Cash and cash equivalents		149.3	93.6
Total current assets		**703.3**	**675.0**
TOTAL ASSETS		**1,292.4**	**1,281.4**

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

EUR million	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	5.2		
Share capital		1.0	1.0
Treasury shares		-2.8	-3.1
Translation differences		-14.1	-4.8
Fair value reserve		-0.1	-0.1
Hybrid capital		35.0	66.1
Unrestricted equity reserve		66.0	66.0
Retained earnings		111.3	103.4
Total equity attributable of owners of the parent		**196.3**	**228.5**
Non-controlling interests		0.3	0.4
Total equity		**196.6**	**228.9**
Non-current liabilities			
Deferred tax liabilities	3.5	31.6	32.6
Pension obligations	5.8	51.4	49.1
Provisions	3.4	10.8	9.4
Lease liabilities	5.9	87.5	93.3
Other interest-bearing debts	5.4	135.7	125.0
Other liabilities	3.3	5.7	2.1
Total non-current liabilities		**322.7**	**311.5**
Current liabilities			
Trade payables	3.3	163.6	173.7
Advances received	3.3	252.2	216.2
Other payables	3.3	263.1	258.7
Income tax liabilities		12.3	15.6
Provisions	3.4	37.3	33.1
Lease liabilities	5.9	41.7	43.6
Other interest-bearing debts	5.4	3.0	0.0
Total current liabilities		**773.1**	**741.0**
Total liabilities		**1,095.8**	**1,052.5**
TOTAL EQUITY AND LIABILITIES		**1,292.4**	**1,281.4**

Consolidated statement of cash flows

EUR million	Note	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities			
Result for the financial year		8.6	22.6
Adjustments for:			
Depreciation, amortisation and impairment		72.2	67.6
Reversal of accrual-based items		11.8	14.7
Financial income and expenses		11.2	8.4
Gains on the sale of tangible and intangible assets		-7.6	0.9
Taxes		7.3	4.4
Total adjustments		95.0	95.9
Change in working capital:			
Change in trade and other receivables		15.7	13.0
Change in inventories		2.3	1.8
Change in trade and other payables		35.9	10.4
Total change in working capital		**54.0**	**25.2**
Operating cash flow before financial and tax items		**157.6**	**143.7**
Interest paid		-10.6	-9.7
Other financial items, net		0.3	-0.6
Interest received		0.7	0.8
Dividends received		0.0	0.0
Taxes paid		-8.5	-4.7
Net cash generated from operating activities		**139.6**	**129.4**
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash	4.1	-2.1	-48.6
Disposals of subsidiaries and businesses, net of cash	4.1	1.9	1.5
Investments in joint ventures	5.7		-1.6
Purchases of property, plant and equipment	4.3	-5.1	-7.9
Purchases of intangible assets	4.3	-9.1	-8.8
Proceeds from sale of tangible and intangible assets		2.5	0.2
Proceeds from sale of investments		0.2	0.3
Net cash used in investing activities		**-11.8**	**-65.0**

EUR million	Note	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from financing activities			
Change in loan receivables		0.3	-0.3
Proceeds from borrowings	5.3	15.0	125.0
Repayments of borrowings	5.3	-1.5	-56.7
Repayments of lease liabilities	5.4	-48.2	-45.5
Change in current liabilities, net	5.3	0.0	0.0
Hybrid capital repayment	5.2	-66.1	-33.9
Proceeds from hybrid capital	5.2	35.0	
Hybrid capital expenses and interests		-3.0	-4.7
Dividends paid		0.0	-6.8
Other distribution of equity		-0.1	
Net cash used in financing activities		**-68.5**	**-23.0**
Net change in cash and cash equivalents		**59.2**	**41.5**
Cash and cash equivalents at the beginning of the financial year		93.6	51.2
Foreign exchange rate effect on cash and cash equivalents		-3.5	0.9
Cash and cash equivalents at the end of the financial year		**149.3**	**93.6**

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

Consolidated statement of changes in equity

		Attributable to owners of the parent									
EUR million	Note	Share capital	Retained earnings	Translation differences	Fair value reserve	Treasury shares	Unrestricted equity reserve	Hybrid capital	Total	Non-controlling interests	Total equity
Equity January 1, 2020		**1.0**	**103.4**	**-4.8**	**-0.1**	**-3.1**	**66.0**	**66.1**	**228.5**	**0.4**	**228.9**
Comprehensive income 1-12/2020											
Result for the period			8.6						8.6	0.0	8.6
Other comprehensive income:											
Change in fair value of defined benefit pension			-0.7						-0.7		-0.7
- Deferred tax			0.5						0.5		0.5
Change in fair value of other investments	5.4				0.0				0.0		0.0
-Deferred tax											
Translation differences				-9.3					-9.3		-9.3
Comprehensive income 1-12/2020, total			**8.4**	**-9.3**	**0.0**				**-0.9**	**0.0**	**-0.9**
Dividend distribution	5.2									0.0	0.0
Share-based payments	6.2		2.4						2.4		2.4
Transfer of own shares	5.2		-0.3			0.3					
Hybrid capital repayment	5.2							-66.1	-66.1		-66.1
Hybrid capital issue	5.2							35.0	35.0		35.0
Hybrid capital interests and costs after taxes	5.2		-2.4						-2.4		-2.4
Other distribution of equity										-0.1	-0.1
Other change			-0.2						-0.2		-0.2
Equity on December 31, 2020		**1.0**	**111.3**	**-14.1**	**-0.1**	**-2.8**	**66.0**	**35.0**	**196.3**	**0.3**	**196.6**

		Attributable to owners of the parent									
EUR million	**Note**	**Share capital**	**Retained earnings**	**Translation differences**	**Fair value reserve**	**Treasury shares**	**Unrestricted equity reserve**	**Hybrid capital**	**Total**	**Non-controlling interests**	**Total equity**
Equity December 31, 2018		**1.0**	**95.5**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.6**	**0.4**	**254.0**
Change in accounting principle, IFRS 16			0.1						0.1		0.1
Equity January 1, 2019		**1.0**	**95.6**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.8**	**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			-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		-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**

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

1 Basis of preparation

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.

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 Finnish 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, Finland 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 10 February 2021 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, 2020. 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 2020 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 2020	Income statement January-December 2019	Statement of financial position Dec 31, 2020	Statement of financial position Dec 31, 2019
1 EUR = CZK	-	25.6693	-	25.4080
DKK	7.4543	7.4661	7.4409	7.4715
NOK	10.7261	9.8505	10.4703	9.8638
PLN	4.4436	4.2974	4.5597	4.2568
RUB	82.6883	72.4484	91.4671	69.9563
SEK	10.4875	10.5871	10.0343	10.4468

Operating segments

The profitability of Caverion Group has been presented as one operating segment from 1 January 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

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 2020, 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	2,154.9
EBITDA, EUR million	99.4
EBITA, EUR million	42.4

In this section

This section comprises the following notes describing Caverions's financial performance in 2020:

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	2020	%	2019	%
Business units				
Services	1,364.9	63%	1,274.9	60%
Projects	790.0	37%	848.3	40%
Total revenue from contracts with customers	**2,154.9**	**100%**	**2,123.2**	**100%**
Revenue by division				
Sweden	420.6	20%	435.4	21%
Finland	416.0	19%	384.3	18%
Norway	318.9	15%	359.6	17%
Germany	368.8	17%	355.5	17%
Industry	275.9	13%	205.3	10%
Austria	191.4	9%	200.1	9%
Denmark	93.6	4%	109.5	5%
Other countries	69.7	3%	73.6	3%
Total revenue from contracts with customers	**2,154.9**	**100%**	**2,123.2**	**100%**

Revenue from contracts with customers is recognised mainly over time.

The corona crisis had a negative impact on the Group's revenue in 2020, both in the Services and Projects businesses. In the Services business, corona crisis had an effect on ad-hoc orders and in the Industry division, corona crisis delayed industrial shutdown services. In the Projects business, the corona pandemic impacted productivity to a certain extent due to the need for increased social distancing and work site planning as well as challenges in the usage of foreign subcontracting. Due to the corona crisis, Group management critically assessed the cost-to-complete estimates of particularly the Group's remaining risk projects at year-end closing. Project writedowns and forecast changes were made where necessary.

Contract balances

EUR million	31.12.2020	31.12.2019
Contract assets		
POC receivables	190.0	197.6
Work in progress	1.9	1.7
Contract liabilities		
Advances received [1]	252.2	216.2
Accrued expenses from long-term contracts	24.4	20.4

[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 2020 or 2019.

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. This 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	2020	2019
Within one year	842.1	889.4
More than one year	767.0	781.1

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	2020	2019
Wages and salaries [1)]	726.6	694.8
Pension costs	66.5	64.3
Share-based compensations	2.8	3.4
Other indirect employee costs	106.8	106.4
Total	**902.6**	**868.9**
Average number of personnel	**15,773**	**14,763**

1) Division Sweden received a grant from the government during 2020 relating to the corona pandemic for short-term layoffs and sick-leave compensation amounting to about EUR 3.6 million. This has been presented in income statement as a reduction of personnel costs. Usually government grants are recognised as other operating income unless they compensate a specific cost item in the income statement.

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	2020	2019
Loss on disposal of tangible and intangible assets	-0.1	1.2
Expenses for office facilities	4.2	5.7
Other expenses for leases	23.1	23.3
Voluntary indirect personnel expenses	10.1	10.4
Other variable expenses	66.4	65.9
Travel expenses	34.8	39.0
IT expenses	40.3	40.3
Premises expenses	10.1	9.0
Other fixed expenses [1)]	36.3	35.1
Total of other operating expenses	**225.3**	**229.8**
Other operating income [2)]	11.5	14.0
Total of other operating items	**213.8**	**215.8**

1) Other fixed expenses include consulting, legal, administrative, marketing and other fixed costs.
2) 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 0.9 (0.8) million in 2020. Research expenditure is expensed in the income statement as incurred.

Audit fee

The Annual General Meeting, held on 25 May 2020, re-elected Authorised Public Accountants Ernst & Young Oy as the company's auditor until the end of the next Annual General Meeting. The auditor's remuneration will be paid according to invoice approved by Caverion.

EUR million	2020	2019
Ernst & Young		
Audit fee	0.9	0.7
Statement	0.0	0.0
Tax services	0.0	0.1
Other services	0.0	0.0
Others	0.1	0.0
Total	**1.0**	**0.8**

Expenses for non-audit services Ernst & Young Oy has provided to Caverion Group entities in Finland amounted to EUR 0.0 (0.1) million during the financial year 2020. The services included auditors' statements (EUR 0.0 million), tax services (EUR 0.0 million) and other services (EUR 0.0 million).

Restructuring costs

EUR million	2020	2019
Personnel related costs	9.0	4.0
Rents	1.5	0.6
Other restructuring costs	0.2	0.1
Total	**10.7**	**4.6**

Restructuring costs amounted to EUR 10.7 (4.6.) million in 2020.

Due to the lengthened corona crisis and the resulting downturn, Caverion announced in November that it plans to proactively streamline and adjust its operations. Planned actions included personnel reductions, reorganisation and operating model development. The actions impacted all Caverion countries with a minor impact on the best-performing countries Finland and Austria.

2.3 Depreciation, amortisation and impairment

EUR million	2020	2019
Depreciation and amortisation by asset category		
Intangible assets		
Allocations from business combinations	3.8	3.3
Other intangible assets	11.4	11.1
Tangible assets [1)]	57.0	53.2
Total	**72.2**	**67.6**

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	3-15 years

2.4 Financial income and expenses

EUR million	2020	2019
Financial income		
Dividend income on investments	0.0	0.0
Interest income on loans and other receivables	0.7	0.8
Other financial income on loans and other receivables	0.1	0.1
Financial income, total	**0.8**	**0.9**
Financial expenses		
Interest expenses on liabilities at amortised cost	-4.9	-4.5
Other financial expenses on liabilities at amortised cost	-1.8	-1.5
Interest expenses on leases	-4.5	-5.2
Changes in fair values on financial instruments at fair value through profit and loss account	0.0	0.0
Financial expenses, total	**-11.2**	**-11.1**
Exchange rate gains [1)]	26.7	16.5
Exchange rate losses [1)]	-27.6	-14.6
Exchange rate differences, net	**-0.9**	**1.9**
Financial expenses, net	**-11.2**	**-8.4**

1) In connection with the process of closing an old project company in Russia, translation loss of EUR 1.0 million was booked in 2020 (EUR 1.2 million translation gain was booked in 2019). 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	2020	2019
Tax expense for current year	9.0	16.5
Tax expense for previous years	-1.3	-0.2
Change in deferred tax assets and liabilities	-0.3	-12.0
Total income taxes	**7.3**	**4.4**

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	2020	2019
Result before taxes	**16.0**	**27.0**
Income taxes at the tax rate in Finland (20.0%)	3.2	5.4
Effect of different tax rates outside Finland	-1.6	-1.8
Tax exempt income and non-deductible expenses	-1.0	3.0
Impact of the changes in the tax rates on deferred taxes [1)]	0.1	0.1
Impact of losses for which deferred taxes is not recognised	7.2	
Unrecognized losses from previous years		-0.6
Reassessment of deferred taxes	0.8	-1.6
Taxes for previous years	-1.3	-0.2
Income taxes in the income statement	**7.3**	**4.4**

1) In 2020, the effect of the change of tax rate mainly in Sweden from 21.4% to 20.6% in 2021.

The restructuring and project write-downs completed in two divisions caused negative results for these divisions in 2020, for which no deferred tax asset was recorded due to the prudence principle applied for the deferred tax asset valuation. The economic uncertainties caused by the corona pandemic were also considered in the assessment. Therefore, the Group's effective tax rate was exceptionally high, 46.0 (16.2) percent in January-December 2020.

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

	2020	2019
Result for the financial year, EUR million	8.6	22.6
Hybrid capital expenses and accrued interest after tax, EUR million	-2.3	-3.1
Adjusted result for the financial year, EUR million	**6.3**	**19.5**
Weighted average number of shares (1,000 shares)	136,105	135,866
Earnings per share, basic, EUR	**0.05**	**0.14**

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 2020 and 2019.

3 Working capital and deferred taxes

Working capital, EUR million

-160.4

EUR milion	2020	2019
Inventories	16.3	18.8
Trade and POC receivables	506.5	527.2
Other current receivables	30.2	32.6
Trade and POC payables	-188.0	-194.1
Other current liabilities	-273.3	-269.2
Advances received	-252.2	-216.2
Working capital	**-160.4**	**-100.9**

In this section

This section comprises the following notes describingCaverion's working capital and deferred taxes for 2020:

3.1 Inventories

EUR million	2020	2019
Raw materials and consumables	13.3	16.1
Work in progress	1.9	1.7
Advance payments	1.0	1.1
Total	**16.3**	**18.8**

The Group did not make any material write-downs in inventories in 2020 or 2019.

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

EUR million	2020 Carrying value	2019 Carrying value
Trade receivables	316.5	329.6
POC receivables	190.0	197.6
Prepayments and other accrued income	18.2	23.2
Other receivables	12.7	10.5
Total	**537.5**	**560.9**

The average amount of trade receivables was EUR 272.6 (268.1) million in 2020.

Non-current receivables amounted to EUR 8.1 (7.3) million in 2020, out of which EUR 4.3 (4.5) million were loan receivables, EUR 2.4 (2.3) million defined benefit pension plan assets and EUR 1.4 (0.4) million other receivables.

Aging profile of trade receivables

Age analysis of trade receivables December 31, 2020

EUR million	Carrying amount	Impaired	Gross
Not past due [1)]	255.3	-0.9	256.2
1 to 90 days	25.4	-0.2	25.6
91 to 180 days	2.9	-0.4	3.3
181 to 360 days	5.3	-1.1	6.3
Over 360 days	27.6	-5.3	32.9
Total	**316.5**	**-7.9**	**324.4**

Age analysis of trade receivables 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**

[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.

Due to the corona crisis and its potential effects, Group management critically assessed the structure of the Group's trade receivables and particularly its overdue trade receivables at year-end closing. The level of the overdue receivables in total was generally lower as in the previous year. The Group's largest overdue trade receivables relate to legal cases of old projects, for which there exists separate legal opinions justifying the validity of the receivables. Caverion Group did not experience any major unexpected credit losses in 2020. Group management also critically assessed the level of the expected credit loss accrual in accordance with IFRS 9 at year-end closing and it was assessed to be sufficient. Overall, Group management assessed the Group's credit risk position to be at about previous year's level.

Credit losses and impairment of receivables amounted to EUR 3.0 (1.6) million. The Group's maximum exposure to credit risk at the balance sheet date (December 31, 2020) is the carrying amount of the financial assets. There are EUR 32.9 (26.2) 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. The receivable is impaired if payment is considered unlikely.

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	2020 Carrying value	2019 Carrying value
Non-current liabilities		
Liabilities of derivative instruments	0.0	0.0
Other liabilities	5.7	2.1
Total non-current payables	**5.7**	**2.1**
Current liabilities		
Trade payables	163.6	173.7
Accrued expenses	144.1	144.4
Accrued expenses from long-term contracts	24.4	20.4
Advances received [1)]	252.2	216.2
Other payables	94.6	93.9
Total current payables	**678.9**	**648.7**

[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, 2020	**21.9**	**8.5**	**2.9**	**4.5**	**4.7**	**42.6**
Translation differences	0.0	-0.1	0.1	0.0	0.0	-0.1
Provision additions	4.7	6.2	6.1	0.8	3.5	21.4
Released during the period	-2.3	-6.9	-3.8	-1.0	-0.1	-14.2
Reversals of unused provisions	-0.1	0.0	-0.1	-0.6	-0.9	-1.6
Acquisitions through business combinations						
Business disposals						
December 31, 2020	**24.1**	**7.8**	**5.2**	**3.7**	**7.2**	**48.0**
Non-current provisions	8.5		0.6		1.6	10.8
Current provisions	15.7	7.8	4.6	3.7	5.5	37.3
Total	**24.2**	**7.8**	**5.2**	**3.7**	**7.2**	**48.0**

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**

The recognition of provisions involves estimates concerning probability and quantity. As of December 31, 2020 the provisions amounted to EUR 48.0 (42.6) 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	2020	2019
Deferred tax asset	19.6	19.3
Deferred tax liability	-31.6	-32.6
Deferred tax liability, net	**-12.0**	**-13.4**
Changes in deferred tax assets and liabilities:		
Deferred tax liability, net January 1	-13.4	-23.2
Translation difference	0.5	-0.2
Changes recognised in income statement	0.3	12.0
Changes recognised in comprehensive income	0.5	1.6
Changes recognised in equity	0.6	0.9
Acquisitions and allocations	-0.5	-4.2
Disposals		-0.3
Deferred tax liability, net December 31	**-12.0**	**-13.4**

Changes in deferred tax assets and liabilities before the offset

2020

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	4.8	0.0	1.7					6.5
Tax losses carried forward	26.2	0.1	-3.3					23.1
Pension obligations	9.1	-0.1	0.2	0.6				9.7
Percentage of completion method	0.5	0.0	0.3					0.7
Right-of-use assets (IFRS 16)	0.5		0.4					0.9
Other items	2.7	-0.1	1.1		0.1			3.8
Total deferred tax assets	**43.9**	**-0.1**	**0.4**	**0.6**	**0.1**			**44.8**
Deferred tax liabilities:								
Allocation of intangible assets [1]	39.2	-0.7	-0.1	0.0		0.4		38.7
Accumulated depreciation differences	2.5	0.0	-0.2					2.4
Pension obligations	0.5		0.3	0.1				0.8
Percentage of completion method	14.0	0.1	-0.4					13.6
Other items	1.1	0.0	0.5		-0.5	0.1		1.3
Total deferred tax liabilities	**57.3**	**-0.6**	**0.1**	**0.1**	**-0.5**	**0.5**		**56.8**

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	1.1	0.0	0.8		-0.9	0.1	0.0	1.1
Total deferred tax liabilities	**75.6**	**0.2**	**-22.4**		**-0.9**	**4.8**	**0.0**	**57.3**

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

The Group's unused tax losses carried forward amounted to EUR 29.6 million, for which corresponding deferred tax assets of EUR 8.1 million have not been recorded as of 31 December 2020 since the realisation of the related tax benefit through future taxable profits was considered not probable. These tax losses carried forward do not have an expiration date.

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 utilized.

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

In 2020, Caverion sold parts of its Industry operations in Finland and acquired Gunderlund A/S in Denmark.

In this section

This section comprises the following notes, which describe Caverion's business combinations and capital expenditure in 2020:

4.1 Acquisitions and disposals

Acquisitions

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

EUR million	2020	2019
Intangible assets		26.9
Right-of-use assets [2)]	0.5	7.9
Tangible assets	2.7	2.0
Inventories	0.1	3.8
Investments		0.4
Trade and other receivables [2)]	0.1	29.6
Deferred tax assets		0.3
Cash and cash equivalents	0.2	9.9
Total assets	**3.6**	**80.6**
Interest-bearing debts		3.8
Trade payables	0.0	10.7
Advances received		3.4
Pension liabilities [2)]		1.6
Provisions		1.3
Lease liabilities [2)]	0.5	8.1
Deferred tax liabilities	0.5	4.5
Other liabilities	0.3	27.6
Total liabilities	**1.4**	**61.0**
Net assets	**2.2**	**19.6**
Acquisition cost paid in cash [1)]	**2.1**	**54.2**
Contingent consideration [2)]	**0.3**	**0.2**
Goodwill [2)]	**0.2**	**34.8**

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 relation to acquisitions made during fiscal year 2019. In the 2019 cash flow statement, these were shown as a part of investments in subsidiary acquisitions.

2) The acquisition cost of the businesses acquired during 2019 increased by EUR 0.2 million in 2020 which led to a similar increase in the goodwill generated by the acquisitions. The pension liabilities associated with the acquired businesses also increased by EUR 1.6 million from the previously reported figures which was inline with the increase in the associated non-current receivables. Additionally, the acquired right-of-use assets and lease liabilities both increased by EUR 0.2 million from the previously reported figures.

Year 2020

Caverion acquired the share capital of the Danish Gunderlund A/S on 6 March 2020. Gunderlund specializes in power grid expansions and renovations and employed approx. 10 people at the time of the acquisition. The full 12-month revenue of the acquired company amounted to EUR 3.2 million and EBITDA to EUR 0.3 million during the fiscal year ending in September 2019 according to the company's local accounting standards. Gunderlund A/S was merged into Caverion Danmark A/S in March 2020.

The goodwill arising from the acquisition is mainly attributable to personnel know-how and expected synergies. The goodwill is not tax deductible. A value of EUR 1.8 million was allocated to tangible assets identified in the fair value measurement of the acquisition. The transaction costs amounted to EUR 0.1 million and were expensed during the financial year.

In December 2020, Caverion also signed an agreement to acquire the business of Electro Berchtold GmbH in Austria. Electro Berchtold is a provider of maintenance services for ski lift and snow systems and has 13 employees. The transaction was closed in the beginning of 2021 and doesn't have an effect on Caverion Group's 2020 figures.

Year 2019

In 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.

In the fair value measurement of the 2019 acquisitions, customer relationships, technology, trademarks and order backlog were identified as intangible assets. A total fair value of EUR 20.1 million was 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 was 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 seeked to find a buyer in 2020 for approximately 6.5 percent of the post-transaction revenue (approximately EUR 300 million in 2018) of the Industry 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 complemented Caverion's knowledge in industrial operation and maintenance services as well as in the development of digital solutions. It also supplemented 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 was mainly attributable to workforce, expected synergies and geographical coverage. EUR 2.2 million of the goodwill was considered tax deductible. The transaction costs amounted to EUR 1.9 million and were expensed during the financial year 2019.

Maintpartner's Finnish subsidiaries were merged into Caverion Industria Oy on 31 May 2020.

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 comprised three business units: Services, Refrigeration Projects and related Automation. The purchased Refrigeration Solutions business employed 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 was mainly attributable to workforce, expected synergies and geographical coverage. The goodwill was 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 2019.

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 included the electronic software and platform for emergency plans, called pelastussuunnitelma.fi. This service manages emergency plans for over 30,000 properties in Finland. The company is the 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 the acquired company 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 was mainly attributable to personnel know-how and expected synergies. The goodwill was 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 2019. The company was merged into Caverion Suomi Oy on 30 April 2020.

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 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.

Accounting principles

The consolidation of the acquired business in accordance with IFRS 3 is still provisional as of 31 December 2020. 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.

Disposals

Assets and liabilities of the disposed businesses

EUR million	2020	2019
Goodwill	1.9	2.4
Right-of-use assets	0.4	0.6
Other intangible assets	0.9	0.0
Tangible assets	0.0	0.0
Inventories	0.1	0.0
Trade and other receivables		2.7
Deferred tax assets		0.3
Cash and cash equivalents	0.0	1.3
Total assets	**3.4**	**7.3**
Trade payables		1.7
Advances received		0.0
Provisions		0.1
Lease liabilities	0.4	0.6
Deferred tax liabilities		0.0
Other liabilities	1.3	1.1
Total liabilities	**1.7**	**3.5**
Net assets	**1.7**	**3.8**
Consideration paid in cash	**1.8**	**3.6**
Translation differences	**7.3**	**-0.9**
Gain/loss on sales	**7.3**	**-1.1**

Year 2020

During the year 2020, Caverion sold parts of its Industry operations in Finland, its Russian subsidiary LLC Duatec Rus and a small project business unit in Norway.

Sale of parts of the Industry operations to Elcoline Oy

In June 2020, Caverion signed an agreement to sell certain Finnish operations of Caverion Industria Oy to Elcoline Oy based on the conditions imposed on the 2019 Maintpartner transaction by the Finnish Competition and Consumer Authority (the "FCCA"). The transaction became effective on 30 September 2020. The buyer is a Finnish, internationally operating provider of industrial maintenance services that had approximately 300 employees before the transaction. As a part of the sale, approx. 200 employees were transferred to Elcoline.

According to a stock exchange release published by Caverion on 22 November 2019, the approval of the FCCA on the Maintpartner transaction included certain conditions based on which Caverion was to divest approximately 6.5 percent of the post-transaction revenue of the Industry division in Finland. The fulfillment of the conditions set out in the approval still requires final confirmation from the FCCA. The business transfer covers total outsourcing agreements in industrial services mainly with customers in the chemical and energy industries. Furthermore, the sale includes Caverion's marine industry unit and industrial maintenance service centers acquired as part of the Maintpartner transaction in Turku, Pori, Rauma and Oulu in Finland.

The full year 2019 IFRS revenue of the disposed business amounted to EUR 18.6 million while EBITDA excluding IFRS 16 adjustments amounted to EUR 1.0 million. January-September 2020 revenue predating the sale amounted to EUR 13.0 million while EBITDA excluding IFRS 16 adjustments amounted to EUR 0.4 million. The transaction price was not disclosed. The transaction costs amounted to EUR 0.7 million and were expensed during the financial year 2020.

Other disposals

Caverion sold its Russian subsidiary LLC Duatec Rus in June 2020. The company has not engaged in operating activities during financial year 2020. The capital gain from the divestment amounted to EUR 7.3 million and is reported under other operating income, consisting mainly of cumulative translation differences. The transaction did not have any cash flow impact. The transaction costs were expensed during the financial year and were not material in value.

In the beginning of November 2020, Caverion also sold a small project unit in Norway. The sale did not have a material effect of the Group's revenue or profitability.

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 was a 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 divestments did not have a material impact on the financial position and performance of Caverion Group during the financial year 2019. The transaction prices were not disclosed.

4.2 Goodwill

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

EUR million	2020	2019
Finland	80.8	80.8
Sweden	46.8	46.8
Norway	69.7	69.7
Denmark	7.8	7.6
Industry	64.0	65.7
Germany	77.7	77.7
Austria	18.3	18.3
Total goodwill	**365.0**	**366.5**

Caverion acquired Gunderlund A/S, a Danish company specialising in power grid expansions and renovations in 2020. Goodwill related to Gunderlund A/S acquisition amounted to EUR 0.2 million. Goodwill allocated to the sold Finnish operations of Industry division in 2020 amounted to EUR 1.9 million. In addition, the acquisition cost of the businesses acquired during 2019 increased by EUR 0.2 million during 2020 which led to a similar increase in the goodwill generated by the acquisitions.

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.

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. There is there after a critical assessment of the cash flows related to the goodwill impairment testing. Cash flow projections cover three 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.

Estimating the future cash flows of CGUs has been challenging in 2020 due to the corona pandemic and there-related increased uncertainty in the economic environment. The corona crisis has led to a global downturn, but it is unclear how deep and how long the downturn will be and what will be the speed of the economic recovery. As part of the goodwill impairment testing, management cautiously assessed the future cash flows of the CGUs while taking into account the current economic environment. Management considered the fact that the Group's cash flows have been strong in the past two years while the pre-corona profitability of most of the CGUs was on an improving track. Management also took into account that Caverion Group announced restructuring and streamlining measures in the beginning of November 2020, which was assessed to decrease the Group's cost by at least EUR 25 million in 2021. The restructuring measures will affect all CGUs while less the best-performing ones. In addition, management critically assessed the Group's Projects business risks in year-end closing, and the risks are believed to be smaller going forward. Taking all this into account, the potential effects of COVID-19 were still assessed.

Assumptions used in goodwill impairment testing 2020	CGU 1 = Finland	CGU 2 = Sweden	CGU 3 = Norway	CGU 4 = Denmark	CGU 5 = Industry	CGU 6 = Germany	CGU 7 = Austria
Pre-tax WACC	8.79%	8.67%	9.56%	8.33%	8.78%	9.02%	9.14%
Recoverable amount exceeds balance sheet value	>50%	>50%	>50%	>50%	>50%	0-20%	>50%
Recoverable amount in different sensitivity analysis scenarios in relation to balance sheet value							
Revenue -10% and operating profit -1%	>50%	20-50%	>50%	Impairment	Impairment	Impairment	>50%
WACC +2%-points	>50%	>50%	>50%	20-50%	0-20%	Impairment	>50%
Long-term growth rate -0,5%-points	>50%	>50%	>50%	>50%	20-50%	0-20%	>50%
All the above	>50%	Impairment	>50%	Impairment	Impairment	Impairment	20-50%

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 2020 or in 2019. In the 2020 testing the recoverable amount exceeded the balance sheet value in Germany slightly and in other CGUs substantially. In the 2019 testing the recoverable amount exceeded the balance sheet value in Germany clearly 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)	2.0% average growth (CAGR)	-2.3% p.p.
Average EBITDA percentage in the forecast period (scenario 1)	5.9%	-0.4% p.p.
Pre-tax WACC (scenario 2)	9.0%	+1.2% p.p.
Terminal growth assumption (scenario 3)	1.0%	-0.9% 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

2020 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets [1]	Advance payments	Total
Historical cost on Jan 1, 2020	**0.6**	**6.2**	**44.4**	**21.9**	**0.1**	**73.3**
Translation differences	0.0	0.0	-0.4	-0.1		-0.6
Increases		0.0	2.6	1.8	0.8	5.2
Acquisitions			7.4			7.4
Decreases		-0.1	-3.7	-2.9		-6.7
Business disposals			-0.1	0.0		-0.1
Reclassifications between classes		0.0	0.1	0.5	-0.7	-0.1
Historical cost on Dec 31, 2020	**0.6**	**6.1**	**50.4**	**21.2**	**0.2**	**78.5**
Accumulated depreciation and impairment on Jan 1, 2020		**-3.4**	**-35.1**	**-15.5**		**-54.0**
Translation differences		0.0	0.4	0.1		0.5
Depreciation		-0.3	-4.1	-1.6		-6.0
Accumulated depreciation of increases and acquisitions			-4.7			-4.7
Accumulated depreciation of decreases and business disposals		0.1	3.6	1.0		4.7
Reclassification between classes			-0.1	0.0		-0.1
Accumulated depreciation and impairment on Dec 31, 2020		**-3.6**	**-39.9**	**-16.1**		**-59.6**
Carrying value on January 1, 2020	0.6	2.8	9.3	6.5	0.1	19.3
Carrying value on Dec 31, 2020	0.6	2.5	10.4	5.1	0.2	18.9

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

2019 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets [1]	Advance payments	Total
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[2]	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[2]		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

[2] 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.

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.

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

2020

EUR million	Goodwill	Allocations from business combinations	Other intangible assets [1]	Total other intangible assets
Historical cost on January 1, 2020	**366.5**	**78.5**	**114.8**	**193.3**
Increases			9.1	9.1
Acquisitions	0.4			0.0
Decreases			-1.1	-1.1
Business disposals	-1.9		0.0	0.0
Reclassifications between classes			0.3	0.3
Translation differences		0.8	0.2	1.0
Historical cost on December 31, 2020	**365.0**	**79.3**	**123.3**	**202.6**
Accumulated amortisation and impairment on January 1, 2020		**-50.9**	**-86.5**	**-137.4**
Amortisation and impairment		-4.8	-11.4	-16.1
Translation differences		-0.8	-0.2	-1.1
Accumulated amortisation of increases and acquisitions				0.0
Accumulated amortisation of decreases and reclassifications			1.0	1.0
Accumulated amortisation of business disposals			0.0	0.0
Accumulated amortisation and impairment on December 31, 2020		**-56.5**	**-97.1**	**-153.6**
Carrying value on January 1, 2020	366.5	27.6	28.3	56.0
Carrying value on December 31, 2020	365.0	22.9	26.2	49.1

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

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

Allocations from business combinations:

EUR million	2020	2019
Customer relations and contract bases	19.3	23.3
Unpatented technology	1.4	1.7
Trademarks	1.2	1.3
Patents	0.9	1.0
Order backlog	0.1	0.2
Prohibition of competition clause		0.0
Total	**22.9**	**27.6**

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 competences. 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	**118.6**
Equity ratio, %	**18.9**
Net debt/EBITDA ratio	**-0.2**

In this section

This section comprises the following notes describing Caverion's capital structure for 2020:

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.

Caverion raised a 5-year TyEL pension loan of EUR 15 million on 29 April 2020. On 15 May 2020 Caverion issued a EUR 35 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on 15 May 2023, and subsequently, on each coupon interest payment date. The previously outstanding EUR 66.06 million Hybrid Capital Securities were redeemed in full on 16 June 2020 in accordance with their terms and conditions. Furthermore, in June a one-year extension option to move the maturity of RCF (EUR 100 million) and term loan (EUR 50 million) from 2022 to February 2023 was utilized.

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	2020	2019
Share capital	1.0	1.0
Hybrid capital	35.0	66.1
Unrestricted equity reserve	66.0	66.0
Other equity	94.3	95.5
Equity attributable to owners of the parent company	**196.3**	**228.5**
Non-controlling interest	0.3	0.4
Total equity	**196.6**	**228.9**
Non-current borrowings	223.2	218.3
Current borrowings	44.7	43.6
Total interest-bearing debt	**267.9**	**261.9**
Total capital	**464.5**	**490.8**
Total interest-bearing debt	267.9	261.9
Cash and cash equivalents	149.3	93.6
Net debt	**118.6**	**168.4**
Net debt to EBITDA [1]	-0.2	1.4
Gearing ratio, %	60.4	73.6
Equity ratio, %	18.9	21.5

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, 2020	**136,070,732**	**1.0**	**-3.1**
Transfer of treasury shares	45,800		0.3
Return of treasury shares	4,431		0.0
Dec 31, 2020	**136,112,101**	**1.0**	**-2.8**
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**

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, 2020.

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

Treasury shares

Caverion held 2,807,991 (2,849,360) treasury shares on December 31, 2020.

The consideration paid for the treasury shares amounted to EUR 2.8 million on December 31, 2020 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 2020 or 2019.

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

On 15 May 2020 Caverion issued a EUR 35 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders. The coupon of the hybrid bond is 6.75 per cent per annum until 15 May 2023. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on 15 May 2023, and subsequently, on each coupon interest payment date. If the hybrid bond is not redeemed on 15 May 2023, the coupon will be changed to 3-month EURIBOR added with a Re-offer Spread (706.8 bps) and a step-up of 500bps. The accrued unrecognized interest on the bond was EUR 1.5 (1.7) million at 31 December 2020.

The previously outstanding EUR 66.06 million 2017 Hybrid Capital Securities were redeemed in full on 16 June 2020 in accordance with their terms and conditions.

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. 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. Related to the redeemed hybrid notes, EUR 3.1 million interest was paid, of which EUR 2.7 was debited to equity. Hybrid bond is considered as loan after the announcement of redemption and therefore EUR 0.3 million interest was booked through profit and loss.

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 2019-2022"). 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 2019, 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 May 2020 decided that no dividends will be distributed based on the balance sheet to be adopted for 2019 by a resolution of the Annual General Meeting, but that the Board of Directors be authorized to decide at their discretion on the distribution of dividends of a maximum amount of EUR 0.08 per share from the Company's retained earnings.

The Board of Directors proposes to the Annual General Meeting to be held on 24 March 2021 that a dividend of EUR 0.10 per share and an extraordinary dividend of EUR 0.10 per share, in total EUR 0.20 per share will be paid for the year 2020. The Board of Directors has also decided that no dividend will be paid for the 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: Non-current borrowings including repayments	Liabilities from financing activities: Lease liabilities	Liabilities from financing activities: Current loans	Cash and cash equivalents	Net debt
Net debt as at 1 January 2020	**125.0**	**136.9**	**0.0**	**93.6**	**168.4**
Change in net debt, cash:					
Proceeds from non-current borrowings	10.5				
Repayment of non-current borrowings		-48.7			
Change in current liabilities			3.0		
Change in cash and cash equivalents				59.2	
Change in net debt, non-cash:					
Additions		46.6			
Acquisitions		0.7			
Disposals and business divestitures		-4.6			
Foreign exchange adjustments [1)]		-1.6		-3.5	
Other non-cash changes	0.2				
Net debt as at 31 December 2020	**135.7**	**129.2**	**3.0**	**149.3**	**118.6**

EUR million	Liabilities from financing activities: Non-current borrowings including repayments	Liabilities from financing activities: Lease liabilities	Liabilities from financing activities: Current loans	Cash and cash equivalents	Net debt
Net debt as at 31 December 2018	**57.1**	**0.9**	**0.0**	**51.2**	**6.9**
Recognised on adoption of IFRS 16		140.5			
Net debt as at 1 January 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 December 2019	**125.0**	**136.9**	**0.0**	**93.6**	**168.4**

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.

2020

EUR million Valuation	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying value
Non-current financial assets				
Investments	0.6	0.7		1.3
Trade receivables and other receivables			5.7	5.7
Current financial assets				
Trade receivables and other receivables			518.5	518.5
Derivatives (hedge accounting not applied)	0.6			0.6
Cash and cash equivalents			149.3	149.3
Total	**1,2**	**0,7**	**673,5**	**675,4**
Non-current financial liabilities				
Loans from financial institutions			49.9	49.9
Bonds			74.7	74.7
Pension loans			10.5	10.5
Other loans			0.5	0.5
Lease liabilities			87.5	87.5
Total non-current interest-bearing liabilities			**223.2**	**223.2**
Trade payables and other liabilities			0.5	0.5
Derivatives (hedge accounting not applied)				
Current financial liabilities				
Loans from financial institutions				
Pension loans			3.0	3.0
Other loans				
Lease liabilities			41.7	41.7
Total current interest-bearing liabilities			**44.7**	**44.7**
Trade payables and other liabilities			510.4	510.4
Derivatives (hedge accounting not applied)	0.2			0.2
Total	**0.2**		**778.8**	**779.0**

2019

EUR million Valuation	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying value
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**

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 141.4 (129.2) million at the end of 2020. 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% - 3.00% p.a (2.00% - 2.50% in 2019).

Investments consist of as follows:

	2020	2019
Quoted shares (level 1 in fair value hierarchy)	0.6	0.6
Unquoted shares (level 3 in fair value hierarchy)	0.7	0.7
Total	**1.3**	**1.3**

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. The outbreak of the coronavirus pandemic has increased the general risk level related to the availability of financing, the availability of guarantee facilities as well as foreign exchange related risks.

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 22.1 (33.5) months. At the end of December 2020 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 2.66% (2.96%) at the end of December 2020. Fixed-rate loans accounted for approximately 64 (60) 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	2020	Result before taxes 2019
Interest rate of net debt 1 percentage point higher	1.0	0.2

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 conterparties 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 19.7 (30.9) million at the end of December 2020.

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.

Caverion mitigated coronavirus pandemic related funding and liquidity risks by raising new loans and maintained higher liquidity buffer throughout the year. On 29 April 2020 Caverion raised a 5-year TyEL pension loan of EUR 15 million. On 15 May 2020 Caverion issued a EUR 35 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on 15 May 2023, and subsequently, on each coupon interest payment date. The previously outstanding EUR 66.06 million Hybrid Capital Securities were redeemed in full on 16 June 2020 in accordance with their terms and conditions. Furthermore, in June a one-year extension option to move the maturity of RCF (EUR 100 million) and term loan (EUR 50 million) from 2022 to February 2023 was utilized.

Caverion Group's interest-bearing loans and borrowings amounted to 138.7 (125.0) million at the end of December. Approximately 46 percent of the loans have been raised from financial institutions and 54 percent from bond investors. The Group's net debt amounted to EUR -10.6 (31.5) million at the end of December excluding IFRS 16 effects and EUR 118.6 including IFRS 16 effects. At the end of December, the Group's gearing was 60.4 (73.6) percent and its equity ratio 18.9 (21.5) percent including IFRS 16 effects. Hybrid bond in amount of EUR 35.0 million is subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. Related to the redeemed hybrid notes, EUR 3.1 million interest was paid in June 2020.

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 -0.2x according to the confirmed calculation principles. The confirmed calculation principles exclude the effects of the IFRS 16 standard.

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 149.3 (93.6) million at the end of December 2020. 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 2023.

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, 2020 (December 31, 2019). 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, 2020

EUR million	2021	2022	2023	2024	2025	2026-	Total
Loans from financial institutions	3.3	3.2	127.6				**134.1**
Pension loans	3.3	3.2	3.2	3.1	1.5		**14.3**
Lease liabilities	43.4	33.2	22.3	13.6	7.0	19.1	**138.6**
Other financial liabilities						0.5	**0.5**
Trade and other payables	510.4						**510.4**
Foreign currency derivatives	0.2						**0.2**

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**

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

Milj. e	2020 Net investment	2020 EUR stregthens by 10%, effect on equity	2020 EUR weakens by 10%, effect on equity	2019 Net investment	2019 EUR stregthens by 10%, effect on equity	2019 EUR weakens by 10%, effect on equity
SEK	-7.0	-0.7	0.7	-7.9	-0.8	0.8
NOK	7.2	0.7	-0.7	9.2	0.9	-0.9
DKK	3.1	0.3	-0.3	5.4	0.5	-0.5
Other currencies	3.7	0.4	-0.4	-4.9	-0.5	0.5

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.

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 recognized in the consolidated income statement. There were only minor foreign exchange hedges, which relate to commercial contracts on the reporting date.

Excluding the foreign exchange differences due to translation risk related to the investments in foreign operations, the strengthening or weakening of the Euro does not have a significant impact on the Group's result. The foreign exchange derivate contracts made for hedging internal and external loans and receivables 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 2021. There were no outstanding interest rate swaps in December 2020.

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	2020	2019
Foreign exchange forward contracts, hedge accounting not applied	70.2	66.7

Fair values

EUR million	2020 Positive fair value (carrying value)	2020 Negative fair value (carrying value)	2020 Net value	2019 Positive fair value (carrying value)	2019 Negative fair value (carrying value)	2019 Net value
Foreign exchange forward contracts						
Hedge accounting not applied	0.6	-0.2	0.4	0.9	-0.2	0.7
Total	**0.6**	**-0.2**	**0.4**	**0.9**	**-0.2**	**0.7**
Netting fair values of derivative financial instruments subject to netting agreements	-0.1	0.1		-0.1	0.1	
Net total	**0.5**	**-0.1**	**0.4**	**0.8**	**-0.1**	**0.7**

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	2020 Associated companies	2020 Joint ventures	2020 Total	2019 Associated companies	2019 Joint ventures	2019 Total
Historical costs on Jan 1	0.1	1.6	1.7	0.1		0.1
Share of the profit	0.0	0.0	0.0	0.0	0.0	0.0
Additions					1.6	1.6
Historical costs on Dec 31	**0.1**	**1.6**	**1.7**	**0.1**	**1.6**	**1.7**

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

2020

EUR million	Domicile	Assets	Liabilities	Revenue	Profit/ loss	Ownership
Joint ventures						
CG FH St. Pölten GmbH	Wien	25.6	22.4	0.0	0.0	50%
Associated companies						
Arandur Oy	Vantaa	4.8	4.4	4.6	0.1	33%
Total		**30.4**	**26.9**	**4.6**	**0.1**	

2019

EUR million	Domicile	Assets	Liabilities	Revenue	Profit/ loss	Ownership
Joint ventures						
CG FH St. Pölten GmbH	Wien	7.5	4.3	0.0	0.0	50%
Associated companies						
Arandur Oy	Vantaa	4.6	4.3	5.0	0.0	33%
Total		**12.2**	**8.6**	**5.0**	**0.0**	

Sales of goods and services sold to associated companies and joint ventures amounted to EUR 1.4 (1.2) million in 2020.

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	2020	2019
Defined benefit plans	51.4	49.1
Liability in the statement of financial position	51.4	49.1
Pension asset in the statement of financial position	-2.4	-2.3
Net liability	**49.0**	**46.7**

Income statement charge:

EUR million	2020	2019
Defined benefit plans	-0.8	-0.9
Included in financial expenses	-0.5	-0.6
Income statement charge, total (income (+) / expense (-))	**-1.3**	**-1.5**

Remeasurements, included in other comprehensive income:

EUR million	2020	2019
Defined benefit plans	-2.1	-5.5
Change in foreign exchange rates	1.4	-0.2
Included in other comprehensive income. total	**-0.7**	**-5.7**

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	2020	2019
Present value of funded obligations	5.8	5.6
Fair value of plan assets	-8.2	-7.9
Net deficit of funded plans	**-2.4**	**-2.3**
Present value of unfunded obligations	51.4	49.1
Total net deficit of defined benefit pension plans	**49.0**	**46.7**
Liability in the statement of financial position	51.4	49.1
Receivable in the statement of financial position	**-2.4**	**-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, 2020 [1]	**56.3**	**-7.9**	**48.3**
Current service cost	0.8		0.8
Interest expense	0.4	0.0	0.3
Past service costs			
Gains on settlements			
Remeasurements:			
Return on plan assets. excluding interest expense		-0.5	-0.5
Gain (-) / loss (+) from change in demographic assumptions			
Gain (-) / loss (+) from change in financial assumptions	2.4		2.4
Experience gains (-) / losses (+)	0.2		0.2
Exchange difference	-0.4		-0.4
Employers' contributions	-0.6		-0.6
Acquired pension liability			
Benefit payments from plans	-1.9	0.2	-1.7
At December 31, 2020	**57.1**	**-8.3**	**48.9**

[1] *Previously unrecognised benefit obligation from an acquisition carried out in 2019 has been taken into account in 2020 opening balance.*

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	**54.6**	**-7.9**	**46.7**

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

The significant actuarial assumptions were as follows:

2020	Discount rate	Salary growth rate	Pension growth rate
Finland	0.20%	1.20%	1.50%
Norway	1.50%	2.00%	1.75% / 3.68%
Germany	0.50%	3.00%	2.00%
Austria	0.40%	-	2.25%

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%

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

2020	Impact on defined benefit obligation [1]		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	decrease 7.2%	increase 8.1%
Salary growth rate	0.50%	increase 0.2%	decrease 0.2%
Pension growth rate	0.50%	increase 5.7%	decrease 5.4%

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

[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	2020	%	2019	%
Equity instruments	4.6	56	4.5	56
Debt instruments	0.4	5	1.6	20
Investment funds	3.0	37		
Cash and cash equivalents	0.2	2	2.0	24
Total plan assets	**8.2**	**100**	**8.0**	**100**

Employer contributions are expected to be zero in 2021.

Multi-employer plan in Sweden

In Sweden, Caverion participates in a multi-employer defined benefit plan in Alecta insurance company. 833 employees of Caverion Sverige AB are insured through this pension plan in the end of 2020. 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 6.0 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 their movements during the period.

	Right-of-use assets			
EUR million	**Buildings and structures**	**Cars**	**Other assets**	**Total**
1 January 2020	**81.6**	**51.6**	**1.8**	**135.0**
Translation differences	-1.1	-0.6	0.0	-1.7
Acquisitions	0.5	0.2		0.7
Additions	26.3	19.9	0.4	46.6
Disposals and business divestitures	-2.8	-1.2	0.0	-4.0
Depreciation and impairment	-25.0	-25.1	-0.9	-51.0
31 December 2020	**79.5**	**44.6**	**1.3**	**125.5**

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

In 2020, the depreciation and impairment of right-of-use assets included EUR 1.1 million of impairment relating to the restructuring of premises. No impairments were booked in 2019.

Lease liabilities

EUR million	**2020**	**2019**
1 January	**136.9**	**141.5**
Translation differences	-1.6	0.0
Acquisitions	0.7	7.7
Additions	46.6	36.5
Disposals and business divestitures	-4.6	-3.1
Interest expenses	4.5	5.1
Payments	-53.2	-50.6
31 December	**129.2**	**136.9**

The Group recognised rent expenses from short-term lease liabilities of EUR 3.4 million (EUR 3.4 million) and leases of low-value assets of EUR 2.7 million (EUR 1.5 million) in January-December 2020. The nominal amount of leasing commitments of low-value and short-term leases amounted to EUR 10.2 million at the end of 2020 (EUR 5.7 million). The present value of lease liability of leases not yet commenced to which Caverion is committed amounted to EUR 0.1 million at the end of 2020 (EUR 5.9 million).

The Group has subleased some of its leased premises. The income recognised by the Group for these premises during the year was EUR 0.9 million (EUR 0.3 million in 2019).

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 contracts 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 an 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	2020	2019
Other commitments		
Other contingent liabilities	0.2	0.2
Accrued unrecognised interest on hybrid bond	1.5	1.7

The Group's parent company has guaranteed obligations of its subsidiaries. On December 31, 2020 the total amount of these guarantees was EUR 454.9 (456.0) 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 concerned 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. In the end of March 2020, the FCO issued its final decision on the cartel case against the other building technology companies involved in the matter. There is a risk that civil claims may be presented against the involved companies, including Caverion Deutschland GmbH. It is not possible to evaluate the magnitude of the risk for Caverion 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 supported them in further investigating the case. In the end of June 2020, the public prosecutor's office in Munich informed Caverion that no further investigative measures are intended and that no formal fine proceedings against Caverion will be initiated related to those cases There is a risk that civil claims may be presented against Caverion Deutschland GmbH. It is not possible to evaluate the magnitude of the risk for Caverion at this time. Caverion will disclose any relevant information on the potential civil law claims 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 19.7 (30.9) million at the end of December 2020.

6 Others

In this section

This section comprises the following notes:

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	2020	2019
Salaries and other short-term employee benefits	5.2	4.8
Post-employment benefits	0.1	0.1
Termination benefits	0.2	0.6
Share-based payments [1)]	0.6	5.0
Total	**6.1**	**10.7**

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	2020	2019
President and CEO		
Lehtoranta Ari	1.0	2.5
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, member of the Board until 25 May 2020	0.0	0.1
Hinnerskov Thomas	0.1	0.1
Hyvönen Anna, member of the Board until 25 May 2020	0.0	0.1
Jahn Kristina, member of the Board as from 25 May 2020	0.0	
Paulsson Mats, Chairman of the Board as from 25 March 2019	0.1	0.1
Rosenlew Michael, member and Chairman of the Board until 25 March 2019		0.0
Soravia Jasmin, member of the Board as from 25 May 2020	0.0	
Total	**0.4**	**0.5**

Board membership fees for periods 25.5.2020-24.3.2021 and 26.3.2019-25.5.2020 were paid as annual fees, 50% of which were 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 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 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 2020, Ari Lehtoranta did not receive any share payments in relation to share-based incentive plans. 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 2020, a total of 18,615 shares were transferred to the Group Management Board from the Restricted Share Plans 2016-2018 and 2017-2019 according to the terms and conditions approved by the Board of Directors on 18 December 2015 and 20 December 2016. 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 2020
Group Management Board members excluding President and CEO[1)]	3.0	0.1	1.0	0.2	**4.4**

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

Due to the increased uncertainty around the market outlook as a result of the corona pandemic, the President and CEO and the top management of Caverion also decided to voluntarily lower their compensation for 2020 in the spring of 2020.

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 0.2 million of compensation related to the termination of Group Management Board members' employment was paid during financial year 2020 (EUR 0.6 million in 2019).

Additional information of Management remuneration is presented in the 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 reaching 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 (RSP) 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 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, therefore, no rewards 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. At the same time, the Board approved 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. The performance target KPI's are the relative total shareholder return of the Company's share and earnings per share. If all targets are 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).

In December 2019, Caverion's Board of Director's approved the commencement of a new plan period 2020-2022 (Performance Share Plan 2020-2022) in the share-based long-term incentive scheme originally established in December 2018. The scheme is based on a performance share plan structure and may include a maximum of approximately 90 key employees of Caverion Group. The plan comprises a three-year performance period which is followed by the payment of potentially attained share reward. 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 are 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) delivered in the spring of 2023. However, on 30 April 2020, Caverion's Board of Directors decided, upon management's suggestion, to postpone the commencement of PSP 2020-2022 until the beginning of the year 2021.

In addition to PSP 2020-2022, Caverion's Board of Directors also approved the commencement of a new plan period in the Restricted Share Plan structure (Restricted Share Plan 2020-2022) in December 2019. The plan is a complementary share-based incentive structure for specific situations and any potential share rewards will be delivered in the spring of 2023.

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, 2019–2021 as well as 2020–2022 total a maximum of approximately 601,200 shares (gross before the deduction of applicable payroll tax). Of these plans, a maximum of 85,000 shares will be delivered in the spring 2021, a maximum of 135,000 shares in the spring 2022 and a maximum of 230,000 shares in the spring 2023.

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.

Plan	Performance share programme 2019	Performance share plan 2016-2020	Restricted share plan					Matching share plan 2018-2022
Instrument	**Performance share plan 2019-2021**	**Performance share plan 2018-2020**	**Restricted share plan 2020-2022**	**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	Dec 17, 2015	Feb 6, 2018
Maximum number of shares	1,301,250	850,000	230 000	135,000	85,000	85,000	66,200	2,520,000
Dividend adjustment	No	Yes	No	No	No	No	No	Yes
Grant date	Apr 3, 2019	Feb 28, 2018	May 18, 2020	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	Jan1, 2020	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, 2022	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, 2023	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	Division EBITA for selected participants, continued employment	continued employment	continued employment	continued employment	continued employment	Minimum yield of the share, continued employment
Maximum contractual life, years	3.3	3.2	3.2	3.2	3.2	3.2	3.2	4.8
Remaining contractual life, years	1.3	0.2	2.2	1.2	0.2	-	-	2.0
Number of persons at the end of the reporting year	67	81	14	26	17	-	-	18
Payment method	Cash and shares	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

Outstanding at the beginning of the reporting period, January 1, 2020	935,000	70,808	-	97,000	84,500	84,500	12,000	1,458,885
Changes during the period								
Granted			115,000	15,000				
Forfeited	55,000	6,629		8,000	5,000			26,374
Earned (gross)						84,500	12,000	
Outstanding at the end of the period, December 31, 2020	**880,000**	**64,179**	**115,000**	**104,000**	**79,500**	**-**	**-**	**1,432,511**

In 2019, Caverion's Board of Directors decided on share issues without consideration in which 23,622 Caverion Corporation shares were conveyed to a key person participating in the Restricted Share Plan 2016–2018 and 391,469 shares to key employees included in the Matching Share Plan 2018–2022.

In 2020, Caverion's Board of Directors decided on two directed share issues without consideration for the payment of the reward instalments from Caverion's share plans. On 27 February 2020, a total of 39,127 Caverion shares held by the company were conveyed to 16 key employees according to the terms and conditions of the Restricted Share Plan 2017-2019. On 26 June 2020, a total of 6,673 shares were conveyed to a key employee in accordance with the terms and conditions of the Restricted Share Plan 2016-2018. In addition, a total of 4,431 shares were returned to Caverion during 2020 in relation to the December 2019 share issue in which shares held by the company were conveyed as payment for the Matching Share Plan 2018-2022.

Costs recognised for the share-based incentive plans

The consolidated financial statements include costs from share plans amounting to EUR 2.8 (3.4) million. EUR 1.9 (1.9) million of the cost recognised is related to the Group Management Board.

Performance and Restricted Share Plan 2021-2023

Caverion's Board of Directors approved in December 2020 the commencement of a new plan period 2021–2023 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 2021–2023 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 2021–2023 and RSP 2021–2023 will be delivered in the spring 2024. PSP 2021–2023 may include a maximum of approximately 90 key employees of Caverion Group. The performance targets, based on which the potential share rewards under PSP 2021–2023 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 2021–2023 will comprise a maximum of approximately 1.6 million Caverion shares (gross before the deduction of applicable taxes) and the share rewards based on RSP 2021-2023 will comprise a maximum of approximately 165,000 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 structure 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 structure, 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 the reward is tied to the continuance of the 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 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 2020 the total outstanding amount of these loans amounted to approximately EUR 4.3 (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. As a result, Caverion had 689,056 Caverion Corporation shares as a pledge at the end of the reporting period on 31 December 2020.

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

Transactions with key management and entities controlled by key management

EUR million	2020	2019
Sale of goods and services	0.1	0.1
Purchase of goods and services	0.9	1.4
Receivables	4.4	4.5
Liabilities	0.0	0.0

Caverion has a 10-month fixed term contract with a member of the Board concerning consultancy services. The value of the contract is not material.

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 are listed in note 5.7. Investments in associated companies.

Income statement, Parent company, FAS

EUR	Note	1.1.-31.12.2020	1.1.-31.12.2019
Other operating income	1	53,115,385.74	59,624,319.46
Personnel expenses	2	-10,993,100.54	-15,208,556.34
Depreciation, amortisation and impairments	3	-1,055,069.79	-1,562,303.55
Other operating expenses	4	-44,644,172.63	-49,930,809.68
Operating profit / loss		**-3,576,957.22**	**-7,077,350.11**
Financial income and expenses	5	-20,627,683.05	-19,092,056.87
Profit/loss before appropriations and taxes		**-24,204,640.27**	**-26,169,406.98**
Appropriations	6	18,186,674.91	11,030,188.36
Income taxes	7	-2 124,172.21	-156,730.97
Profit/loss for the financial period		**-8,142,137.57**	**-15,295,949.59**

Balance sheet, Parent company, FAS

EUR	Note	31.12.2020	31.12.2019
Assets			
Non-current assets			
Intangible assets	8	5,502,240.57	3,636,009.21
Tangible assets	8	1,038,487.72	1,460,045.70
Investments	9	474,895,943.00	488,546,092.23
Total non-current assets		**481,436,671.29**	**493,642,147.14**
Current assets			
Non-current receivables	10	21,284,953.81	21,014,114.51
Current receivables	11	60,943,024.39	78,894,414.37
Cash and cash equivalents		115,773,623.33	67,105,222.23
Total current assets		**198,001,601.53**	**167,013,751.11**
Total assets		**679,438,272.82**	**660,655,898.25**
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		104,602,802.88	119,979,813.78
Profit/loss for the period		-8,142,137.57	-15,295,949.59
Treasury shares		-2,775,128.82	-3,077,109.63
Total equity		**161,361,712.98**	**169,282,931.05**
Appropriations	13	**67,160.67**	**253,835.58**
Liabilities			
Non-current liabilities	15	170,499,999.99	191,059,999.99
Current liabilities	16	347,509,399.18	300,059,131.63
Total liabilities		**518,009,399.17**	**491,119,131.62**
Total equity and liabilities		**679,438,272.82**	**660,655,898.25**

Cash flow statement, Parent company, FAS

EUR	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities		
Profit / loss before appropriations and taxes	-24,204,640.27	-26,169,406.98
Adjustments for:		
Depreciation, amortisation and impairments	1,055,069.79	1,562,303.55
Other adjustments	220,764.86	236,307.08
Financial income and expenses	20,627,683.05	19,092,056.87
Cash flow before change in working capital	**-2,301,122.57**	**-5,278,739.48**
Change in working capital		
Change in trade and other current receivables	6,898,198.59	-1,740,459.79
Change in trade and other current payables	-1,612,841.98	-852,069.71
Cash flow before financial items and taxes	**2,984,234.04**	**-7,871,268.98**
Cash flow from operating activities		
Interest paid and other financial expenses	-34,743,011.48	-24,602,279.77
Dividends received	3,289,000.00	5,216,756.22
Interest received and other financial income	31,178,731.72	21,108,951.56
Income taxes paid	-100,246.58	-131,432.03
Cash flow from operating activities	**2,608,707.70**	**-6,279,273.00**

EUR	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from investing activities		
Purchases of tangible and intangible assets	-11,720,024.28	-9,095,017.74
Proceeds from the sales of tangible and intangible assets	9,220,281.11	6,827,932.08
Investments in subsidiaries	-6,349,850.77	-77,477,662.04
Cash flow from investing activities	**-8,849,593.94**	**-79,744,747.70**
Cash flow from financing activities		
Group contributions received	10,600,000.00	9,000,000.00
Repayment of non-current borrowings	-32,560,000.00	-92,606,666.66
Change in non-current loan receivables	-270,839.30	43,115,866.37
Proceeds from non-current borrowings	10,500,000.00	125,000,000.00
Change in short-term financing	66,640,126.64	38,398,174.98
Dividends paid	0.00	-6,783,403.51
Cash flow from financing activities	**54,909,287.34**	**116,123,971.18**
Net change in cash and cash equivalents	**48,668,401.10**	**30,099,950.48**
Cash and cash equivalents at the beginning of the financial year	67,105,223.23	37,005,271.75
Cash and cash equivalents at the end of the financial year	115,773,623.33	67,105,222.23

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 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.

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 2020 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 2021. 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.-31.12.2020	1.1.-31.12.2019
Service income	53,115.4	59,624.3
Total	**53,115.4**	**59,624.3**

2. Information concerning personnel and key management

1,000 EUR	1.1.-31.12.2020	1.1.-31.12.2019
Personnel expenses		
Wages and salaries	9,428.0	12,925.3
Pension expenses	1,550.6	2,004.2
Other indirect personnel costs	14.5	279.0
Total	**10,993.1**	**15,208.6**
Average number of personnel during the financial period	82,5	85
Salaries and fees to the management		
President and CEO	1,110.5	2,608.0
Members of the Board of Directors	429.3	524.3
Total	**1,539.8**	**3,132.4**

3. Depreciation, amortisation and impairments

1,000 EUR	1.1.-31.12.2020	1.1.-31.12.2019
Amortisation of intangible assets	606.4	1,119.4
Depreciation of buildings and structures	16.1	16.1
Depreciation of machinery and equipment	432.6	426.8
Total	**1,055.1**	**1,562.3**

4. Other operating expenses

1,000 EUR	1.1.-31.12.2020	1.1.-31.12.2019
Fees paid to the Auditor of the company		
Audit fee	334.2	250.0
Tax services	2.0	0.0
Other services	2.6	23.4
Total	**338.8**	**273.5**

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

5. Financial income and expenses

1,000 EUR	1.1.-31.12.2020	1.1.-31.12.2019
Dividend income		
From Group companies	3,289.0	4,476.6
Interest income from non-current investments		
From Group companies	545.2	1,751.3
From others	71.0	84.6
Total	**616.1**	**1,835.9**
Other interest and financial income		
From Group companies	3,100.7	3,211.0
From others	118.5	297.8
Total	**3,219.1**	**3,508.8**
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	-348.2	-758.0
Interest expenses to others	-6,340.3	-6,702.1
Other expenses to others	-1,337.7	-2,135.7
Total	**-8,026.1**	**-9,595.9**
Exchange rate gains	27,135.8	15,903.9
Change in the fair value of derivatives	367.9	1,577.1
Exchange rate losses	-26,493.8	-16,798.5
Total	**274.2**	**682.5**
Total financial income and expenses	**-20,627.7**	**-19,092.1**

Notes to the balance sheet, Parent company

6. Appropriations

1,000 EUR	1.1.-31.12.2020	1.1.-31.12.2019
Change in the difference between planned and taxation depreciation	186.7	430.2
Group contributions received	18,000.0	10,600.0

7. Income taxes

1,000 EUR	1.1.-31.12.2020	1.-31.12.2019
Income taxes on operating activities, current year	-2,124,2	-77.9
Income taxes on operating activities, previous years	0.0	-78.8
Total	**-2,124.2**	**-156.7**

8. Changes in fixed assets

1,000 EUR	31.12.2020	31.12.2019
Intangible assets		
Intangible rights		
Acquisition cost on Jan 1	10,883.9	10,789.8
Additions	3,634.1	94.0
Disposals		
Acquisition cost on Dec 31	14,518.0	10,883.9
Accumulated amortisation and impairments on Jan 1	-10,619.6	-9,511.8
Amortisation for the period	-579.9	-1,107.8
Accumulated amortisation for disposals		
Accumulated amortisation and impairments on Dec 31	-11,199.5	-10,619.6
Book value on December 31	**3,318.5**	**264.3**
Renovations		
Acquisition cost on Jan 1	251.8	0.0
Additions	0.0	251.8
Disposals	0.0	0.0
Book value on December 31	251.8	251.8
Accumulated amortisation and impairments on Jan 1	-11.6	0.0
Amortisation for the period	-26.5	-11.6
Accumulated amortisation for disposals		
Accumulated amortisation and impairments on Dec 31	-38.1	-11.6
Book value on December 31	**213.8**	**240.2**
Advance payments and construction in progress		
Acquisition cost on Jan 1	3,131.5	2,524.3
Additions	8,058.8	7,572.9
Disposals	-9,220.3	-6,965.7
Acquisition cost on Dec 31	1,970.0	3,131.5
Book value on December 31	**1,970.0**	**3,131.5**
Total intangible assets	**5,502.2**	**3,636.0**

1,000 EUR	31.12.2020	31.12.2019
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	-104.6	-88.5
Depreciation for the period	-16.1	-16.1
Accumulated depreciation and impairments on Dec 31	-120.7	-104.6
Book value on December 31	**40.2**	**56.3**
Machinery and equipment		
equipment		
Acquisition cost on Jan 1	1,891.6	715.4
Additions	27.2	1,188.3
Disposals	0.0	-12.1
Acquisition cost on Dec 31	1,981.8	1,891.6
Accumulated depreciation and impairments on Jan 1	-597.7	-183.1
Depreciation for the period	-432.6	-414.7
Accumulated depreciation and impairments on Dec 31	-1,030.4	-597.7
Book value on December 31	**888.4**	**1,293.9**
Total tangible assets	**1,038.5**	**1,460.0**

9. Investments

1,000 EUR	31.12.2020	31.12.2019
Shares in Group companies		
Acquisition cost on Jan 1	488,546.1	501,558.5
Additions	6,349.9	6,987.6
Impairments	-20,000.0	-20,000.0
Acquisition cost on Dec 31	474,895.9	488,546.1
Total investments	**474,895.9**	**488,546.1**

10. Non-current receivables

1,000 EUR	31.12.2020	31.12.2019
Receivables from Group companies		
Loan receivables	17,000.0	16,500.0
Receivables from associated personnel		
Loan receivables	4,285.0	4,514.1
Total non-current receivables	21,285.0	21,014.1

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

11. Current receivables

1,000 EUR	31.12.2020	31.12.2019
Receivables from group companies		
Trade receivables	12,238.5	19,342.5
Loan receivables	23,489.6	41,479.0
Other receivables	18,380.5	11,115.0
Receivables, external		
Trade receivables	8.3	20.7
Other receivables	932.0	893.3
Accrued income	5,895.1	6,044.0
Total	60,944.0	78,894.5
Accrued income consists of:		
Accrued financial expenses	553.5	647.5
Other receivables	5,341.6	5,396.5
Total	5,895.1	6,044.0

12. Equity

1,000 EUR	31.12.2020	31.12.2019
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	66,676.2
Unrestricted equity reserve on Dec 31	66,676.2	66,676.2
Retained earnings on Jan 1	101,606.8	123,686.7
Share-based incentive plans	-81.1	-136.9
Dividend distribution	0.0	-6,784.0
Distribution of own shares	302.0	136.9
Retained earnings on Dec 31	101,827.7	116,902.7
Net profit for the financial period	-8,142.1	-15,295.9
Fair value reserve on Jan 1	0.0	-98.6
Cash flow hedges	0.0	98.6
Fair value reserve on Dec 31	0.0	0.0
Total equity	**161,361.7**	**169,282.9**
Distributable funds on Dec 31		
Retained earnings	101,827.7	116,902.7
Net profit for the financial period	-8,142.1	-15,295.9
Unrestricted equity reserve	66,676.2	66,676.2
Distributable funds from shareholders' equity	**160,361.7**	**168,282.9**

Treasury shares of Caverion Corporation

December 31, 2020 parent company had treasury shares as follows:

	Number	Total number of shares	% of total share capital and voting rights
	2,807,991	138,920,092	2.02%

13. Appropriations

1,000 EUR	31.12.2020	31.12.2019
Accumulated depreciation difference on Jan 1	253.8	684.0
Increase / decrease	-186.7	-430.2
Accumulated depreciation difference on Dec 31	**67.2**	**253.8**

14. Deferred taxes and liabilities

1,000 EUR	31.12.2020	31.12.2019
Deferred tax assets		
Tax losses		
Total		
Deferred tax liabilities		
Accumulated depreciation difference	13.4	50.8
Total	**13.4**	**50.8**

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

15. Non-current liabilities

1,000 EUR	31.12.2020	31.12.2019
Liabilities to Group companies		
Other loans	10,500.0	0.0
Liabilities, external		
Loans from credit institutions	50,000.0	50,000.0
Hybrid bond	35,000.0	66,060.0
Senior bond	75,000.0	75,000.0
Derivative liabilities		
Total	**170,500.0**	**191,060.0**

16. Current liabilities

1,000 EUR	31.12.2020	31.12.2019
Liabilities to Group companies		
Trade payables	501.0	768.1
Accrued expenses	110.3	460.5
Other liabilities	331,551.9	284,327.3
Liabilities, external		
Trade payables	3,369.5	2,703.2
Other current liabilities	2,324.5	1,138.2
Accrued expenses	9,652.2	10,661.8
Total	**347,509.4**	**300,059.1**
Accrued expenses consist of:		
Personnel expenses	2,838.8	4,212.8
Interest expenses	3,471.3	3,704.9
Accrued expenses to group companies	110.3	460.5
Other expenses	3,342.1	2,744.2
Total	**9,762.5**	**11,122.3**

17. Commitments and contingent liabilities

1,000 EUR	31.12.2020	31.12.2019
Leasing commitments		
Payable during the next fiscal year	2,490.1	2,689.6
Payable during subsequent years	22,237.2	20,873.1
Total	**24,727.3**	**23,562.7**
Guarantees		
On behalf of Group companies		
Contractual work guarantees	454.880.0	444,870.4
Loan guarantee	13,500.0	0.0
Leasing commitment guarantees	17,101.9	8,759.9
Factoring related guarantees	1,316.9	2,353.9

18. Derivate instruments

1,000 EUR	31.12.2020	31.12.2019
External foreign currency forward contracts		
Fair value	414.4	716.5
Value of underlying instruments	70,165.6	66,718.6
Internal foreign currency forward contracts		
Fair value	-65.9	-0.1
Value of underlying instruments	2,644.9	3,376.5

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.

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 Remuneration 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 May 25, 2020, 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 held in the member's domicile or electronically and EUR 900 per meeting held outside the member's domicile in addition to the associated travel costs. In addition to and separate from the role as the Chairman of the Board and Chairman of the HR Committee, a company solely owned by Mats Paulsson, Nääs Förvaltning AB has a consulting agreement with the Company. The agreement is effective from 1.6.2020 to 31.3.2021. Nääs Förvaltning AB has been paid consulting fees of EUR 70,000 during 2020. The consulting agreement has been made in accordance with the Remuneration Policy. Apart from the said consuting agreement with a company owned by Mats Paulsson, none of the board members have an employment relationship or service agreement 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 annual fee 23.3.2020-24.3.2021	Audit committee meetings	Human Resources committee meetings	Meeting fees	Total 2020	Total 2019
Jussi Aho	46,800		2,200	5,500	54,500	64,907
Markus Ehrnrooth	60,000	2,750		5,500	68,250	81,748
Joachim Hallengren	46,800	2,750		5,500	55,050	64,907
Antti Herlin	8,078		1,100	1,650	10,828	64,907
Thomas Hinnerskov	46,800	2,750		5,500	55,050	64,907
Anna Hyvönen	8,078		1,100	1,650	10,828	64,907
Kristina Jahn	38,722	1,650		3,850	44,222	
Mats Paulsson	79,200		2,200	5,500	86,900	97,307
Michael Rosenlew						20,743
Jasmin Soravia	38,722		1,100	3,850	43,672	
Total	**373,200**	**9,900**	**7,700**	**38,500**	**429,300**	**524,333**

** Board membership fees for periods 25.5.2020-24.3.2021 and 26.3.2019-25.5.2020 were paid as annual fees, 50% of which were 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.*

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 finalised.

The amount of the possible incentive payment is based on the achievement of the pre-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 set targets.

Performance and development discussions are an essential part of the annual incentive plan and performance development process at Caverion. Possible 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 70-80% 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 the 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 threeyear period. The commencement of each new plan is subject to a separate decision of the Board.

In the directed share issues without consideration, 6,673 Caverion Corporation shares held by the company were on 26 June 2020 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 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.

In the directed share issues without consideration, 39,127 Caverion Corporation shares held by the company were on 27 February 2020 conveyed to 16 key persons participating int the Restricted Share Plan 2017-2019 that is used for special situations.

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 threeyear 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.

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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 second matching period of Matching Share Plan 2018-2022 was not achieved during 2020. The reward payment is on grace period until 30 April 2022 according to the Plan Terms & Conditions.

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).

Share-based long-term incentive plan 2020-2022

Caverion's Board of Directors decided on a new share-based long-term incentive plan for key employees of the Group in its December 2019 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 2020-2022 consists of a three-year operative financial performance period (2020-2022). The potential reward is based on the targets set for Total Shareholder Return and Earnings per share (EPS). However, on 30 April 2020, Caverion's Board of Directors decided, upon management's suggestion, to postpone the commencement of PSP 2020-2022 until the beginning of the year 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 2020, 25% of the total incentive opportunity was based on Group's Adjusted EBITA EUR and 75% on BU Projects Adjusted EBITA %. 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.-31.12.2020 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 2020

Ari Lehtoranta's base salary and fringe benefits as the President and CEO during 1.1.-31.12.2020 were in total EUR 588,764. Ari Lehtoranta had a short-term incentive payment of EUR 389,730 based on the achievement of the 2019 pre-set targets.

EUR	Fixed base salary	Fringe benefitst	Short-term incentive payment	Long-term incentive payment	Supplementary pension scheme	Total 2020
Ari Lehtoranta 1.1. - 31.12.2020	588,524	240	389,730	0	132,000	1,110,494

President and CEO's pension costs 1.1.–31.12.2020		Total 2020
Ari Lehtoranta	Statutory pension scheme	139,148
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, 2020.

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 2020, the total outstanding amount of these loans amounted approximately to EUR 4.3 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, 2020 is (EUR):

Retained earnings	101,827,674.06
Result for the period	-8,142,137.57
Retained earnings, total	**93,685,536.49**
Unrestricted equity reserve	66,676,176.49
Distributable equity, total	**160,361,712.98**

The Board of Directors proposes to the Annual General Meeting to be held on 24 March 2021 that a dividend of EUR 0.10 per share and an extraordinary dividend of EUR 0.10 per share, in total EUR 0.20 per share will be paid for the year 2020.

Signature of the report of the Board of Directors and Financial statements

Helsinki, 10 February 2021

Caverion Corporation
Board of Directors

Mats Paulsson
Chairman

Markus Ehrnrooth
Vice Chairman

Jussi Aho

Joachim Hallengren

Thomas Hinnerskov

Kristina Jahn

Jasmin Soravia

Ari Lehtoranta
President and CEO

The Auditor's note

Our auditor's report has been issued today
Helsinki, 10 February 2021

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 2020. 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 for recognizing significant portion of its revenues.

The recognition of revenue by applying percentage-of-completion 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 537/2014, 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 projects.
- 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 valuation of goodwill 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 2020, the value of goodwill amounted to 365 million euro representing 28 % of the total assets and 186 % 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 valuation specialists to assist us in evaluating testing 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 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	How our audit addressed the 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 2020, the carrying value of trade receivables amounted to 317 million euros, of which 36 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 2020 is a result of gross receivables deducted by reserve for estimated credit losses 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.	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 negotiations 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 3 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, 10 February 2021
Ernst & Young Oy, *Authorized Public Accountant Firm*

Antti Suominen,
Authorized Public Accountant

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Our Annual Reporting for 2020 consists of Annual Review (including Financial Statements and Board of Directors' Report), Sustainability Report, Corporate Governance Statement and Remuneration Report. Reports are available at **www.caverion.com/annualreview**.