Caverion
Building Performance

H1/2020
Half-year Financial Report 1-6/2020

Caverion Corporation Half-year Financial Report 6 August 2020 at 8.00 a.m. EEST

Caverion Corporation's Half-year Financial Report for 1 January – 30 June 2020

Corona crisis impacted revenue and EBITA, still improvement year-on-year, strong cash flow

1 April – 30 June 2020

- **Revenue:** EUR 518.5 (512.3) million, up by 1.2 percent, 3.3 percent in local currencies. Organic growth was -4.8 percent. Services business revenue up by 3.1 percent, 5.8 percent in local currencies.
- **Adjusted EBITDA:** EUR 18.5 (10.0) million, or 3.6 (2.0) percent of revenue.
- **Adjusted EBITA:** EUR 4.8 (-3.2) million, or 0.9 (-0.6) percent of revenue.
- **EBITA:** EUR 8.4 (-4.1) million, or 1.6 (-0.8) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR 48.2 (29.1) million.
- **Earnings per share, undiluted:** EUR 0.01 (-0.06) per share.
- New EUR 35.0 million hybrid bond in May, redemption of old EUR 66.1 million hybrid notes in June
- Strong liquidity position

1 January – 30 June 2020

- **Order backlog:** EUR 1,739.7 (1,704.7) million, up by 2.1 percent.
- **Revenue:** EUR 1,060.1 (1,026.7) million, up by 3.2 percent, 5.2 percent in local currencies. Organic growth was -2.3 percent. Services business revenue up by 7.8 percent, 10.3 percent in local currencies.
- **Adjusted EBITDA:** EUR 44.7 (37.1) million, or 4.2 (3.6) percent of revenue.
- **Adjusted EBITA:** EUR 17.0 (10.6) million, or 1.6 (1.0) percent of revenue.
- **EBITA:** EUR 18.4 (5.2) million, or 1.7 (0.5) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR 104.3 (59.2) million.
- **Earnings per share, undiluted:** EUR 0.02 (-0.04) per share.
- **Net debt/EBITDA*:** 0.1x (0.8x).

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.

KEY FIGURES

EUR million	4–6/20	4–6/19	Change	1–6/20	1–6/19	Change	1–12/19
Order backlog	1,739.7	1,704.7	2.1%	1,739.7	1,704.7	2.1%	1,670.5
Revenue	518.5	512.3	1.2%	1,060.1	1,026.7	3.2%	2,123.2
Adjusted EBITDA	18.5	10.0	83.9%	44.7	37.1	20.5%	120.4
Adjusted EBITDA margin, %	3.6	2.0		4.2	3.6		5.7
EBITDA	22.1	9.1	142.2%	46.2	31.7	45.7%	103.0
EBITDA margin, %	4.3	1.8		4.4	3.1		4.8
Adjusted EBITA	4.8	-3.2		17.0	10.6	60.6%	67.2
Adjusted EBITA margin, %	0.9	-0.6		1.6	1.0		3.2
EBITA	8.4	-4.1		18.4	5.2	253.5%	49.8
EBITA margin, %	1.6	-0.8		1.7	0.5		2.3
Operating profit	5.0	-7.7		11.5	-2.4		35.3
Operating profit margin, %	1.0	-1.5		1.1	-0.2		1.7
Result for the period	2.1	-7.1		3.7	-4.1		22.6
Earnings per share, undiluted, EUR	0.01	-0.06		0.02	-0.04		0.14
Operating cash flow before financial and tax items	48.2	29.1	65.8%	104.3	59.2	76.2%	143.7
Cash conversion (LTM), %				160.7	169.9		139.5
Working capital				-161.3	-80.8	-99.6%	-100.9
Interest-bearing net debt				138.8	158.9	-12.7%	168.4
Net debt/EBITDA*				0.1	0.8		1.4
Gearing, %				72.5	77.3		73.6
Equity ratio, %				18.6	20.8		21.5
Personnel, end of period				15,902	14,681	8.3%	16,273

* Based on calculation principles confirmed with the lending parties.

Ari Lehtoranta, President and CEO:

"Like we estimated in our first quarter report, the impacts of the corona crisis were more visible to our business in the second quarter. The wellbeing of our employees, customers and other stakeholders continued to be our first priority. Fortunately, all of our infected employees have recovered from Covid-19. Most of our operating countries were locked down especially in April-May, at which time there were more of our workforce absent as well as more work site delays and closures. The government restrictions and the impacts to our business started to clearly ease up in June. In the latter part of the quarter, several governments announced also material stimulus packages to accelerate the return of the economies to more normal business conditions.

Our order backlog increased by 2.1 percent to EUR 1,739.7 (1,704.7) million. The coronavirus pandemic had an impact on both revenue and profitability in the second quarter, but there was still improvement year-on-year. Our second quarter revenue was EUR 518.5 (512.3) million, up by 1.2 percent or 3.3 percent in local currencies. Measured in local currencies, the Services business revenue grew by 5.8 percent, while the Projects business revenue declined by 0.6 percent in the second quarter. The Services business accounted for 61.9 (60.8) percent of Group revenue. Our adjusted EBITA improved to EUR 4.8 (-3.2) million, or 0.9 (-0.6) percent of revenue. Our EBITA improved to EUR 8.4 (-4.1) million, or 1.6 (-0.8) percent of revenue, being positively impacted by a one-off capital gain. In Services, our ad-hoc orders were lower in April-May, followed by a recovery in June. In Projects, the corona pandemic impacted our productivity. The Projects business profitability was also affected by completion of the last few old projects, ramping down the large projects business in Denmark and the inflexibility to adjust personnel costs with temporary lay-offs in Central Europe.

Our cash flow generation and liquidity position continued to be strong in the second quarter. Our operating cash flow before financial and tax items improved to EUR 48.2 (29.1) million. Cash flow was positively impacted by postponing authority payments to the value of EUR 29.6 million, which will be paid out in July-November. At the end of the second quarter, our interest-bearing net debt amounted to EUR 138.8 (158.9) million, or EUR 9.9 (24.7) million excluding lease liabilities. The net debt/EBITDA ratio was 0.1x (0.8x). Our cash and cash equivalents increased to EUR 130.2 (103.6) million. The integration of our most recent acquisitions and the divestment of certain parts of our industrial operations in Finland progressed according to plan.

At present the main issue is how quickly our European economies will recover and return back to the growth track. Naturally we hope that there will not be a second wave with the virus spread leading to new lockdown measures. I am so far pleased with our ability to manage the negative impacts of the crisis. We have executed contingency and cost-saving actions since March and furthermore benefited from having rooted performance management throughout the organisation during the Fit phase of our strategy.

Due to the poor visibility and the extraordinary circumstances, Caverion withdrew its guidance for 2020 in April. At present it is still difficult to forecast how deep and long the current downturn will be and what will be the speed of the economic recovery. For Caverion, the business volume and the amount of new order intake will be key determinants to our performance in the second half of this year. Nevertheless, we assume a pick-up in our Adjusted EBITA in the second half of 2020 compared to the first half of 2020.

We continued our most important development efforts in the areas of digitalisation, sustainability and energy efficiency in the first half of the year. We have been pleased to recognise that a significant amount of the economic stimulus packages is directed towards sustainable investments enabling smart buildings and cities. This is the area where we have our strategic focus. We are well positioned to support our customers' sustainability targets. Our own sustainability KPI targets will be published this year. We will come back to this in more detail at our Sustainability Morning to be held in connection with our Q3/2020 report in Helsinki on 5 November 2020. Our target is to come out of the crisis as a stronger company than entering it."

OUTLOOK FOR 2020

Market outlook for Caverion's services and solutions

A large part of Caverion's services is vital in keeping critical services and infrastructure up-and-running. This includes ensuring the continued functioning of energy and transportation infrastructure, health facilities, pharmaceutical and food industries, food retail and logistics as well as facilities and services used by public authorities. An important share of these services needs to be performed regardless of the coronavirus pandemic. The economic stimulus packages provided by governments and the EU are expected to increase infrastructure, health care and different types of sustainable investments in Caverion's operating area.

In Caverion's operating countries, the lockdown measures of the first wave of the corona pandemic impacted Caverion's business mainly between mid-March and the end of May, after which they have been gradually dismantled and their impact has reduced. At the end of the second quarter, the corona pandemic was well contained in most Caverion countries, while at the global level the pandemic continued spreading. A possible second wave of the coronavirus spread could lead to renewed lockdown measures also in Caverion countries and again increase the negative business impacts. Any further restrictions such as limiting industrial operations and shutdowns or temporary close-downs of premises or construction sites could have an impact on Caverion's business.

The corona crisis has led to a global downturn, but it is still unclear how deep and how long the downturn will be and what will be the speed of the economic recovery. The business volume and the amount of new order intake are important determinants to Caverion's performance in the second half of 2020, but both are still difficult to predict at present. While the digitalisation and sustainability megatrends are in many ways favourable to Caverion, a global downturn will most likely negatively impact the general level of demand and the pricing environment also for Caverion's offering. Most likely the demand for new construction projects will decrease, but there may also be an impact on smaller ad-hoc services and projects.

The corona crisis and the resulting downturn may also promote additional demand and new opportunities for some of Caverion's solutions going forward. Remotely controlled buildings are helping customers to save time and money, but also enable to operate the buildings more safely. Special requirements also apply to ventilation and air-conditioning systems, increasing the demand for ventilation related upgrades based on new guidelines and requirements.

Despite the coronavirus and its economic effects, the overall megatrends in the industry, such as the increase of technology in built environments, energy efficiency requirements, increasing digitalisation and automation as well as urbanisation remain strong and are expected to promote demand for Caverion's services and solutions over the coming years. Especially the sustainability trend is expected to continue strong. Increasing awareness of sustainability is supported by both EU-driven regulations and national legislation setting higher targets and actions for energy efficiency and carbon-neutrality.

Services

The corona crisis and the resulting economic slowdown are in general expected to impact the demand environment negatively in Services, especially in ad-hoc services. However, Caverion's Services business is by nature more stable and resilient through business cycles than the Projects business. 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. In some cases, the demand for smaller ad-hoc work in empty buildings may also increase. There is a continued interest for services supporting sustainability, such as energy management. In Cooling, there is a technical change ongoing from F-gases into CO2-based refrigeration, providing increased need for upgrades and modernisations.

Projects

The corona crisis and the resulting economic slowdown are in general expected to impact the demand environment negatively in Projects. Most likely the demand for new construction projects will decrease, but on the other hand, renovation construction is expected to continue increasing. The current circumstances also allow doing repairs and many types of installation projects for unoccupied properties and sites. From the trends perspective, the requirements for increased energy efficiency, better indoor climate and tightening environmental legislation continue to drive demand over the coming years. Stimulus packages are also expected to positively impact general demand in the Projects business.

Guidance for 2020

Caverion announced on 14 April 2020 that it withdraws its guidance for 2020 due to the increased uncertainty around the market outlook as a result of the coronavirus pandemic.

Caverion may provide an updated guidance for 2020 once the visibility improves and more reliable estimates can be made.

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference and webcast on the Half-year Financial Report on Thursday, 6 August 2020, at 10.00 a.m. Finnish time (EEST) at Hotel Kämp, Kluuvikatu 2, Helsinki, Finland. The news conference can also be viewed live on Caverion's website at www.caverion.com/investors.

It is also possible to participate in the event through a conference call by calling the assigned number +44 (0)330 336 9105 at 9:55 a.m. (Finnish time, EEST) at the latest. The participant code for the conference call is "5730948/ Caverion". More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information to be published in 2020

Q3 Interim Report will be published on 5 November 2020. Financial reports and other investor information are available on Caverion's website www.caverion.com/investors. The materials may also be ordered by sending an e-mail to IR@caverion.com.

CAVERION CORPORATION

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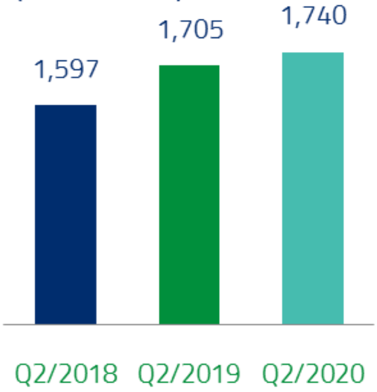
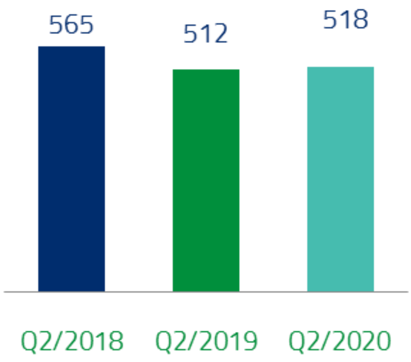
GROUP FINANCIAL DEVELOPMENT

Key figures

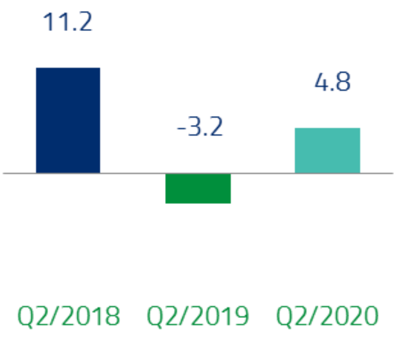
Order backlog
(EUR million)



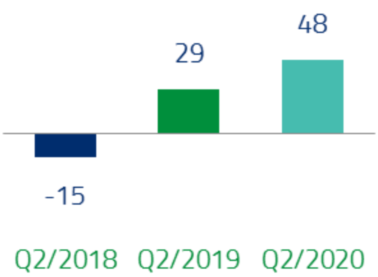
Revenue
(EUR million)



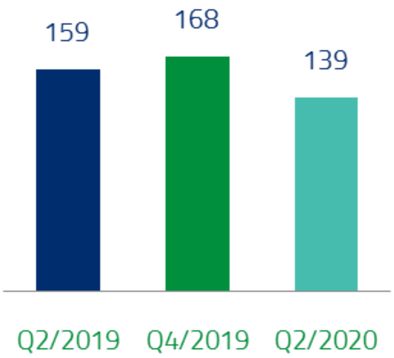
Adjusted EBITA
(EUR million)



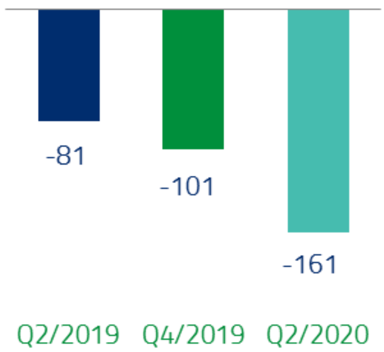
Operating cash flow before financial and tax items
(EUR million)



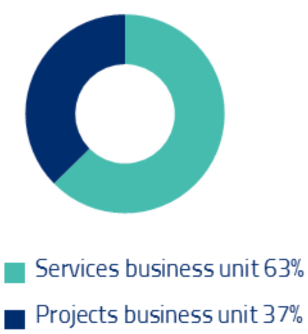
Net debt
(EUR million)



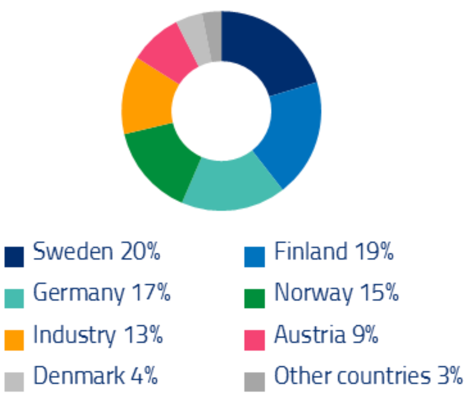
Working capital
(EUR million)



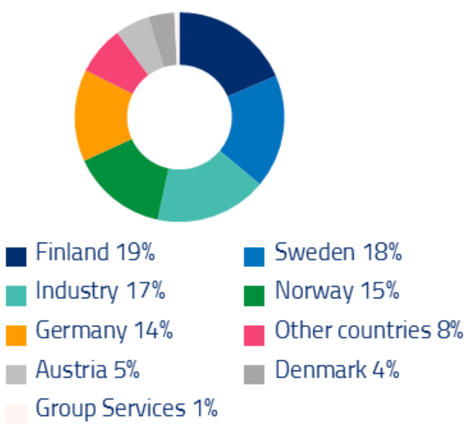
Revenue by business unit
% of revenue 1-6/2020



Revenue by division
% of revenue 1-6/2020



Personnel by division
at the end of June 2020



Comparative figures for 2018 have not been restated according to IFRS 16.

Operating environment in the second quarter and during the first half of 2020

The overall market and demand situation continued to weaken in April due to the corona virus pandemic. There were more of our workforce absent as well as more work site delays and closures especially in April-May. Most of Caverion's operating countries were also locked down in the early part of the second quarter, while government restrictions and the impacts to Caverion's business started to clearly ease up in June. On a positive note, Caverion did not experience any major constraints from the supply chain perspective.

In order to minimise the negative financial impacts from the pandemic on its operations, Caverion continued its cost saving actions and adapted its resources. In most of the operating countries, the key flexibility measures were the use of temporary lay-offs and the reduction of subcontracting. Due to the increased uncertainty around the market outlook as a result of the coronavirus pandemic, the President and CEO and the top management of Caverion also decided to voluntarily lower their compensation. The President and CEO of Caverion lowered his monthly base salary by 20 percent for six months and postponed the payment of his bonus payment for the financial year 2019 by six months. The Board of Directors of Caverion decided also on 30 April 2020, upon management's suggestion, to postpone the commencement of PSP 2020-2022 incentive plan, latest until the beginning of the year 2021.

Services

The impacts of the coronavirus pandemic were more visible between mid-March and the end of May, at which time there were site access restrictions and less ad-hoc work orders, negatively impacting revenue and profitability. Government restrictions and the impacts to Caverion's business started to clearly ease up in June. In division Industry, the corona situation also postponed several annual spring and summer shutdowns in Finland until autumn, which is estimated to be the next high season for industrial shutdowns. Pricing environment also tightened in Services during the second quarter.

There was still a general increasing interest for services supporting sustainability, such as energy management and advisory services.

Projects

The impacts of the coronavirus pandemic were more visible between mid-March and the end of May, while government restrictions and the impacts to Caverion's business started to clearly ease up in June. There were more of our workforce absent as well as more work site delays and closures.

The demand for new construction projects was negatively impacted by the corona pandemic, however less for renovation construction. Pricing environment generally tightened in Projects during the second quarter. Stimulus packages did not yet impact general demand.

Order backlog

Order backlog at the end of June increased by 2.1 percent to EUR 1,739.7 million from the end of June in the previous year (EUR 1,704.7 million). At comparable exchange rates the order backlog increased by 3.2 percent. Order backlog increased in Services compared to the previous year.

Revenue

April-June

EUR million	4-6/ 2020	4-6/ 2019	Change	Change in local currencies	Organic growth *	Currency impact	Acquisitions and divestments impact
Services	321.1	311.3	3.1%	5.8%	-7.1%	-2.6%	12.9%
Projects	197.4	201.0	-1.8%	-0.6%	-1.2%	-1.2%	0.6%
Group total	518.5	512.3	1.2%	3.3%	-4.8%	-2.1%	8.1%

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

Revenue for April–June was EUR 518.5 (512.3) million, an increase of 1.2 percent compared to the previous year. Organic growth was -4.8 percent. Revenue was impacted by fluctuations in currency exchange rates and includes the Maintpartner and Huurre acquisitions as of December 2019. At the previous year's exchange rates, revenue was EUR 529.2 million and increased by 3.3 percent compared to the previous year. Changes in Swedish crona and Norwegian krone had a negative effect amounting to EUR 0.3 million and EUR 9.9 million, respectively.

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

The revenue of the Services business unit increased and was EUR 321.1 (311.3) million in April–June, an increase of 3.1 percent, or 5.8 percent in local currencies. The revenue of the Projects business unit was EUR 197.4 (201.0) million in April–June, a decrease of 1.8 percent, or 0.6 percent in local currencies.

The Services business unit accounted for 61.9 (60.8) percent of Group revenue, and the Projects business unit for 38.1 (39.2) percent of Group revenue in April–June.

January-June

EUR million	1-6/ 2020	1-6/ 2019	Change	Change in local currencies	Organic growth *	Currency impact	Acquisitions and divestments impact
Services	664.0	615.7	7.8%	10.3%	-1.8%	-2.4%	12.0%
Projects	396.1	411.0	-3.6%	-2.5%	-3.0%	-1.2%	0.5%
Group total	1,060.1	1,026.7	3.2%	5.2%	-2.3%	-1.9%	7.4%

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

Revenue for January–June was EUR 1,060.1 (1,026.7) million, an increase of 3.2 percent compared to the previous year. Organic growth was -2.3 percent. Revenue was impacted by fluctuations in currency exchange rates and includes the Maintpartner and Huurre acquisitions as of December 2019. At the previous year's exchange rates, revenue was EUR 1,079.8 million and increased by 5.2 percent compared to the previous year. Changes in Swedish crona and Norwegian krone had a negative effect amounting to EUR 2.9 million and EUR 16.3 million, respectively.

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

The revenue of the Services business unit increased and was EUR 664.0 (615.7) million in January–June, an increase of 7.8 percent, or 10.3 percent in local currencies. The revenue of the Projects business unit was EUR 396.1 (411.0) million in January–June, a decrease of 3.6 percent, or 2.5 percent in local currencies.

The Services business unit accounted for 62.6 (60.0) percent of Group revenue, and the Projects business unit for 37.4 (40.0) percent of Group revenue in January–June.

Distribution of revenue by Division and Business Unit

Revenue, EUR million	4–6/ 2020	%	4–6/ 2019	%	Change	1–6/ 2020	%	1–6/ 2019	%	Change	1–12/ 2019	%
Sweden	104.3	20.1	107.9	21.1	-3.3%	215.3	20.3	214.5	20.9	0.4%	435.4	20.5
Finland	103.8	20.0	92.6	18.1	12.1%	203.1	19.2	181.3	17.7	12.0%	384.3	18.1
Norway	70.9	13.7	89.5	17.5	-20.8%	156.8	14.8	188.6	18.4	-16.8%	359.6	16.9
Germany	91.4	17.6	83.8	16.3	9.2%	180.3	17.0	166.0	16.2	8.6%	355.5	16.7
Austria	42.6	8.2	50.5	9.9	-15.5%	90.6	8.5	91.7	8.9	-1.1%	200.1	9.4
Industry	66.5	12.8	46.4	9.1	43.2%	134.7	12.7	98.0	9.5	37.4%	205.3	9.7
Denmark	20.7	4.0	25.8	5.0	-19.5%	46.1	4.3	53.2	5.2	-13.5%	109.5	5.2
Other countries*	18.2	3.5	15.9	3.1	14.2%	33.1	3.1	33.4	3.3	-0.9%	73.6	3.5
Group, total	518.5	100	512.3	100	1.2%	1,060.1	100	1,026.7	100	3.2%	2,123.2	100
Services	321.1	61.9	311.3	60.8	3.1%	664.0	62.6	615.7	60.0	7.8%	1,274.9	60.0
Projects	197.4	38.1	201.0	39.2	-1.8%	396.1	37.4	411.0	40.0	-3.6%	848.3	40.0

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

Profitability

EBITA and operating profit

April-June

Adjusted EBITA for April–June amounted to EUR 4.8 (-3.2) million, or 0.9 (-0.6) percent of revenue and EBITA to EUR 8.4 (-4.1) million, or 1.6 (-0.8) percent of revenue.

In Services, the ad-hoc orders were lower in April-May, followed by a recovery in June. In Projects, the corona pandemic impacted productivity. The Projects business profitability was also affected by completion of the last few old projects, ramping down the large projects business in Denmark and the inflexibility to adjust personnel costs with temporary lay-offs in Central Europe.

The operating profit (EBIT) for April–June improved to EUR 5.0 (-7.7) million, or 1.0 (-1.5) percent of revenue.

In the adjusted EBITA calculation, the capital gains from divestments and the transaction costs related to divestments and acquisitions totalled EUR -7.2 million. The write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 3.0 million. The Group's restructuring costs amounted to EUR 0.8 million, the majority of which related to Sweden and Germany. Other items totalled EUR -0.2 million.

Costs related to materials and supplies increased to EUR 131.0 (127.8) million and external services decreased to EUR 96.5 (99.6) million in April–June. Personnel expenses increased by 2.9 percent from the previous year and amounted to a total of EUR 224.9 (218.6) million for April–June, explained by the recent acquisitions. Personnel expenses decreased from the previous year excluding the effect from these acquisitions. Division Sweden received a grant from the government during the second quarter for short-term layoffs and sick-leave compensation amounting to about EUR 2.4 million. This has been presented in income statement as a reduction of personnel costs. Other operating expenses decreased to EUR 52.5 (58.0) million. Other operating income was EUR 8.5 (0.8) million. The capital gain from the sale of a subsidiary in Russia is reported under other operating income for the period and it amounted to EUR 7.3 million, mainly consisting of cumulative translation differences. The transaction had no cash flow impact. The figures for 2019 do not include the costs of the companies acquired in late 2019.

Depreciation, amortisation and impairment amounted to EUR 17.2 (16.9) million in April–June. Of these EUR 13.7 (13.3) million were depreciations on tangible assets and EUR 3.4 (3.6) million amortisations on intangible assets. Of the depreciations, the majority related to right-of-use assets in accordance with IFRS 16 amounting to EUR 12.1 (12.0) million. The amortisations related to allocated intangibles on acquisitions and IT.

EBITA is defined as Operating profit + amortisation and impairment on intangible assets. Adjusted EBITA = EBITA before items affecting comparability (IAC). Items affecting comparability (IAC) in 2020 are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2019 and 2020, major risk projects only include one risk project in Germany reported under category (2). In 2019, legal and other costs related to the German anti-trust fine and a compensation from the previous owners of a German subsidiary related to the cartel case were reported under category (4). In 2020, costs related to a subsidiary in Russia sold during the second quarter have been reported under category (4).

January-June

Adjusted EBITA for January–June amounted to EUR 17.0 (10.6) million, or 1.6 (1.0) percent of revenue and EBITA to EUR 18.4 (5.2) million, or 1.7 (0.5) percent of revenue.

The operating profit (EBIT) for January–June improved to EUR 11.5 (-2.4) million, or 1.1 (-0.2) percent of revenue.

In the adjusted EBITA calculation, the capital gains from divestments and the transaction costs related to divestments and acquisitions totalled EUR -6.9 million. The write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 3.1 million. The Group's restructuring costs amounted to EUR 2.0 million, the majority of which related to Sweden, Industry, Denmark and Germany. Other items totalled EUR 0.3 million.

Costs related to materials and supplies increased to EUR 259.3 (252.1) million and external services decreased to EUR 191.0 (194.2) million in January–June. Personnel expenses increased by 6.0 percent from the previous year and amounted to a total of EUR 465.5 (439.2) million for January–June, explained by the recent acquisitions. Personnel expenses decreased from the previous year excluding the effect from these acquisitions. Division Sweden received a grant from the government during the second quarter for short-term layoffs and sick-leave compensation amounting to about EUR 2.4 million. This has been presented in income statement as a reduction of personnel costs. Other operating expenses decreased to EUR 107.1 (110.8) million. Other operating income was EUR 9.0 (1.3) million. The capital gain from the sale of a subsidiary in Russia is reported under other operating income for the period and it amounted to EUR 7.3 million, mainly consisting of cumulative translation differences. The transaction had no cash flow impact. The figures for 2019 do not include the costs of the companies acquired in late 2019.

Depreciation, amortisation and impairment amounted to EUR 34.8 (34.2) million in January–June. Of these EUR 27.9 (26.5) million were depreciations on tangible assets and EUR 6.9 (7.6) million amortisations on intangible assets. Of the depreciations, the majority related to right-of-use assets in accordance with IFRS 16 amounting to EUR 24.5 (23.9) million. The amortisations related to allocated intangibles on acquisitions and IT.

EBITA is defined as Operating profit + amortisation and impairment on intangible assets. Adjusted EBITA = EBITA before items affecting comparability (IAC). Items affecting comparability (IAC) in 2020 are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2019 and 2020, major risk projects only include one risk project in Germany reported under category (2). In 2019, legal and other costs related to the German anti-trust fine and a compensation from the previous owners of a German subsidiary related to the cartel case were reported under category (4). In 2020, costs related to a subsidiary in Russia sold during the second quarter have been reported under category (4).

Adjusted EBITA and items affecting comparability (IAC)

EUR million	4–6/ 2020	4–6/ 2019	1–6/ 2020	1–6/ 2019	1–12/ 2019
EBITA	8.4	-4.1	18.4	5.2	49.8
EBITA margin, %	1.6	-0.8	1.7	0.5	2.3
Items affecting comparability (IAC)					
- Capital gains and/or losses and transaction costs related to divestments and acquisitions	-7.2	0.3	-6.9	2.5	4.8
- Write-downs, expenses and income from major risk projects*	3.0		3.1	1.6	17.1
- Restructuring costs	0.8	0.5	2.0	1.0	4.6
- Other items**	-0.2	0.1	0.3	0.2	-9.0
Adjusted EBITA	4.8	-3.2	17.0	10.6	67.2
Adjusted EBITA margin, %	0.9	-0.6	1.6	1.0	3.2

** Major risk projects include only one risk project in Germany in 2019 and 2020.*

*** Including the German anti-trust fine related legal and other costs, a compensation from the previous owners of a German subsidiary related to the cartel case and costs related to a subsidiary in Russia sold during the second quarter*

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

Result before taxes amounted to EUR 5.0 (-5.9) million, result for the period to EUR 3.7 (-4.1) million, and earnings per share to EUR 0.02 (-0.04) in January–June. Net financing expenses in January–June were EUR 6.5 (3.4) million. This includes an interest cost on lease liabilities amounting to EUR 2.3 (2.6) million and an exchange rate loss from an internal loan denominated in euros in Russia amounting to EUR 1.0 million.

In April-June, result before taxes improved to EUR 2.7 (-9.9) million, result for the period to EUR 2.1 (-7.1) million, and earnings per share to EUR 0.01 (-0.06).

The Group's effective tax rate was 26.0 (30.8) percent in January–June.

Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets totalled EUR 12.2 (8.3) million in January–June, representing 1.2 (0.8) percent of revenue. Investments in information technology totalled EUR 5.5 (4.6) million. IT investments continued to be focused on building a harmonised IT infrastructure and common platforms as well as datacenter consolidation. IT systems and mobile tools were also developed to improve the Group's internal processes and efficiency going forward. Other investments, including acquisitions, amounted to EUR 6.8 (3.7) million.

Caverion signed an agreement to acquire Gunderlund A/S, a Danish company specialising in power grid expansions and renovations in March 2020. The revenue of the acquired company amounted to EUR 3.2 million in a twelve-month period ending September 2019. Gunderlund employs about 10 people. The transaction value was not disclosed. The purchase price was paid in cash.

Caverion signed an agreement to sell certain Finnish operations of Caverion Industria Ltd to Elcoline Oy in June based on the conditions imposed on the Maintpartner transaction by the Finnish Competition and Consumer Authority (the "FCCA"). The buyer is a Finnish, internationally operating provider of industrial maintenance that has approximately 300 employees before the transaction. According to a stock exchange release published by Caverion on 22 November 2019, the FCCA approval on the Maintpartner transaction included certain conditions based on which Caverion was to divest approximately 6.5 percent of the post-transaction revenue (approximately EUR 300 million in 2018) of the Industry division in Finland. The business transfer is expected to be completed during autumn 2020. The transaction value will not be disclosed.

Caverion sold a subsidiary in Russia during the second quarter. The capital gain from the sale is reported under other operating income for the period and it amounted to EUR 7.3 million, mainly consisting of cumulative translation differences. The transaction had no cash flow impact.

Cash flow, working capital and financing

The Group's operating cash flow before financial and tax items improved to EUR 104.3 (59.2) million in January-June and cash conversion (LTM) was 160.7 (169.9) percent. The Group's free cash flow improved to EUR 91.0 (52.1) million. Cash flow after investments was EUR 85.7 (47.4) million.

In April-June, the Group's operating cash flow before financial and tax items improved to EUR 48.2 (29.1) million. Cash flow was positively impacted by postponing authority payments to the value of EUR 29.6 million, which will be paid out in July-November. The Group's free cash flow improved to EUR 45.0 (25.2) million. Cash flow after investments was EUR 43.1 (23.9) million.

The Group's working capital improved to EUR -161.3 (-80.8) million at the end of June. There were improvements in divisions Finland, Sweden, Industry, Germany and Austria compared to the previous year. The amount of trade and POC receivables decreased to EUR 488.4 (502.2) million and other current receivables to EUR 24.0 (25.2) million. On the liabilities side, advances received increased to EUR 236.5 (196.5) million and other current liabilities to EUR 267.0 (234.5) million, while trade and POC payables decreased to EUR 189.3 (194.5) million.

Caverion's liquidity position was strong and Caverion had a high amount of undrawn credit facilities on 30 June 2020. Caverion's cash and cash equivalents amounted to EUR 130.2 (103.6) million at the end of June. In addition, Caverion had undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

The Group's gross interest-bearing loans and borrowings excluding lease liabilities amounted to EUR 140.1 (128.3) million at the end of June, and the average interest rate was 2.7 (2.9) percent. Approximately 36 percent of the loans have been raised from banks and other financial institutions and approximately 64 percent from capital markets. Lease liabilities amounted to EUR 128.9 (134.3) million at the end of June 2020, resulting to total gross interest-bearing liabilities of EUR 269.0 (262.6) million.

The Group's interest-bearing net debt excluding lease liabilities amounted to EUR 9.9 (24.7) million at the end of June and including lease liabilities to EUR 138.8 (158.9) million. At the end of June, the Group's gearing was 72.5 (77.3) percent and the equity ratio 18.6 (20.8) percent. Excluding the effect of IFRS 16, the gearing would have amounted to 5.2 (12.0) percent and the equity ratio to 21.2 (24.0) percent.

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

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

The outstanding EUR 66.06 million 2017 Capital Securities was redeemed in full on 16 June 2020 in accordance with its terms and conditions.

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

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. The financial covenant shall not exceed 3.5:1. At the end of June, the Group's Net debt to EBITDA was 0.1x according to the confirmed calculation principles. The confirmed calculation principles exclude the effects of the IFRS 16 standard and contain certain other adjustments.

Recent changes in financial reporting affecting comparability

Caverion made three important acquisitions in 2019. Maintpartner and Huurre acquisitions were closed in the end of November 2019 and Pelsu Pelastussuunnitelma Oy in October 2019, thus affecting the reporting as of December 2019 and November 2019, respectively. In December 2018, Caverion announced the sale of its small subsidiaries in Poland and Czech Republic. These were completed on 28 February 2019 and on 2 January 2019, respectively.

PERSONNEL

Personnel by division, end of period	6/2020	3/2020	Change	6/2020	6/2019	Change	12/2019
Sweden	2,786	2,865	-3%	2,786	2,790	0%	2,961
Finland	2,948	2,811	5%	2,948	2,698	9%	2,795
Norway	2,354	2,399	-2%	2,354	2,409	-2%	2,431
Germany	2,256	2,256	0%	2,256	2,190	3%	2,253
Industry	2,753	2,815	-2%	2,753	1,613	71%	2,929
Other countries	1,197	1,238	-3%	1,197	1,235	-3%	1,223
Austria	847	834	2%	847	829	2%	828
Denmark	637	669	-5%	637	803	-21%	734
Group Services	124	123	1%	124	114	9%	119
Group, total	15,902	16,010	-1%	15,902	14,681	8%	16,273

Caverion Group employed 16,021 (14,663) people on average in January–June 2020. At the end of June, the Group employed 15,902 (14,681) people. Personnel expenses for January–June amounted to EUR 465.5 (439.2) million.

Employee safety continued to be a high focus area in the first half of the year. Due to the corona situation, many extra actions have been taken to protect the employees, organise the work in a way that it is safe to complete and establish different supportive trainings, tools and communication methods. The Group's accident frequency rate at the end of June was 4.1 (5.8).

Changes in Caverion's Group Management Board and organisation structure

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

SIGNIFICANT SHORT TERM RISKS AND UNCERTAINTIES

In the first half of 2020, the general risk level in the economy increased due to the outbreak of the corona virus pandemic. In Caverion's operating countries, the lockdown measures of the first wave of the corona pandemic impacted Caverion's business mainly between mid-March and the end of May, after which they have been gradually dismantled and their impact has reduced. At the end of the second quarter, the corona pandemic was well contained in most Caverion countries, while at the global level the pandemic continued spreading.

A possible second wave of the corona virus could lead to renewed lockdown measures also in Caverion's operating countries and again increase the negative business impacts.

Caverion's business is exposed to various risks associated with the corona crisis such as suspension or cancellation of existing contracts by customers, lack of demand for new services, absenteeism of employees and subcontractor staff, closures of work sites and other work premises by customers or authorities, defaults in customer payments and lack or poor availability of financing.

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

It is still unclear how deep and long the downturn will be and what will be the speed of the economic recovery. The business volume and the amount of new order intake are important determinants to Caverion's performance in the second half of 2020 and beyond into 2021, but both are still difficult to predict at present.

More generally, Caverion is exposed to different types of strategic, operational, political, market, customer, financial and other risks. Caverion estimates that the trade, health and political risks are increasing globally.

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

Despite clearly defined project controls, it is possible that some risks may materialise, which could lead to project write-downs, provisions, disputes or litigations. Caverion has made a large amount of project write-downs during the last few years. Systematic performance management continues to be part of the core project management processes in all divisions. In 2019 and 2020, Caverion reports only one old major risk project from Germany in adjusted EBITA, 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. The corona crisis has increased the general risk level related to the financial standing of customers and the collection of receivables.

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

In June 2018, Caverion reached a settlement for its part with the German Federal Office (FCO) in a cartel case that had been investigated by the authority since 2014. The investigation concerned several companies providing technical building services in Germany. Caverion Deutschland GmbH (and its predecessors) was found to have participated in anti-competitive practices between 2005 and 2013. According to the FCO's final decision issued on 3 July 2018, Caverion Deutschland GmbH was imposed a fine of EUR 40.8 million. In the end of March 2020, the FCO issued its final decision on the cartel case against the other building technology companies involved in the matter. There is a risk that civil claims may be presented against the involved companies, including Caverion Deutschland GmbH. It is not possible to evaluate the magnitude of the risk for Caverion at this time. Caverion will disclose any relevant information on the potential civil law claims as required under the applicable regulations.

As part of Caverion's co-operation with the authorities in the cartel matter, the company identified activities between 2009 and 2011 that were likely to fulfil the criteria of corruption or other criminal commitment in some of its client projects executed in that time. Caverion brought its findings to the attention of the authorities and supported them in investigating the case. In the end of June 2020, the public prosecutor's office in Munich informed Caverion that no further investigative measures are intended and that no formal fine proceedings against Caverion will be initiated related to those cases. There is a risk that civil claims may be presented against Caverion Deutschland GmbH. It is not possible to evaluate the magnitude of the risk for Caverion at this time. Caverion will disclose any relevant information on the potential civil law claims as required under the applicable regulations.

Caverion has made significant efforts to promote compliance in order to avoid any infringements in the future. As part of the 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. The outbreak of the coronavirus pandemic has increased the general risk level related to the availability of financing as well as foreign exchange related risks.

Caverion's business typically involves granting 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. The outbreak of the coronavirus pandemic has increased the general risk level related to the availability of guarantee facilities.

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

Financial risks have been described in more detail in the 2019 Financial Statements under Note 5.5 "Financial risk management".

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

Caverion Corporation's Annual General Meeting, which was held under special arrangements in Vantaa on 25 May 2020, adopted the Financial Statements and the consolidated Financial Statements for the year 2019 and discharged the members of the Board of Directors and the President and CEO from liability. In addition, the Annual General Meeting resolved to authorise the Board of Directors to decide on the distribution of dividends, to support the presented Remuneration Policy for Governing Bodies, on 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, Thomas Hinnerskov, Kristina Jahn and Jasmin Soravia as members of the Board of Directors for a term of office expiring at the end of the Annual General Meeting 2021. 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 May 2020. 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

Caverion Corporation's Annual General Meeting, held on 25 May 2020, approved the proposal of the Board of Directors according to which no dividends will be distributed based on the balance sheet to be adopted for 2019 by a resolution of the Annual General Meeting, but that the Board of Directors be authorized to decide at their discretion on the distribution of dividends of a maximum amount of EUR 0.08 per share from the Company's retained earnings. Based on the authorization, the Board of Directors is entitled to decide on the amount of dividends within the limits of the above maximum amount, on the dividend record date, on the dividend payment date as well as for the other measures required by the matter. The Company will publish the possible dividend distribution decision by the Board of Directors separately and in the same connection notify the applicable record and payment dates.

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 2020. Caverion held 2,849,360 treasury shares on 1 January 2020. At the end of the reporting period, the total number of shares in Caverion was 138,920,092. Caverion held 2,807,991 treasury shares on 30 June 2020, representing 2.02 percent of the total number of shares and voting rights. The number of shares outstanding was 136,112,101 at the end of June 2020.

The Board of Directors of Caverion Corporation decided in February 2020 on a directed share issue without payment for Caverion's Restricted Share Plan 2017–2019 reward payment. The decision on the directed share issue without payment is based on the authorisation granted to the Board of Directors by the Annual General Meeting of Shareholders held on 25 March 2019. In the directed share issue without payment, 39,127 Caverion Corporation shares held by the company were on 27 February 2020 conveyed to 16 key employees according to the terms and conditions of the plan. Prior to the directed share issue, Caverion held a total of 2,849,360 treasury shares, of which 2,810,233 treasury shares remained with the company after the conveyance.

On 4 June 2020 a total of 4,431 own shares were returned to Caverion Corporation. The receipt of shares was related to the directed share issue announced on 18 December 2019, whereby shares held by the company were conveyed as payment from the Matching Share Plan 2018–2022. The shares were returned to the company based on the terms and conditions of the plan. After the receipt of shares Caverion held a total of 2,814,664 treasury shares.

The Board of Directors of Caverion Corporation decided in June 2020 on a directed share issue without payment for Caverion's Restricted Share Plan 2016–2018 reward payment. The decision on the directed share issue without payment is based on the authorisation granted to the Board of Directors by the Annual General Meeting of Shareholders held on 25 May 2020. In the directed share issue without payment, 6,673 Caverion Corporation shares held by the company were on 26 June 2020 conveyed to a key employee according to the terms and conditions of the plan. Prior to the directed share issue, Caverion held a total of 2,814,664 treasury shares, of which 2,807,991 treasury shares remained with the company after the conveyance.

Caverion's Board of Directors approved in December 2019 the commencement of a new plan period 2020-2022 in the share-based long-term incentive scheme originally established in December 2018. The scheme is based on a performance share plan (PSP) structure targeted to Caverion's management and selected key employees. The Board approved at the same time the commencement of a new plan period 2020-2022 in the Restricted Share Plan (RSP) structure, which is a complementary share-based incentive structure for specific situations. Any potential share rewards based on PSP 2020-2022 and RSP 2020-2022 will be delivered in the spring 2023. More information on the plans have been published in a stock exchange release on 18 December 2019. The Board of Directors of Caverion has on 30 April 2020 decided, upon management's suggestion, to postpone the commencement of PSP 2020-2022 incentive plan, latest until the beginning of the year 2021.

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

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

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

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

Authorisations of the Board of Directors

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

The Annual General Meeting of Caverion Corporation, held on 25 May 2020, authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the Company's own shares in accordance with the proposal by the Board of Directors. The number of own shares to be repurchased and/or accepted as pledge shall not exceed 13,500,000 shares, which corresponds to approximately 9.7% of all the shares in the Company. The Company may use only unrestricted equity to repurchase own shares on the basis of the authorisation. Purchase of own shares may be made at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors resolves the manner in which own shares be repurchased and/or accepted as pledge. Repurchase of own shares may be made using, inter alia, derivatives. Repurchase and/or acceptance as pledge of own shares may be made otherwise than in proportion to the share ownership of the shareholders (directed repurchase or acceptance as pledge).

The authorisation cancels the authorisation given by the General Meeting on 25 March 2019 to decide on the repurchase and/or on the acceptance as pledge of the Company's own shares. The authorisation is valid until 23 September 2021. The Board of Directors has not used the authorisation to decide on the repurchase of the Company's own shares during the period.

As part of the implementation of the Matching Share Plan, the company has accepted as a pledge the shares acquired by those key employees who took a loan from the company. As a result, Caverion had 711,034 Caverion Corporation shares as a pledge at the end of the reporting period on 30 June 2020.

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

The Annual General Meeting of Caverion Corporation, held on 25 May 2020, authorised the Board of Directors to decide on share issues in accordance with the proposal by the Board of Directors. The number of shares to be issued may not exceed 13,500,000 shares, which corresponds to approximately 9.7% of all the shares in the Company. The Board of Directors decides on all the conditions of the issuance of shares. The authorisation concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorisation can be used e.g. in order to develop the Company's capital structure, to broaden the Company's ownership base, to be used as payment in corporate acquisitions or when the Company acquires assets relating to its business and as part of the Company's incentive programs.

The authorisation is valid until the closing of the next annual general meeting, however no later than 24 May 2021.

The Board of Directors of Caverion Corporation decided in February 2020 on a directed share issue without payment for Caverion's Restricted Share Plan 2017–2019 reward payment. The decision on the directed share issue without payment is based on the authorisation granted to the Board of Directors by the Annual General Meeting of Shareholders held on 25 March 2019. In the directed share issue without payment, 39,127 Caverion Corporation shares held by the company were on 27 February 2020 conveyed to 16 key employees according to the terms and conditions of the plan. Prior to the directed share issue, Caverion held a total of 2,849,360 treasury shares, of which 2,810,233 treasury shares remained with the company after the conveyance.

The Board of Directors of Caverion Corporation decided in June 2020 on a directed share issue without payment for Caverion's Restricted Share Plan 2016–2018 reward payment. The decision on the directed share issue without payment is based on the authorisation granted to the Board of Directors by the Annual General Meeting of Shareholders held on 25 May 2020. In the directed share issue without payment, 6,673 Caverion Corporation shares held by the company were on 26 June 2020 conveyed to a key employee according to the terms and conditions of the plan. Prior to the directed share issue, Caverion held a total of 2,814,664 treasury shares, of which 2,807,991 treasury shares remained with the company after the conveyance.

Trading in shares

The opening price of Caverion's share was EUR 7.24 at the beginning of 2020. The closing rate on the last trading day of the review period on 30 June was EUR 6.01. The share price decreased by 17 percent during January–June. The highest price of the share during the review period January–June was EUR 8.25, the lowest was EUR 3.79 and the average price was EUR 5.66. Share turnover on Nasdaq Helsinki in January–June amounted to 50.0 million shares. The value of share turnover was EUR 283.3 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 818.0 million. Market capitalisation has been calculated excluding the 2,807,991 shares held by the company as per 30 June 2020.

Number of shareholders and flagging notifications

At the end of June 2020, the number of registered shareholders in Caverion was 27,075 (3/2020: 26,629). At the end of June 2020, a total of 29.8 percent of the shares were owned by nominee-registered and non-Finnish investors (3/2020: 28.6%).

Caverion Corporation received on 17 February 2020 a notification pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act from Solero Luxco S.à r.l. ("Solero Luxco", a company based in Luxembourg ultimately owned by Triton Fund IV). According to the notification the holding in Caverion Corporation by Solero Luxco decreased below the 5 percent threshold on 17 February 2020. The holding of Solero Luxco in Caverion decreased to 0 shares, corresponding to 0.00 percent of Caverion's shares and voting rights.

Updated lists of Caverion's largest shareholders and ownership structure by sector as per 30 June 2020, are available on Caverion's website at www.caverion.com/investors.

HALF-YEAR FINANCIAL REPORT 1 JANUARY – 30 JUNE 2020: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Revenue	**518.5**	**512.3**	**1,060.1**	**1,026.7**	**2,123.2**
Other operating income	8.5	0.8	9.0	1.3	14.0
Materials and supplies	-131.0	-127.8	-259.3	-252.1	-524.2
External services	-96.5	-99.6	-191.0	-194.2	-411.3
Employee benefit expenses	-224.9	-218.6	-465.5	-439.2	-868.9
Other operating expenses	-52.5	-58.0	-107.1	-110.8	-229.8
Share of results of associated companies			0.0	0.0	0.0
Depreciation, amortisation and impairment	-17.2	-16.9	-34.8	-34.2	-67.6
Operating result	**5.0**	**-7.7**	**11.5**	**-2.4**	**35.3**
% of revenue	1.0	-1.5	1.1	-0.2	1.7
Financial income and expense, net	-2.2	-2.2	-6.5	-3.4	-8.4
Result before taxes	**2.7**	**-9.9**	**5.0**	**-5.9**	**27.0**
% of revenue	0.5	-1.9	0.5	-0.6	1.3
Income taxes	-0.7	2.9	-1.3	1.8	-4.4
Result for the period	**2.1**	**-7.1**	**3.7**	**-4.1**	**22.6**
% of revenue	0.4	-1.4	0.3	-0.4	1.1
Attributable to					
Equity holders of the parent company	2.0	-7.1	3.6	-4.1	22.6
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	0.01	-0.06	0.02	-0.04	0.14
Diluted earnings per share, EUR	0.01	-0.06	0.02	-0.04	0.14

Consolidated statement of comprehensive income

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Result for the review period	**2.1**	**-7.1**	**3.7**	**-4.0**	**22.6**
Other comprehensive income					
Items that will not be reclassified to profit/loss					
- Change in fair value of defined benefit pension plans	-1.1	0.1	2.3	-0.6	-5.7
-- Deferred tax					1.6
- Change in fair value of other investments	0.0	0.0	0.0	0.0	0.0
-- Deferred tax					
Items that may be reclassified subsequently to profit/loss					
- Cash flow hedges		0.0		0.1	0.1
- Translation differences	-5.4	-0.2	-10.9	1.6	0.7
Other comprehensive income, total	**-6.5**	**-0.2**	**-8.6**	**1.1**	**-3.3**
Total comprehensive result	**-4.5**	**-7.2**	**-4.9**	**-2.9**	**19.3**
Attributable to					
Equity holders of the parent company	-4.5	-7.2	-4.9	-3.0	19.3
Non-controlling interests	0.0	0.0	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	22.9	14.6	19.3
Right-of-use assets	126.4	134.2	135.0
Goodwill	366.9	331.9	366.5
Other intangible assets	54.1	31.7	56.0
Shares in associated companies and joint ventures	1.7	0.1	1.7
Other investments	1.3	0.9	1.3
Other receivables	6.8	6.8	7.3
Deferred tax assets	21.2	14.9	19.3
Current assets			
Inventories	19.1	17,2	18.8
Trade receivables	264.0	269.9	329.6
POC receivables	224.4	232.3	197.6
Other receivables	24.3	25.6	33.7
Income tax receivables	2.0	2.6	1.7
Cash and cash equivalents	130.2	103.6	93.6
Total assets	**1,265.3**	**1,186.6**	**1,281.4**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1.0	1.0	1.0
Hybrid capital	35.0	66.1	66.1
Other equity	155.2	138.1	161.5
Non-controlling interest	0.4	0.4	0.4
Equity	**191.5**	**205.5**	**228.9**
Non-current liabilities			
Deferred tax liabilities	31.9	30.6	32.6
Pension liabilities	48.3	43.8	49.1
Provisions	10.4	8.3	9.4
Lease liabilities	87.6	93.9	93.3
Other interest-bearing debts	137.1	125.0	125.0
Other liabilities	5.0	0.0	2.1
Current liabilities			
Advances received	236.5	196.5	216.2
Trade payables	169.3	173.7	173.7
Other payables	258.4	233.2	258.7
Income tax liabilities	15.2	9.1	15.6
Provisions	29.8	23.3	33.1
Lease liabilities	41.3	40.4	43.6
Other interest-bearing debts	3.0	3.3	
Total equity and liabilities	**1,265.3**	**1,186.6**	**1,281.4**

Working capital

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Inventories	19.1	17.2	18.8
Trade and POC receivables	488.4	502.2	527.2
Other current receivables	24.0	25.2	32.6
Trade and POC payables	-189.3	-194.5	-194.1
Other current liabilities	-267.0	-234.5	-269.2
Advances received	-236.5	-196.5	-216.2
Working capital	**-161.3**	**-80.8**	**-100.9**

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 January 1, 2020	**1.0**	**103.4**	**-4.8**	**-0.1**	**-3.1**	**66.0**	**66.1**	**228.5**	**0.4**	**228.9**
Comprehensive income										
Result for the period		3.6						3.6	0.0	3.6
Other comprehensive income:										
Change in fair value of defined benefit pension plans		2.3						2.3		2.3
-Deferred tax										
Change in fair value of other investments				0.0				0.0		0.0
-Deferred tax										
Translation differences			-10.9					-10.9		-10.9
Comprehensive income, total		**5.9**	**-10.9**	**0.0**				**-4.9**	**0.0**	**-4.9**
Dividend distribution									0.0	0.0
Share-based payments		1.1						1.1		1.1
Transfer of own shares		-0.3			0.3					
Hybrid capital repayment							-66.1	-66.1		-66.1
Hybrid capital issue							35.0	35.0		35.0
Hybrid capital interests and costs after taxes		-2.4						-2.4		-2.4
Other change		0.0						0.0		0.0
Equity on June 30, 2020	**1.0**	**107.7**	**-15.7**	**-0.1**	**-2.8**	**66.0**	**35.0**	**191.2**	**0.4**	**191.5**

	Equity attributable to owners of the parent									
EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Unrest-ricted equity reserve	Hybrid capital	Total	Non-controlling interest	Total equity
Equity on December 31, 2018	**1.0**	**95.5**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.6**	**0.4**	**254.0**
Change in accounting principle, IFRS 16		0.1						0.1		0.1
Equity on January 1, 2019	**1.0**	**95.7**	**-5.5**	**-0.2**	**-3.2**	**66.0**	**100.0**	**253.8**	**0.4**	**254.1**
Comprehensive income										
Result for the period		-4.1						-4.1	0.0	-4.0
Other comprehensive income:										
Change in fair value of defined benefit pension plans		-0.6						-0.6		-0.6
-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			1.6					1.6		1.6
Comprehensive income, total		**-4.7**	**1.6**	**0.1**				**-3.0**	**0.0**	**-2.9**
Dividend distribution		-6.8						-6.8	0.0	-6.8
Share-based payments		-0.9						-0.9		-0.9
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 June 30, 2019	**1.0**	**79.1**	**-3.8**	**-0.1**	**-3.1**	**66.0**	**66.1**	**205.1**	**0.4**	**205.5**

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

Condensed consolidated statement of cash flows

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Cash flows from operating activities					
Result for the period	2.1	-7.1	3.7	-4.1	22.6
Adjustments to result	14.9	19.0	35.2	39.1	95.9
Change in working capital	31.3	17.1	65.5	24.2	25.2
Operating cash flow before financial and tax items	**48.2**	**29.1**	**104.3**	**59.2**	**143.7**
Financial items, net	-1.9	-1.3	-5.2	-4.7	-9.6
Taxes paid	0.6	-0.6	-3.4	-1.3	-4.7
Net cash from operating activities	**46.9**	**27.3**	**95.7**	**53.2**	**129.4**
Cash flows from investing activities					
Acquisitions of subsidiaries, net of cash	0.0	-0.6	-2.1	-1.2	-48.6
Disposal of subsidiaries, net of cash	0.0	0.0	0.0	1.6	1.5
Investments in joint ventures					-1.6
Capital expenditure and other investments, net	-3.8	-2.8	-7.9	-6.2	-16.2
Net cash used in investing activities	**-3.8**	**-3.4**	**-9.9**	**-5.8**	**-65.0**
Cash flow after investing activities	**43.1**	**23.9**	**85.7**	**47.4**	**64.5**
Cash flow from financing activities					
Change in loan receivables, net			0.2	-0.3	-0.3
Proceeds from borrowings	15.0		15.0	125.0	125.0
Repayments of borrowings				-53.3	-56.7
Repayments of lease liabilities	-11.7	-11.3	-22.9	-22.8	-45.5
Hybrid capital issue	35.0		35.0		
Hybrid capital repayment	-66.1		-66.1	-33.9	-33.9
Hybrid capital costs and interests	-3.0	-3.1	-3.0	-4.7	-4.7
Dividends paid and other distribution of assets		-6.8	0.0	-6.8	-6.8
Net cash used in financing activities	**-30.7**	**-21.1**	**-41.8**	**3.1**	**-23.0**
Change in cash and cash equivalents	**12.4**	**2.8**	**44.0**	**50.4**	**41.5**
Cash and cash equivalents at the beginning of the period	113.2	101.3	93.6	51.2	51.2
Change in the foreign exchange rates	4.6	-0.4	-7.3	2.1	0.9
Cash and cash equivalents at the end of the period	**130.2**	**103.6**	**130.2**	**103.6**	**93.6**

Free cash flow

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Operating cash flow before financial and tax items	48.2	29.1	104.3	59.2	143.7
Taxes paid	0.6	-0.6	-3.4	-1.3	-4.7
Net cash used in investing activities	-3.8	-3.4	-9.9	-5.8	-65.0
Free cash flow	**45.0**	**25.2**	**91.0**	**52.1**	**74.0**

NOTES TO THE HALF-YEAR FINANCIAL REPORT

1 Accounting principles

Caverion Corporation's Half-year Financial Report for 1 January – 30 June 2020 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. Caverion has applied the same accounting principles in the preparation of the Half-year Financial Report as in its Financial Statements for 2019.

The information presented in this Half-year Financial Report has not been audited.

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

2 Key figures

EUR million	6/2020	6/2019	12/2019
Revenue, EUR million	1,060.1	1,026.7	2,123.2
EBITDA, EUR million	46.2	31.7	103.0
EBITDA margin, %	4.4	3.1	4.8
Adjusted EBITDA, EUR million	44.7	37.1	120.4
Adjusted EBITDA margin, %	4.2	3.6	5.7
EBITA	18.4	5.2	49.8
EBITA margin, %	1.7	0.5	2.3
Adjusted EBITA	17.0	10.6	67.2
Adjusted EBITA margin, %	1.6	1.0	3.2
Operating profit, EUR million	11.5	-2.4	35.3
Operating profit margin, %	1.1	-0.2	1.7
Result before taxes, EUR million	5.0	-5.9	27.0
% of revenue	0.5	-0.6	1.3
Result for the review period, EUR million	3.7	-4.1	22.6
% of revenue	0.3	-0.4	1.1
Earnings per share, basic, EUR	0.02	-0.04	0.14
Earnings per share, diluted, EUR	0.02	-0.04	0.14
Equity per share, EUR	1.4	1.5	1.7
Equity ratio, %	18.6	20.8	21.5
Interest-bearing net debt, EUR million	138.8	158.9	168.4
Gearing ratio, %	72.5	77.3	73.6
Total assets, EUR million	1,265.3	1,186.6	1,281.4
Operating cash flow before financial and tax items, EUR million	104.3	59.2	143.7
Cash conversion (LTM), %	160.7	169.9	139.5
Working capital, EUR million	-161.3	-80.8	-100.9
Gross capital expenditures, EUR million	12.2	8.3	73.4
% of revenue	1.2	0.8	3.5
Order backlog, EUR million	1,739.7	1,704.7	1,670.5
Personnel, average for the period	16,021	14,663	14,763
Number of outstanding shares at the end of the period (thousands)	136,112	135,973	136,071
Average number of shares (thousands)	136,097	135,750	135,866

3 Financial development by quarter

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Revenue	518.5	541.6	589.0	507.5	512.3	514.4
EBITDA	22.1	24.1	35.9	35.3	9.1	22.6
EBITDA margin, %	4.3	4.4	6.1	7.0	1.8	4.4
Adjusted EBITDA	18.5	26.3	47.0	36.2	10.0	27.1
Adjusted EBITDA margin, %	3.6	4.8	8.0	7.1	2.0	5.3
EBITA	8.4	10.0	22.5	22.1	-4.1	9.3
EBITA margin, %	1.6	1.8	3.8	4.4	-0.8	1.8
Adjusted EBITA	4.8	12.1	33.7	23.0	-3.2	13.8
Adjusted EBITA margin, %	0.9	2.2	5.7	4.5	-0.6	2.7
Operating profit	5.0	6.5	18.9	18.9	-7.7	5.3
Operating profit margin, %	1.0	1.2	3.2	3.7	-1.5	1.0

EUR million	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Earnings per share, basic, EUR	0.01	0.01	0.11	0.08	-0.06	0.01
Earnings per share, diluted, EUR	0.01	0.01	0.11	0.08	-0.06	0.01
Equity per share, EUR	1.4	1.7	1.7	1.6	1.5	1.6
Equity ratio, %	18.6	22.0	21.5	22.6	20.8	21.3
Interest-bearing net debt, EUR million	138.8	142.8	168.4	172.9	158.9	162.7
Gearing ratio, %	72.5	62.3	73.6	79.5	77.3	75.1
Total assets, EUR million	1,265.3	1,261.1	1,281.4	1,170.5	1,186.6	1,205.5
Operating cash flow before financial and tax items, EUR million	48.2	56.1	80.6	3.8	29.1	30.1
Cash conversion (LTM), %	160.7	162.4	139.5	177.6	169.9	n.a.
Working capital, EUR million	-161.3	-127.3	-100.9	-46.8	-80.8	-60.4
Gross capital expenditures, EUR million	4.0	8.3	59.5	5.7	3.8	4.4
% of revenue	0.8	1.5	10.1	1.1	0.7	0.9
Order backlog, EUR million	1,739.7	1,768.3	1,670.5	1,676.9	1,704.7	1,579.7
Personnel at the end of the period	15,902	16,010	16,273	14,606	14,681	14,489
Number of outstanding shares at end of period (thousands)	136,112	136,110	136,071	135,973	135,973	135,679
Average number of shares (thousands)	136,109	136,085	135,988	135,973	135,834	135,664

4 Calculation of key figures

Key figures on financial performance

EBITDA =	Operating profit (EBIT) + depreciation. amortisation and impairment
Adjusted EBITDA =	EBITDA before items affecting comparability (IAC) *
EBITA =	Operating profit (EBIT) + amortisation and impairment
Adjusted EBITA =	EBITA before items affecting comparability (IAC) *
Equity ratio (%) =	(Equity + non-controlling interest) x 100 / Total assets - advances received
Gearing ratio (%) =	(Interest-bearing liabilities - cash and cash equivalents) x 100 / 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
Cash conversion (%) =	Operating cash flow before financial and tax items (LTM) X 100 / EBITDA (LTM)
Organic growth =	Defined as the change in revenue in local currencies excluding the impacts of (i) currencies; and (ii) acquisitions and divestments. The currency impact shows the impact of changes in exchange rates of subsidiaries with a currency other than the euro (Group's reporting currency). The acquisitions and divestments impact shows how acquisitions and divestments completed during the current or previous year affect the revenue reported.

Share related key figures

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

*Items affecting comparability (IAC) in 2020 are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing the profit of the current period with that of the previous periods. These items can include (1) capital gains and/or losses and transaction costs related to divestments and acquisitions; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2019 and 2020, major risk projects only include one risk project in Germany reported under category (2). In 2019, mainly legal and other costs related to the German anti-trust fine and a compensation from the previous owners of a German subsidiary related to the cartel case were reported under category (4). In 2020, costs related to a subsidiary in Russia sold during the second quarter have been reported under category (4).

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 June 2020 the total outstanding amount of these loans amounted approximately to EUR 4.4 (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.

Purchases from members of the Board

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

6 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 outbreak of the coronavirus pandemic and the recent market turmoil have increased the general risk level related to the availability of financing, the availability of guarantee facilities as well as foreign exchange related risks.

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

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

Caverion's liquidity position is strong. The outbreak of the coronavirus pandemic has led to even sharpened focus on optimising cash flow and working capital management. Ensuring adequate financing has also been prioritised.

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

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

EUR million	2020	2021	2022	2023	2024	2025->	Total
Interest-bearing borrowings	1.5	3.0	3.0	128.0	3.0	2.0	140.5
Lease liabilities	21.6	36.5	25.5	17.2	10.5	17.7	128.9
Total	**23.1**	**39.5**	**28.5**	**145.2**	**13.5**	**19.7**	**269.4**

7 Financial liabilities and interest-bearing net debt

EUR million	Jun 30, 2020 Carrying amount	Jun 30, 2019 Carrying amount	Dec 31, 2019 Carrying amount
Non-current liabilities			
Senior bonds	74.7	74.6	74.6
Loans from financial institutions	49.9	49.8	49.9
Other financial loans	0.5	0.5	0.5
Pension loans	12.0		
Lease liabilities	87.6	93.9	93.3
Total non-current interest-bearing liabilities	**224.7**	**218.9**	**218.3**
Current liabilities			
Loans from financial institutions			
Pension loans	3.0	3.3	
Other financial loans		0.0	
Lease liabilities	41.3	40.4	43.6
Total current interest-bearing liabilities	**44.3**	**43.7**	**43.6**
Total interest-bearing liabilities	**269.0**	**262.6**	**261.9**
Total interest-bearing liabilities (excluding IFRS 16 lease liabilities)	**140.1**	**128.4**	**125.0**
Cash and cash equivalents	130.2	103.6	93.6
Interest-bearing net debt	**138.8**	**158.9**	**168.4**
Interest-bearing net debt excluding IFRS 16 lease liabilities	**9.9**	**24.7**	**31.5**

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

Derivative instruments

Nominal amounts EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Foreign exchange forwards	65.6	68.5	66.7

Fair values EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Foreign exchange forwards			
positive fair value	0.1	0.1	0.9
negative fair value	-0.4	-0.3	-0.2

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.

8 Commitments and contingent liabilities

EUR million	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Guarantees given on behalf of associated companies		0.0	0.0
Parent company's guarantees on behalf of its subsidiaries	485.3	415.3	456.0
Other commitments			
- Other contingent liabilities	0.2	0.2	0.2
Accrued unrecognised interest on hybrid bond	0.3	0.1	1.7

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 19.3 million at the end of June 2020.

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.

Caverion's Financial Information for 2020

Interim report for January–September 2020 on 5 November 2020

Financial Statements Release for 2020 on 11 February 2021

Building Performance

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