Q3

Interim Report 1-9/2019

Caverion

Caverion Corporation Interim Report 29 October 2019 at 8.00 a.m. EET

Caverion Corporation's Interim Report for January 1 – September 30, 2019

Clear improvement in profitability in the third quarter

July 1 – September 30, 2019

- **Revenue:** EUR 507.5 (524.9) million. Services business revenue increased by 6.1 percent.
- **Adjusted EBITDA:** EUR 36.2 (18.5) million, or 7.1 (3.5) percent of revenue.
- **EBITDA:** EUR 35.3 (14.3) million, or 7.0 (2.7) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR 3.8 (-37.0) million.
- **Earnings per share, undiluted:** EUR 0.08 (0.03) per share.
- **Net debt/EBITDA***: 1.1x (1.1x).

January 1 – September 30, 2019

- **Order backlog**: EUR 1,676.9 (1,552.3) million, up by 8.0 percent.
- **Revenue:** EUR 1,534.2 (1,616.5) million. Services business revenue increased by 4.2 percent.
- **Adjusted EBITDA:** EUR 73.3 (42.4) million, or 4.8 (2.6) percent of revenue.
- **EBITDA:** EUR 67.1 (-7.5) million, or 4.4 (-0.5) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR 63.0 (-32.1) million.
- **Earnings per share, undiluted:** EUR 0.04 (-0.27) per share.
- Maintpartner acquisition signed during Q1, competition authority review ongoing.
- EUR 75 million unsecured senior bond issued during Q1, partial redemption of hybrid notes.

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

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

KEY FIGURES

EUR million	7–9/19 (IFRS 16)	7–9/18 (non IFRS 16)	Change	1–9/19 (IFRS 16)	1–9/18 (non IFRS 16)	Change	1–12/18 (non IFRS 16)
Order backlog	1,676.9	1,552.3	8.0%	1,676.9	1,552.3	8.0%	1,494.3
Revenue	507.5	524.9	-3.3%	1,534.2	1,616.5	-5.1%	2,204.1
Adjusted EBITDA	36.2	18.5	95.7%	73.3	42.4	73.0%	53.4
Adjusted EBITDA margin, %	7.1	3.5		4.8	2.6		2.4
EBITDA	35.3	14.3	147.3%	67.1	-7.5		-8.8
EBITDA margin, %	7.0	2.7		4.4	-0.5		-0.4
Operating profit	18.9	8.1	133.4%	16.4	-27.2		-35.9
Operating profit margin, %	3.7	1.5		1.1	-1.7		-1.6
Result for the period	11.6	5.3	120.9%	7.5	-32.3		-48.1
Earnings per share, undiluted, EUR	0.08	0.03	142.6%	0.04	-0.27		-0.40
Operating cash flow before financial and tax items	3.8	-37.0		63.0	-32.1		21.6
Working capital				-46.8	-3.2		-54.6
Interest-bearing net debt				172.9	50.2	244.5%	6.9
Net debt/EBITDA*				1.1	1.1		0.2
Gearing, %				79.5	18.9		2.7
Equity ratio, %				22.6	30.9		30.2
Personnel, end of period				14,606	15,556	-6.1%	14,950

* Based on calculation principles confirmed with the lending parties.

Ari Lehtoranta, President and CEO:

"The highlight of the quarter was a clear improvement in our profitability. This was supported by our lower-performing divisions improving their profitability. At the same time, there was no material negative impact from Projects. In the third quarter our adjusted EBITDA improved to EUR 36.2 (18.5) million, or 7.1 (3.5) percent of revenue. Our revenue for the third quarter was EUR 507.5 (524.9) million. Excluding the impact of currencies and divestments, revenue grew year-on-year. Our order backlog increased by 8.0 percent to EUR 1,676.9 (1,552.3) million, supporting our future organic growth.

Measured in local currencies, Group revenue decreased by 2.5 percent. However, the Services business revenue increased by 7.1 percent, while the Projects business revenue decreased by 13.4 percent. In the quarter, our Services business accounted for 58.5 (53.3) percent of Group revenue. In the Services business, most of our divisions continued to improve their margins in accordance with targets. In the Projects business, after being able to close several old projects, there was a clear profitability improvement in several divisions. The profitability of the Projects business is nevertheless yet far from the targeted level and performance management actions will be continued in all our divisions.

In the third quarter, which is typically a weak quarter in terms of cash flow, our operating cash flow before financial and tax items amounted to EUR 3.8 (-37.0) million. Our working capital improved to the level of EUR -46.8 (-3.2) million. Our net debt excluding lease liabilities amounted to EUR 41.7 (50.2) million at the end of September and the net debt/EBITDA ratio was 1.1x (1.1x). We were able to sign two important acquisitions in October. The first one, Pelsu Pelastussuunnitelma Oy underpins our focus on digital services, while the other one, the Refrigeration Solutions business of Huurre Group strengthens our focus on selected Smart Technologies. Regarding the Maintpartner acquisition signed in March, the Finnish Competition and Consumer Authority decided to initiate further proceedings concerning the transaction.

Caverion's future profitable growth is strongly supported by the sustainability and digitalisation megatrends. Environmental regulations and legislation are further tightening, requiring increased actions in energy efficiency in buildings, and our enhanced offering is well suited to meet the new demands enabling smart cities and smart buildings. We launched the Growth phase of our Fit for Growth strategy in the third quarter. We will unfold our Growth strategy more in detail in the upcoming Capital Markets Day on 5 November 2019."

OUTLOOK FOR 2019

Market outlook for Caverion's services and solutions

The megatrends in the industry, such as the increase of technology in built environments, energy efficiency requirements, increasing digitalisation and automation as well as urbanisation continue to promote demand for Caverion's services and solutions over the coming years.

Services

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

Projects

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

Guidance for 2019

Caverion's guidance for 2019 is unchanged: "Caverion estimates that the Group's Services business revenue and its relative share of the Group's total revenue will increase in 2019, while the Projects business revenue will decrease. The Group's Adjusted EBITDA for 2019 will be over EUR 120 million. The guidance takes into account the adoption of IFRS 16 in 2019, which has an estimated annual impact of adding around 2 percentage points to the Group's EBITDA margin."

Adjusted EBITDA = EBITDA before items affecting comparability (IAC).

Items affecting comparability (IAC) in 2019 are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations.

In 2018, major risk projects included three completed Large Projects from Industrial Solutions, the financial effects of which were reported under category (2). The German anti-trust fine and related legal and other costs were reported under category (4). In 2019, major risk projects only include one risk project in Germany reported under category (2).

Adjusted EBITDA – Items affecting comparability

EUR million	7–9/19 (IFRS 16)	7–9/18 (non IFRS 16)	1–9/19 (IFRS 16)	1–9/18 (non IFRS 16)	1–12/18 (non IFRS 16)
EBITDA	35.3	14.3	67.1	-7.5	-8.8
EBITDA margin, %	7.0	2.7	4.4	-0.5	-0.4
Items affecting EBITDA					
- Capital gains and/or losses and transaction costs related to divestments and acquisitions	0.2	1.2	2.7	1.2	5.5
- Write-downs, expenses and income from major risk projects		1.8	1.6	4.9	9.3
- Restructuring costs	0.7	1.0	1.7	2.2	5.3
- Other items*	0.1	0.2	0.2	41.5	42.1
Adjusted EBITDA	36.2	18.5	73.3	42.4	53.4
Adjusted EBITDA margin, %	7.1	3.5	4.8	2.6	2.4

** Including the German anti-trust fine and related legal and other costs in 2018*

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference and webcast on the Interim Report on Tuesday, 29 October 2019, at 10:00 a.m. (Finnish time, EET) at GLO Hotel Kluuvi, Kluuvikatu 4, 2nd floor, Helsinki, Finland. The news conference can also be viewed live on Caverion's website at www.caverion.com/investors. It is also possible to participate in the event through a conference call by calling the assigned number +44 (0)330 336 9105 at 9:55 a.m. (Finnish time, EET) at the latest. The participant code for the conference call is "8210083 / Caverion". More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information to be published in 2019

Caverion will arrange a Capital Markets Day in Helsinki on 5 November 2019 at 12:00 noon (EET). Further information on the programme is available on Caverion's website, www.caverion.com/investors.

Financial Statement Release for 2019 will be published on 7 February 2020 at 12:00 noon (EET). Financial reports and other investor information are available on Caverion's website, www.caverion.com/investors, and IR App. The materials may also be ordered by sending an e-mail to IR@caverion.com.

CAVERION CORPORATION

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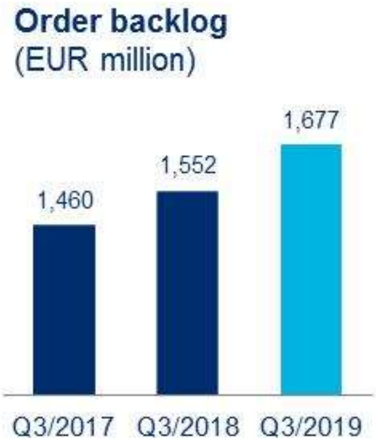
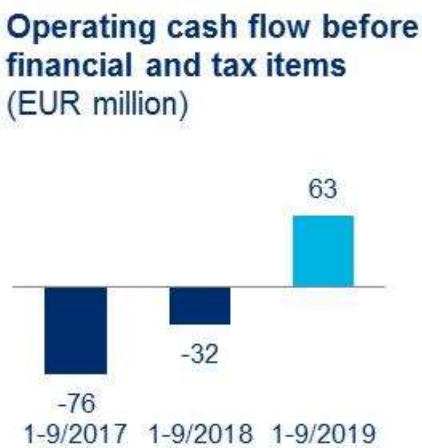
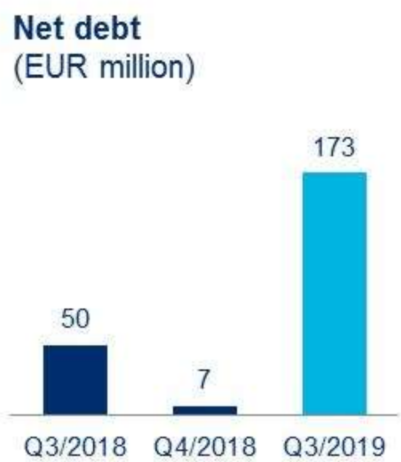
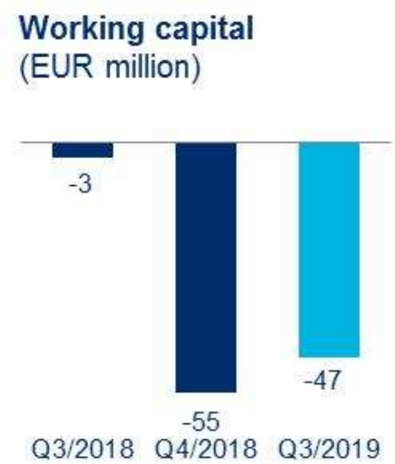
GROUP FINANCIAL DEVELOPMENT

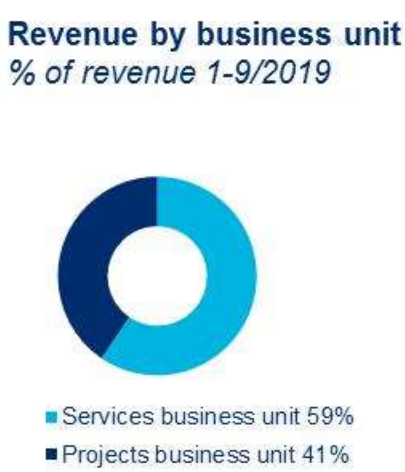
Key Figures

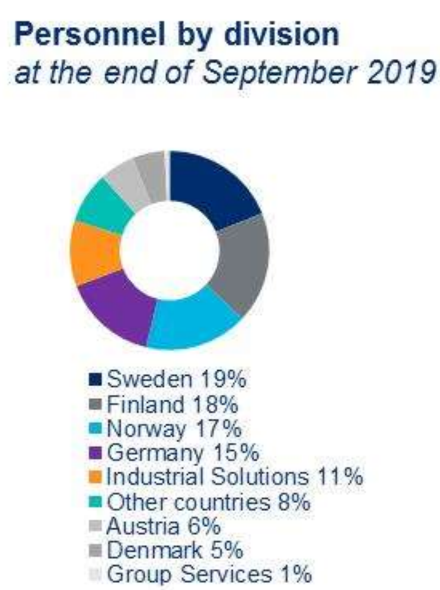












Comparative figures have not been restated according to IFRS 16.

Operating environment in the third quarter and during the first nine months of 2019

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

Services

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

Projects

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

Estimated Projects business risks for 2019

In the first half of 2019, the Projects business profitability was negatively impacted by old projects. Caverion continued its efforts to close or settle the remaining non-performing projects. In the second quarter, the Group's result was burdened by major project forecast changes with a negative net impact of about EUR 16 million, about half of which was explained by one single old project.

In the third quarter of 2019, there were no material negative forecast changes in projects. Systematic performance management continues to be part of the core project management processes in all divisions.

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

Caverion announced on 15 February 2019 that Caverion Industria Oy was awarded a positive arbitration decision relating to the third and final large project from Caverion's risk list for 2018. Caverion booked the award related income in its first quarter results for 2019, while the payment was received in April.

Order backlog

Order backlog amounted to EUR 1,676.9 million at the end of September, up by 8.0 percent from the end of September in the previous year (EUR 1,552.3 million). At comparable exchange rates the order backlog increased by 9.1 percent. Order backlog increased both in Services and Projects compared to the last year.

Revenue

July–September

Revenue for July–September was EUR 507.5 (524.9) million, a decrease of 3.3 percent compared to the same period in the previous year. Revenue was impacted by fluctuations in currency exchange rates and the sale of the project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division in the last quarter of 2018. At the previous year's exchange rates, revenue was EUR 511.8 million and decreased by 2.5 percent compared to the previous year. Changes in the Swedish krona accounted for EUR 2.3 million and the Norwegian krone for EUR 2.4 million.

Revenue increased in Austria, Finland and Sweden, while it decreased in other divisions. The revenue in Industrial Solutions in 2019 is not comparable with the previous year, as Caverion sold its project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division in the last quarter of 2018.

The revenue of the Services business unit increased and was EUR 296.7 (279.7) million in July–September, an increase of 6.1 percent, or 7.1 percent in local currencies. The revenue of the Projects business unit was EUR 210.7 (245.2) million in July–September, a decrease of 14.1 percent, or 13.4 percent in local currencies.

The Services business unit accounted for 58.5 (53.3) percent of Group revenue, and the Projects business unit for 41.5 (46.7) percent of Group revenue in July–September.

January–September

Revenue for January–September was EUR 1,534.2 (1,616.5) million, a decrease of 5.1 percent compared to the same period in the previous year. Revenue was impacted by fluctuations in currency exchange rates and the sale of the project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division in the last quarter of 2018. There was also a negative impact from project write-downs and the Group's more selective approach towards the Projects business. At the previous year's exchange rates, revenue was EUR 1,549.4 million and decreased by 4.2 percent compared to the previous year. Changes in the Swedish krona accounted for EUR 10.0 million and the Norwegian krone for EUR 5.0 million.

Revenue increased in Austria and Finland, while it decreased in other divisions. In local currencies, revenue in Sweden and Norway was in line with the previous year. The revenue in Industrial Solutions in 2019 is not comparable with the previous year, as Caverion sold its project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division in the last quarter of 2018.

The revenue of the Services business unit increased and was EUR 912.4 (875.8) million in January–September, an increase of 4.2 percent, or 5.3 percent in local currencies. The revenue of the Projects business unit was EUR 621.8 (740.7) million in January–September, a decrease of 16.1 percent, or 15.4 percent in local currencies.

The Services business unit accounted for 59.5 (54.2) percent of Group revenue, and the Projects business unit for 40.5 (45.8) percent of Group revenue in January–September.

Distribution of revenue by Division and Business Unit

Revenue, EUR million	7–9/ 2019	%	7–9/ 2018	%	Change	1–9/ 2019	%	1–9/ 2018	%	Change	1–12/ 2018	%
Sweden	97.7	19.3	94.5	18.0	3.4%	312.2	20.3	319.3	19.8	-2.2%	443.1	20.1
Finland	90.6	17.9	81.6	15.6	11.0%	271.9	17.7	240.8	14.9	12.9%	336.3	15.3
Norway	76.4	15.1	85.0	16.2	-10.1%	265.0	17.3	269.5	16.7	-1.7%	377.4	17.1
Germany	97.2	19.1	110.6	21.1	-12.1%	263.2	17.2	334.4	20.7	-21.3%	436.7	19.8
Austria	56.0	11.0	49.0	9.3	14.3%	147.7	9.6	128.5	7.9	14.9%	176.8	8.0
Industrial Solutions	45.6	9.0	57.1	10.9	-20.2%	143.6	9.4	173.3	10.7	-17.1%	229.2	10.4
Denmark	26.9	5.3	29.0	5.5	-7.2%	80.2	5.2	99.1	6.1	-19.1%	129.2	5.9
Other countries*	17.0	3.4	18.1	3.4	-5.9%	50.4	3.3	51.8	3.2	-2.5%	75.5	3.4
Group, total	507.5	100.0	524.9	100.0	-3.3%	1,534.2	100.0	1,616.5	100.0	-5.1%	2,204.1	100.0
Services business unit	296.7	58.5	279.7	53.3	6.1%	912.4	59.5	875.8	54.2	4.2%	1,213.0	55.0
Projects business unit	210.7	41.5	245.2	46.7	-14.1%	621.8	40.5	740.7	45.8	-16.1%	991.1	45.0

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

Profitability

EBITDA

July–September

Adjusted EBITDA improved to EUR 36.2 (18.5) million, or 7.1 (3.5) percent of revenue and EBITDA to EUR 35.3 (14.3) million, or 7.0 (2.7) percent of revenue in July–September. This was supported by lower-performing divisions improving their profitability. At the same time, there was no material negative impact from Projects.

In the adjusted EBITDA calculation the transaction costs related to divestments and acquisitions totalled EUR 0.2 million in July–September. The Group’s restructuring costs amounted to EUR 0.7 million and the other items were EUR 0.1 million.

In the Services business, most of the divisions continued to improve their margins in accordance with targets. The Services business in Germany continued its strong development. In the Projects business, after being able to close several old projects, there was a clear profitability improvement in several divisions. The profitability of the Projects business is yet far from the targeted level and performance management actions will be continued in all divisions.

By division, Finland, Norway, Austria and Industrial Solutions delivered strong results in the third quarter. The results of Sweden and Germany were also on a relatively good level.

Costs related to materials and supplies decreased to EUR 132.7 (137.8) million and external services to EUR 100.2 (101.4) million in July–September. Personnel expenses decreased by 2.8 percent from the previous year and amounted to a total of EUR 194.7 (200.3) million for July-September. Other operating expenses decreased to EUR 45.3 (71.8) million, affected mainly by IFRS 16 adoption. Other operating income was EUR 0.8 (0.7) million.

January–September

Adjusted EBITDA improved to EUR 73.3 (42.4) million, or 4.8 (2.6) percent of revenue and EBITDA to EUR 67.1 (-7.5) million, or 4.4 (-0.5) percent of revenue in January–September. In the first half of 2019, the Projects business profitability was negatively impacted by old projects. In the second quarter, the Group’s result was burdened by major project forecast changes with a negative net impact of about EUR 16 million, about half of which was explained by one single old project. In the third quarter, there was no material negative impact from projects.

In the adjusted EBITDA calculation, the capital losses from divestments and transaction costs related to divestments and acquisitions totalled EUR 2.7 million in January–September. The write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 1.6 million. In 2019, major risk projects include only one risk project in Germany. The Group’s restructuring costs amounted to EUR 1.7 million and the other items were EUR 0.2 million.

The Services business unit continued to improve its profitability, while the result of the Projects business unit was negatively impacted by project write-downs and cost overruns. By division, Finland, Austria and Industrial Solutions delivered strong results in January–September. In other divisions the overall result was burdened by project write-downs and cost overruns from projects. The Services business in Germany continued its positive development.

Costs related to materials and supplies decreased to EUR 384.9 (416.0) million and external services to EUR 294.4 (301.9) million in January–September. Personnel expenses decreased by 4.0 percent from the previous year and amounted to a total of EUR 633.8 (660.1) million for January-September. Other operating expenses decreased to EUR 156.1 (247.9) million, affected mainly by IFRS 16 adoption and the German anti-trust fine of EUR 40.8 million in June 2018. Other operating income was EUR 2.0 (1.9) million.

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

EBITDA is defined as Operating profit + Depreciation, amortisation and impairment. Adjusted EBITDA = EBITDA before items affecting comparability (IAC). Items affecting comparability (IAC) in 2019 are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management’s assessment are not related to normal business operations.

Operating profit

July–September

The operating profit for July–September was EUR 18.9 (8.1) million, or 3.7 (1.5) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 16.5 (6.2) million in July–September. Of these EUR 0.8 (0.4) million were allocated intangibles related to acquisitions and EUR 15.7 (5.8) million were other depreciations, amortisation and impairments, the majority of which related to right-of-use assets in accordance with IFRS 16 and IT. The depreciation on right-of-use assets amounted to EUR 12.0 million during the third quarter.

January–September

The operating profit for January–September was EUR 16.4 (-27.2) million, or 1.1 (-1.7) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 50.7 (19.7) million in January–September. Of these EUR 2.3 (1.5) million were allocated intangibles related to acquisitions and EUR 48.3 (18.3) million were other depreciations, amortisation and impairments, the majority of which related to right-of-use assets in accordance with IFRS 16 and IT. The depreciation on right-of-use assets amounted to EUR 35.9 million during the first nine months of 2019.

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

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

Result before taxes amounted to EUR 10.7 (-29.2) million, result for the period to EUR 7.5 (-32.3) million, and earnings per share to EUR 0.04 (-0.27) in January–September. Net financing expenses in January–September were EUR 5.7 (2.0) million. This includes an interest cost on lease liabilities amounting to EUR 3.9 million and an exchange rate gain from an internal loan denominated in euros in Russia amounting to EUR 1.1 million.

The Group's effective tax rate was 29.3 (-10.6) percent in January–September.

Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets totalled EUR 13.9 (8.3) million in January–September, representing 0.9 (0.5) percent of revenue. Investments in information technology totalled EUR 6.3 (5.9) million. IT investments were 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 7.7 (2.5) million.

Caverion announced the sale of its small subsidiaries in Poland and Czech Republic in the end of December 2018. The sale of the subsidiary in the Czech Republic was completed on 2 January 2019 and the sale of the Polish subsidiary became effective on 28 February 2019. The divestments had no material impact on the financial position and performance of Caverion Group. The transaction prices were not disclosed.

Caverion announced on 12 March 2019 that it has 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 excludes Maintpartner Group Oy's subsidiary in Sweden. The transaction is subject to approval by the competition authorities. More detailed information on the transaction valuation will be published at the closing of the transaction. The purchase price will be paid by cash. According to the Finnish Accounting Standard (FAS), the revenue of the business to be acquired was approximately EUR 137 million in 2018 (EUR 137 million in 2017), with most of the revenue generated in Finland. The business employed approximately 1,500 people in 2018. According to the Finnish Accounting Standard (FAS), EBITDA of the business to be acquired was EUR 6.1 million in 2018 (EUR 4.6 million in 2017). According to the preliminary valuation, the IFRS adjusted net value of the assets to be purchased amounted to EUR 6.4 million in 2018. The Finnish Competition and Consumer Authority (the "FCCA") applied with Caverion's consent for a two-month extension period from the Market Court for its further proceedings initiated on 20 June 2019. The Market Court extended on 3 September 2019 the deadline for clearance so that the final decision on the matter will be given at the latest on 24 November 2019. The additional time is required to finalise the proceedings.

Cash flow, working capital and financing

The Group's operating cash flow before financial and tax items improved to EUR 63.0 (-32.1) million in January-September. The Group's free cash flow improved to EUR 49.6 (-43.9) million.

The Group's working capital improved to EUR -46.8 (-3.2) million at the end of September. The amount of trade and POC receivables decreased to EUR 513.4 (527.3) million and other current receivables to EUR 24.0 (39.9) million. On the liabilities side, advances received increased to EUR 207.9 (178.7) million while trade and POC payables decreased to EUR 184.0 (199.4) million. Working capital decreased on the Group level during the third quarter compared to the previous year. There was good improvement in divisions Finland, Norway, Industrial Solutions and particularly in Germany compared to the previous year.

Caverion's cash and cash equivalents amounted to EUR 83.4 (18.7) million at the end of September. In addition, Caverion has undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

The Group's gross interest-bearing loans and borrowings excluding lease liabilities amounted to EUR 125.0 (68.9) million at the end of September, and the average interest rate after hedges was 3.0 percent. Approximately 40 percent of the loans have been raised from banks and other financial institutions and approximately 60 percent from capital markets. Lease liabilities amounted to EUR 131.3 million at the end of September 2019, resulting to total gross interest-bearing liabilities of EUR 256.3 million.

The Group's net debt excluding lease liabilities amounted to EUR 41.7 (50.2) million at the end of September and including lease liabilities to EUR 172.9 million. At the end of September, the Group's gearing was 79.5 (18.9) percent and the equity ratio 22.6 (30.9) percent. Excluding the effect of IFRS 16, the gearing would have amounted to 19.1 percent and the equity ratio to 26.2 percent.

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

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. The financial covenant shall not exceed 3.5:1. At the end of September, the Group's Net debt to EBITDA was 1.1x according to the confirmed calculation principles. The confirmed calculation principles exclude the effects of the IFRS 16 standard and contain certain other adjustments such as excluding the German anti-trust fine and related legal and advisory fees.

Changes in external financial reporting in 2019

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

The standard has had significant impact on the Group's balance sheet and related key ratios, such as the equity ratio and the gearing. The adoption of IFRS 16 increased the Group's right-of-use assets and interest-bearing liabilities by approximately EUR 142 million. The standard impacted also the Group's income statement. The impacted operating lease cost is divided into the depreciation of the right-of-use asset and interest cost associated with the lease liability resulting in an improved EBITDA, having an estimated annual increase of around 2 percentage points on the Group's EBITDA margin. The effect to profit for the period is insignificant. Caverion has applied the modified retrospective approach and the comparative figures for the financial periods prior to the first date of adoption have not been restated. Further information has been presented in financial tables section note 1 Accounting principles.

Caverion made several divestments of non-core units in 2018. Caverion completed the sale of its project piping and tank business and the related Ylivieska workshop of the Industrial Solutions division on 31 December 2018. Revenue of the divested business was approximately EUR 45 million in 2018. Furthermore, Caverion announced the sale of its small subsidiaries in Poland and Czech Republic in the end of December. These were completed on 28 February 2019 and on 2 January 2019, respectively. The revenue of Caverion Polska Sp. Z o.o. was approximately EUR 13 million in 2018, and the number of employees totalled approximately 170 people. The revenue of the Caverion Česká republika s.r.o. was approximately EUR 3 million in 2018, and the number of employees approximately 40 people.

Caverion also made one acquisition to strengthen its service business in 2018. Caverion announced on 19 November 2018 that Caverion Suomi Oy had signed an agreement to acquire the entire share capital of Jetitek Oy from the management of the company. Jetitek's revenue was EUR 16 million and it employed 52 people in Finland in 2018.

Caverion also reorganised its Eastern European operations in 2018. The financial reporting of Russia, Poland and the Baltics continued under "Eastern Europe" until the end of 2018. In 2019, Russia and the Baltics are reported under "Other countries".

PERSONNEL

Personnel by division, end of period	9/19	6/19	Change	9/19	9/18	Change	12/18
Sweden	2,762	2,790	-1%	2,762	2,975	-7%	2,955
Finland	2,643	2,698	-2%	2,643	2,487	6%	2,513
Norway	2,455	2,409	2%	2,455	2,469	-1%	2,438
Germany	2,245	2,190	3%	2,245	2,280	-2%	2,268
Industrial Solutions	1,568	1,613	-3%	1,568	1,955	-20%	1,603
Other countries	1,211	1,235	-2%	1,211	1,518	-20%	1,350
Austria	842	829	2%	842	851	-1%	857
Denmark	764	803	-5%	764	915	-17%	860
Group Services	116	114	2%	116	106	9%	106
Group, total	14,606	14,681	-1%	14,606	15,556	-6%	14,950

Caverion Group employed 14,651 (15,790) people on average in January–September 2019. At the end of September, the Group employed 14,606 (15,556) people. Personnel expenses for January–September amounted to EUR 633.8 (660.1) million.

The safety of employees is always a focus area and the accident frequency rate in the end of September was 5.3 (5.3).

Changes in Caverion's Group Management Board and organisation structure

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

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

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

SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTIES

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

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

Despite clearly defined project controls, it is possible that some risks may materialise, which could lead to project write-downs, provisions, disputes or litigations. Caverion made a large amount of project write-downs during 2016−2018 and in the first half of 2019. Systematic performance management continues to be part of the core project management processes in all divisions. In 2019, Caverion reports only one old major risk project from Germany in adjusted EBITDA, the completion of which has been delayed approximately into the end of 2020. It is possible that further risks may emerge in this old project or other projects.

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

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

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

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

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

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

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

Caverion's business typically involves granting guarantees to customers or other stakeholders, especially for large projects, e.g. for advance payments received, for performance of contractual obligations, and for defects during the warranty period. Such guarantees are typically granted by financial intermediaries on behalf of Caverion.

There is no assurance that the company would have continuous access to sufficient guarantees from financial intermediaries at competitive terms or at all, and the absence of such guarantees could have an adverse effect on Caverion’s business and financial situation. To manage this risk, Caverion’s target is to maintain several guarantee facilities in the different countries where it operates.

There are risks related to the functionality, security and availability of the company’s IT systems. Caverion has made significant investments in IT and system development. There is a risk that the expected functionalities and pay-back are not fully materialised. In 2019, Caverion is making a transition to a new IT vendor providing comprehensive IT outsourcing services. Such a transition always includes risks.

Financial risks have been described in more detail in the 2018 Financial Statements under Note 5.5.

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

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

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

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

DIVIDENDS AND DIVIDEND POLICY

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

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

SHARES AND SHAREHOLDERS

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

Share capital and number of shares

The number of shares was 138,920,092 and the share capital was EUR 1,000,000 on 1 January 2019. Caverion held 3,264,451 treasury shares on 1 January 2019. At the end of the reporting period, the total number of shares in Caverion was 138,920,092. Caverion held 2,947,289 treasury shares on 30 September 2019, representing 2.12 percent of the total number of shares and voting rights. The number of shares outstanding was 135,972,803 at the end of September 2019.

In a stock exchange release on 7 February 2018, Caverion's Board of Directors announced the establishment of a new 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. More detailed information about the Matching Share Plan 2018−2022 and the related share issues and transfers was published in stock exchange releases on 7 February 2018, 19 February 2018, 1 March 2018 and 8 March 2018.

In the second quarter of 2019, the Board of Directors of Caverion Corporation decided on a directed share issue without consideration for the payment of the first reward instalment from Caverion’s Matching Share Plan 2018–2022. In the directed share issue without consideration, 293,540 Caverion Corporation shares held by the company were on 14 May 2019 conveyed to key employees included in the Matching Share Plan 2018–2022. The shares were delivered as a reward from the matching period 1 March 2018 – 28 February 2019. Prior to the directed share issue, Caverion held a total of 3,240,829 of its own shares, of which 2,947,289 own shares remained with the company after the directed share issue.

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

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

The Restricted Share Plan is based on a rolling plan structure originally announced on 18 December 2015 and the commencement of each new plan within the structure is conditional on a separate Board approval. Share allocations within the Restricted Share Plan will be made for individually selected key employees in specific situations. Each RSP plan consists of a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Caverion continues until the delivery of the share reward. The potential share rewards based on the Restricted Share Plans for 2016−2018, 2017−2019, 2018−2020 as well as 2019−2021 total a maximum of approximately 321,000 shares (gross before the deduction of applicable payroll tax). Of these plans, a maximum of approximately 16,000 shares will be delivered at the earliest in the spring of 2019, a maximum of approximately 85,000 shares in both the spring of 2020 and 2021 and a maximum of 135,000 shares in the spring of 2022. In the first quarter of 2019, the Board of Directors of Caverion Corporation decided on a directed share issue without payment for Caverion’s Restricted Share Plan 2016–2018 reward payment. In the directed share issue without payment, 23,622 Caverion Corporation shares held by the company were on 28 February 2019 conveyed to a key person participating in the Restricted Share Plan.

Caverion's Board of Directors approved the previous rolling long-term share-based incentive plan for the Group’s senior management and key employees in December 2015. The share-based incentive plan consisted of a Performance Share Plan (PSP) as the main structure, supported by a Restricted Share Plan as a complementary structure for specific situations. Both plans consisted of annually commencing individual plans, each lasting a three-year period. The Board of Directors decided to continue the said incentive structure in December 2016 and in December 2017. The targets set for the first and second Performance Share Plan 2016–2018 and 2017−2019 were not met, and no rewards thereof were paid. The targets set for the Performance Share Plan 2018−2020 were partially met and the respective share rewards will be delivered in February 2021.

More information on the incentive plans was released in stock exchange releases on 18 December 2015, 21 December 2016, 21 December 2017 and 18 December 2018.

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

Authorisations of the Board of Directors

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

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

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

As part of the implementation of the Matching Share Plan, the company has accepted as a pledge the shares acquired by those key employees who took a loan from the company. As a result, Caverion had 709,090 Caverion Corporation shares as a pledge at the end of the reporting period on 30 September 2019.

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

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

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

In a directed share issue without consideration, 293,540 Caverion Corporation shares held by the company were on 14 May 2019 conveyed to key employees included in the Matching Share Plan 2018–2022. The conveyance of shares through the directed share issue without consideration was based on the authorisation granted to the Board of Directors by the Annual General Meeting of Shareholders held on 25 March 2019. The shares were delivered as a reward from the matching period 1 March 2018 – 28 February 2019. The launch of the plan and its main terms and conditions were published in a stock exchange release on 7 February 2018.

Trading in shares

The opening price of Caverion's share was EUR 5.05 at the beginning of 2019. The closing rate on the last trading day of the review period on 30 September was EUR 5.64. The share price increased by 12 percent during January–September. The highest price of the share during the review period January–September was EUR 6.99, the lowest was EUR 4.85 and the average price was EUR 5.67. Share turnover on Nasdaq Helsinki in January–September amounted to 12.3 million shares. The value of share turnover was EUR 69.5 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 766.9 million. Market capitalisation has been calculated excluding the 2,947,289 shares held by the company as per 30 September 2019.

Number of shareholders and flagging notifications

At the end of September 2019, the number of registered shareholders in Caverion was 25,683 (6/2019: 25,883). At the end of September 2019, a total of 34.8 percent of the shares were owned by nominee-registered and non-Finnish investors (6/2019: 34.2%).

Updated lists of Caverion’s largest shareholders and ownership structure by sector as per 30 September 2019, are available on Caverion’s website at www.caverion.com/investors.

INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2019: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	7-9/2019 (IFRS 16)	7-9/2018 (non IFRS 16)	1-9/2019 (IFRS 16)	1-9/2018 (non IFRS 16)	1-12/2018 (non IFRS 16)
Revenue	**507.5**	**524.9**	**1,534.2**	**1,616.5**	**2,204.1**
Other operating income	0.8	0.7	2.0	1.9	4.1
Materials and supplies	-132.7	-137.8	-384.9	-416.0	-570.6
External services	-100.2	-101.4	-294.4	-301.9	-425.0
Employee benefit expenses	-194.7	-200.3	-633.8	-660.1	-892.9
Other operating expenses	-45.3	-71.8	-156.1	-247.9	-328.4
Share of results of associated companies			0.0	0.0	0.0
Depreciation, amortisation and impairment	-16.5	-6.2	-50.7	-19.7	-27.1
Operating result	**18.9**	**8.1**	**16.4**	**-27.2**	**-35.9**
% of revenue	3.7	1.5	1.1	-1.7	-1.6
Financial income and expense, net	-2.3	-0.5	-5.7	-2.0	-7.9
Result before taxes	**16.5**	**7.6**	**10.7**	**-29.2**	**-43.9**
% of revenue	3.3	1.4	0.7	-1.8	-2.0
Income taxes	-4.9	-2.3	-3.1	-3.1	-4.3
Result for the period	**11.6**	**5.3**	**7.5**	**-32.3**	**-48.1**
% of revenue	2.3	1.0	0.5	-2.0	-2.2
Attributable to					
Equity holders of the parent company	11.6	5.3	7.5	-32.4	-48.2
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company					
Earnings per share, basic, EUR	0.08	0.03	0.04	-0.27	-0.40
Diluted earnings per share, EUR	0.08	0.03	0.04	-0.27	-0.40

Consolidated statement of comprehensive income

EUR million	7-9/2019	7-9/2018	1-9/2019	1-9/2018	1-12/2018
Result for the review period	**11.6**	**5.3**	**7.5**	**-32.3**	**-48.1**
Other comprehensive income					
Items that will not be reclassified to profit/loss					
- Change in fair value of defined benefit pension plans	0.5	-0.1	-0.1	-0.9	0.4
-- Deferred tax		0.0		0.0	0.0
- Change in fair value of other investments	0.0	0.0	0.0	0.0	0.0
-- Deferred tax		0.0		-0.2	-0.2
Items that may be reclassified subsequently to profit/loss					
- Cash flow hedges		0.0	0.1	0.0	0.1
- Translation differences	-0.9	0.2	0.7	0.1	2.6
Other comprehensive income, total	**-0.4**	**0.1**	**0.7**	**-0.9**	**2.9**
Total comprehensive result	**11.2**	**5.4**	**8.2**	**-33.3**	**-45.2**
Attributable to					
Equity holders of the parent company	11.2	5.4	8.2	-33.3	-45.2
Non-controlling interests	0.0	0.0	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	Sep 30, 2019 (IFRS 16)	Sep 30, 2018 (non IFRS 16)	Dec 31, 2018 (non IFRS 16)
Assets			
Non-current assets			
Property, plant and equipment	15.7	19.0	15.9
Right-of-use assets	130.4		
Goodwill	331.9	331.6	334.4
Other intangible assets	30.1	36.8	34.6
Shares in associated companies and joint ventures	1.7	0.1	0.1
Other investments	0.9	1.1	1.2
Other receivables	6.8	6.7	6.4
Deferred tax assets	12.6	34.9	9.9
Current assets			
Inventories	16.8	16.6	16.9
Trade receivables	274.1	268.0	311.6
POC receivables	239.3	259.3	207.4
Other receivables	24.3	41.2	31.7
Income tax receivables	2.6	3.5	3.2
Cash and cash equivalents	83.4	18.7	51.2
Total assets	**1,170.5**	**1,037.5**	**1,024.5**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1.0	1.0	1.0
Hybrid capital	66.1	100.0	100.0
Other equity	150.2	164.1	152.6
Non-controlling interest	0.4	0.4	0.4
Equity	**217.6**	**265.5**	**254.0**
Non-current liabilities			
Deferred tax liabilities	30.0	54.6	33.1
Pension liabilities	43.6	45.1	43.9
Provisions	8.3	8.3	6.9
Lease liabilities	91.1		
Other interest-bearing debts	125.0	40.7	30.9
Other liabilities	0.5	0.2	0.2
Current liabilities			
Advances received	207.9	178.7	182.6
Trade payables	164.9	178.8	184.1
Other payables	207.3	211.2	231.8
Income tax liabilities	11.6	6.9	5.3
Provisions	22.5	19.2	24.6
Lease liabilities	40.2		
Other interest-bearing debts	0.0	28.2	27.2
Total equity and liabilities	**1,170.5**	**1,037.5**	**1,024.5**

Working capital

EUR million	Sep 30, 2019 (IFRS 16)	Sep 30, 2018 (non IFRS 16)	Dec 31, 2018 (non IFRS 16)
Inventories	16.8	16.6	16.9
Trade and POC receivables	513.4	527.3	518.9
Other current receivables	24.0	39.9	31.3
Trade and POC payables	-184.0	-199.4	-204.4
Other current liabilities	-209.1	-209.0	-234.8
Advances received	-207.9	-178.7	-182.6
Working capital	**-46.8**	**-3.2**	**-54.6**

Consolidated statement of changes in equity

	Equity attributable to owners of the parent									
EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Unrestricted equity reserve	Hybrid capital	Total	Non-controlling interest	Total equity
Equity on December 31, 2018	**1.0**	**95.5**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.6**	**0.4**	**254.0**
Change in accounting principle, IFRS 16		0.1						0.1		0.1
Equity on January 1, 2019	**1.0**	**95.7**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.8**	**0.4**	**254.1**
Comprehensive income										
Result for the period		7.5						7.5	0.0	7.5
Other comprehensive income:										
Change in fair value of defined benefit pension plans		-0.1						-0.1		-0.1
-Deferred tax										
Cash flow hedges				0.1				0.1		0.1
Change in fair value of other investments				0.0				0.0		0.0
-Deferred tax										
Translation differences			0.7					0.7		0.7
Comprehensive income, total		**7.4**	**0.7**	**0.1**				**8.2**	**0.0**	**8.2**
Dividend distribution		-6.8						-6.8	0.0	-6.8
Share-based payments		0.0						0.0		0.0
Transfer of own shares		-0.1			0.1					
Hybrid capital Repayment							-33.9	-33.9		-33.9
Hybrid capital interests and costs after taxes		-3.8						-3.8		-3.8
Disposal of subsidiaries		-0.2						-0.2		-0.2
Equity on September 30, 2019	**1.0**	**92.2**	**-4.8**	**-0.1**	**-3.1**	**66.0**	**66.1**	**217.2**	**0.4**	**217.6**

EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Unrest-ricted equity reserve	Hybrid capital	Total	Non-controlling interest	Total equity
Equity on December 31, 2017	**1.0**	**146.0**	**-8.0**	**-0.5**	**-3.2**		**100.0**	**235.3**	**0.4**	**235.6**
Change in accounting principle, IFRS 9		-0.8		0.0				-0.8		**-0.8**
Equity on January 1, 2018	**1.0**	**145.2**	**-8.0**	**-0.5**	**-3.2**		**100.0**	**234.4**	**0.4**	**234.8**
Comprehensive income										
Result for the period		-32.4						-32.4	0.0	-32.3
Other comprehensive income:										
Change in fair value of defined benefit pension		-0.9						-0.9		-0.9
Cash flow hedges				0.0				0.0		0.0
Change in fair value of other investments		-0.4		0.4				0.0		0.0
-Deferred tax				-0.2				-0.2		-0.2
Translation differences			0.1					0.1		0.1
Comprehensive income, total		**-33.7**	**0.1**	**0.2**				**-33.3**	**0.0**	**-33.3**
Dividend distribution									0.0	0.0
Share issue						60.0		60.0		60.0
Share issue costs after taxes						-0.7		-0.7		-0.7
Share-based payments		1.7						1.7		1.7
Share subscriptions						6.7		6.7		6.7
Hybrid capital interests after taxes		-3.7						-3.7		-3.7
Equity on September 30, 2018	**1.0**	**109.5**	**-7.9**	**-0.2**	**-3.2**	**66.0**	**100.0**	**265.1**	**0.4**	**265.5**

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

Condensed consolidated statement of cash flows

EUR million	7-9/2019 (IFRS 16)	7-9/2018 (non IFRS 16)	1-9/2019 (IFRS 16)	1-9/2018 (non IFRS 16)	1-12/2018 (non IFRS 16)
Cash flows from operating activities					
Result for the period	11.6	5.3	7.5	-32.3	-48.1
Adjustments to result	24.5	13.1	63.6	27.0	47.5
Change in working capital	-32.3	-55.3	-8.1	-26.8	22.3
Operating cash flow before financial and tax items	**3.8**	**-37.0**	**63.0**	**-32.1**	**21.6**
Financial items, net	-1.8	-0.7	-6.6	-1.3	-1.5
Taxes paid	-0.4	-0.6	-1.7	-2.4	-1.2
Net cash from operating activities	**1.6**	**-38.2**	**54.8**	**-35.8**	**18.9**
Cash flows from investing activities					
Acquisitions of subsidiaries, net of cash			-1.2	-0.4	-4.6
Disposal of subsidiaries and businesses, net of cash	0.0	-0.2	1.5	-1.5	-1.8
Investments in joint ventures	-1.6		-1.6		
Capital expenditure and other investments, net	-4.3	-1.1	-10.5	-7.5	-11.1
Net cash used in investing activities	**-5.9**	**-1.3**	**-11.7**	**-9.4**	**-17.5**
Cash flow after investing activities	**-4.3**	**-39.5**	**43.0**	**-45.1**	**1.4**
Cash flow from financing activities					
Change in loan receivables, net			-0.3	-4.2	-3.1
Change in current liabilities, net				-5.0	-5.0
Proceeds from borrowings			125.0		
Repayments of borrowings	-3.3	-3.3	-56.7	-17.7	-28.7
Repayments of lease liabilities	-11.2	-0.3	-34.1	-2.0	-2.2
Share issue				60.0	60.0
Share issue costs		-0.8		-0.8	-0.8
Share subscriptions				6.7	6.7
Hybrid capital repayment			-33.9		
Hybrid capital costs and interests			-4.7	-4.6	-4.6
Dividends paid and other distribution of assets			-6.8	0.0	0.0
Net cash used in financing activities	**-14.6**	**-4.5**	**-11.5**	**32.3**	**22.2**
Change in cash and cash equivalents	**-18.9**	**-44.0**	**31.5**	**-12.8**	**23.6**
Cash and cash equivalents at the beginning of the period	103.6	62.2	51.2	29.2	29.2
Change in the foreign exchange rates	-1.4	0.5	0.7	2.3	-1.7
Cash and cash equivalents at the end of the period	**83.4**	**18.7**	**83.4**	**18.7**	**51.2**

Free cash flow

EUR million	7-9/2019 (IFRS 16)	7-9/2018 (non IFRS 16)	1-9/2019 (IFRS 16)	1-9/2018 (non IFRS 16)	1-12/2018 (non IFRS 16)
Operating cash flow before financial and tax items	3.8	-37.0	63.0	-32.1	21.6
Taxes paid	-0.4	-0.6	-1.7	-2.4	-1.2
Net cash used in investing activities	-5.9	-1.3	-11.7	-9.4	-17.5
Free cash flow	**-2.5**	**-38.8**	**49.6**	**-43.9**	**2.9**

Notes to the Interim Report

1 Accounting principles

Caverion Corporation's Interim Report for January 1 – September 30, 2019 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. Caverion has applied the same accounting principles in the preparation of the Interim Report as in its Financial Statements for 2018, except for the implementation of the new IFRS 16 Leases standard.

The information presented in this Interim Report has not been audited.

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

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

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

The standard has also an impact on the Group's income statement. The impacted operating lease agreements are booked in the balance sheet and a lease cost is no longer presented for these lease agreements. Instead, the depreciation of the right-of-use asset and interest cost associated with the lease liability are booked into the income statement. This results in an estimated annual increase of around 2 percentage points on the Group's EBITDA margin. The effect to profit for the period is insignificant. The adoption of the new IFRS 16 standard also impacts the presentation of the consolidated statement of cash flows. Operating cash flow before financial and tax items increases with the impacted lease payments and Cash flow from financing activities and Interests paid decrease, respectively.

Relevant accounting policies and key impacts of IFRS 16:

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

underlying asset. Caverion has analysed lease contracts where the lease term is not fixed but both the lessor and lessee have an option to terminate the lease within 1-12 months' notice. For some contracts the reasonably certain lease period affecting the balance sheet recognition according to IFRS 16 differs from the non-cancellable period implied in IAS 17. In transition the assessment of a reasonably certain lease term compared to a non-cancellable period according to old IAS 17 increased the right-to-use assets and lease liabilities by about EUR 9 million compared to the off-balance sheet liability reported of those contracts. If the termination of the short-term contract is practically realistic within the time of the notice (1-12 months), those contracts have been excluded from the lease liability.

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

Reconciliation to the operating lease commitments

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

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

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

2 Key figures

	1-9/2019 (IFRS 16)	1-9/2018 (non IFRS 16)	1-12/2018 (non IFRS 16)
Revenue, EUR million	1,534.2	1,616.5	2,204.1
EBITDA, EUR million	67.1	-7.5	-8.8
EBITDA margin, %	4.4	-0.5	-0.4
Adjusted EBITDA, EUR million	73.3	42.4	53.4
Adjusted EBITDA margin, %	4.8	2.6	2.4
Operating profit, EUR million	16.4	-27.2	-35.9
Operating profit margin, %	1.1	-1.7	-1.6
Result before taxes, EUR million	10.7	-29.2	-43.9
% of revenue	0.7	-1.8	-2.0
Result for the review period, EUR million	7.5	-32.3	-48.1
% of revenue	0.5	-2.0	-2.2
Earnings per share, basic, EUR	0.04	-0.27	-0.40
Earnings per share, diluted, EUR	0.04	-0.27	-0.40
Equity per share, EUR	1.6	2.0	1.9
Equity ratio, %	22.6	30.9	30.2
Interest-bearing net debt, EUR million	172.9	50.2	6.9
Gearing ratio, %	79.5	18.9	2.7
Total assets, EUR million	1,170.5	1,037.5	1,024.5
Operating cash flow before financial and tax items, EUR million	63.0	-32.1	21.6
Working capital, EUR million	-46.8	-3.2	-54.6
Gross capital expenditures, EUR million	13.9	8.3	17.5
% of revenue	0.9	0.5	0.8
Order backlog, EUR million	1,676.9	1,552.3	1,494.3
Personnel, average for the period	14,651	15,790	15,672
Number of outstanding shares at the end of the period (thousands)	135,973	135,656	135,656
Average number of shares (thousands)	135,825	129,553	131,087

3 Financial development by quarter

EUR million	7-9/2019 (IFRS 16)	4-6/2019 (IFRS 16)	1-3/2019 (IFRS 16)	10-12/2018 (non IFRS 16)	7-9/2018 (non IFRS 16)	4-6/2018 (non IFRS 16)	1-3/2018 (non IFRS 16)
Revenue	507.5	512.3	514.4	587.6	524.9	564.8	526.8
EBITDA	35.3	9.1	22.6	-1.3	14.3	-31.7	9.9
EBITDA margin, %	7.0	1.8	4.4	-0.2	2.7	-5.6	1.9
Adjusted EBITDA	36.2	10.0	27.1	11.0	18.5	12.9	10.9
Adjusted EBITDA margin, %	7.1	2.0	5.3	1.9	3.5	2.3	2.1
Operating profit	18.9	-7.7	5.3	-8.7	8.1	-38.7	3.4
Operating profit margin, %	3.7	-1.5	1.0	-1.5	1.5	-6.9	0.7

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

4 Calculation of key figures

Key figures on financial performance

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

Share-related key figures

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

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

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

5 Related party transactions

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

6 Leases

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

	Right-of-use assets			
EUR million	**Buildings and structures**	**Cars**	**Other assets**	**Total**
1 January 2019	**89.0**	**51.2**	**1.3**	**141.6**
Translation differences	-0.4	-0.3	0.0	-0.6
Additions	12.7	15.1	0.2	27.9
Disposals and business divestitures	-2.0	-0.6	0.0	-2.6
Depreciation	-17.3	-17.9	-0.7	-35.9
30 September 2019	**82.0**	**47.5**	**0.9**	**130.4**

The Group recognised rent expenses from short-term lease liabilities of EUR 2.4 million and leases of low-value assets of EUR 0.3 million in January-September.

7 Financial risk management

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

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

No significant changes have been made to the Group’s financial risk management principles in the reporting period. Further information is presented in Group’s 2018 financial statement in note 5.5 Financial risk management.

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

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

EUR million	2019	2020	2021	2022	2023->	Total
Interest-bearing borrowings				50.0	75.5	125.5
Lease liabilities	9.7	32.2	29.3	20.9	39.2	131.3
Total	**9.7**	**32.2**	**29.3**	**70.9**	**114.7**	**256.8**

8 Financial liabilities and net debt

EUR million	Sep 30, 2019 Carrying amount	Sep 30, 2018 Carrying amount	Dec 31, 2018 Carrying amount
Non-current liabilities			
Senior bonds	74.6		
Loans from financial institutions	49.9	39.9	30.0
Other financial loans	0.5	0.5	0.5
Finance lease liabilities		0.3	0.4
Lease liabilities	91.1		
Total non-current interest-bearing liabilities	**216.1**	**40.7**	**30.9**
Current liabilities			
Loans from financial institutions	0.0	20.0	20.0
Pension loans		7.6	6.7
Other financial loans			0.0
Finance lease liabilities		0.5	0.5
Lease liabilities	40.2		
Total current interest-bearing liabilities	**40.2**	**28.2**	**27.2**
Total interest-bearing liabilities	**256.3**	**68.9**	**58.1**
Total interest-bearing liabilities (excluding IFRS 16 lease liabilities)	**125.0**	**68.9**	**58.1**
Cash and cash equivalents	83.4	18.7	51.2
Net debt	**172.9**	**50.2**	**6.9**
Net debt excluding IFRS 16 lease liabilities	**41.7**	**50.2**	**6.9**

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

Derivative instruments

Nominal amounts EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Interest rate derivatives		40.0	30.0
Foreign exchange forwards	77.3	85.9	88.6

Fair values EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Interest rate derivatives			
positive fair value			
negative fair value		-0.2	-0.1
Foreign exchange forwards			
positive fair value	0.1	0.6	0.3
negative fair value	-0.2	-0.2	-1.1

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

9 Commitments and contingent liabilities

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Guarantees given on behalf of associated companies	0.0	0.2	0.0
Parent company's guarantees on behalf of its subsidiaries	438.7	434.9	435.3
Other commitments			
- Operating leases		150.0	139.5
- Other contingent liabilities	0.2	0.2	0.2
Accrued unrecognised interest on hybrid bond	0.9	1.3	2.5

Entities participating in the demerger are jointly and severally responsible for the liabilities of the demerging entity which have been generated before the registration of the demerger. As a consequence, a secondary liability up to the allocated net asset value was generated to Caverion Corporation, incorporated due to the partial demerger of YIT Corporation, for those liabilities that were generated before the registration of the demerger and remain with YIT Corporation after the demerger. Caverion Corporation has a secondary liability relating to the Group guarantees which remain with YIT Corporation after the demerger. These Group guarantees amounted to EUR 30.5 million at the end of September 2019.

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

10 Events after the reporting period

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

Caverion announced on 28 October 2019 that it has launched Caverion SmartView, a digital platform supporting facility owners and facility managers. Caverion SmartView gathers all different systems' data into one interface, providing user friendly, easy to read and transparent dashboards. With Caverion SmartView, facility managers can quickly react to end user feedback regarding e.g. room temperatures or bad ventilation, and can even prevent these and other issues altogether by setting alerts when certain threshold levels are reached. Aside from the increased end user satisfaction, this also optimises energy consumption and thus positively affects environmental KPIs as well as costs. Caverion SmartView provides solutions for today's challenges and it is a modular platform, ready to grow to also match future demands.

Caverion announced on 28 October 2019 that the District Court of Helsinki rejected in its decision issued on that day the claim for a corporate fine against Caverion Suomi Oy in connection with sponsorship of equestrian sports in Finland. Furthermore, all charges against Jarno Hacklin, the CEO of YIT Kiinteistötekniikka Oy in 2011-2012, were rejected.

Caverion announced on 29 October 2019 that it has signed an agreement to acquire the Refrigeration Solutions business of Huurre Group Oy. The business to be acquired is a leading supplier of energy-efficient CO2 based refrigeration systems and related refrigeration automation solutions. The Refrigeration Solutions business has operations in Finland and Sweden. The revenue of the business to be acquired amounted to EUR 48 million in 2018, of which EUR 30 million was generated in Sweden and the rest in Finland. Huurre Refrigeration Solutions has three business units, Services, Refrigeration Projects and related Automation. Huurre Refrigeration Solutions employs 138 people in Sweden and 134 in Finland. The transaction is subject to approval by the Swedish Competition Authority. The value of the transaction is not disclosed. The purchase price will be paid in cash.