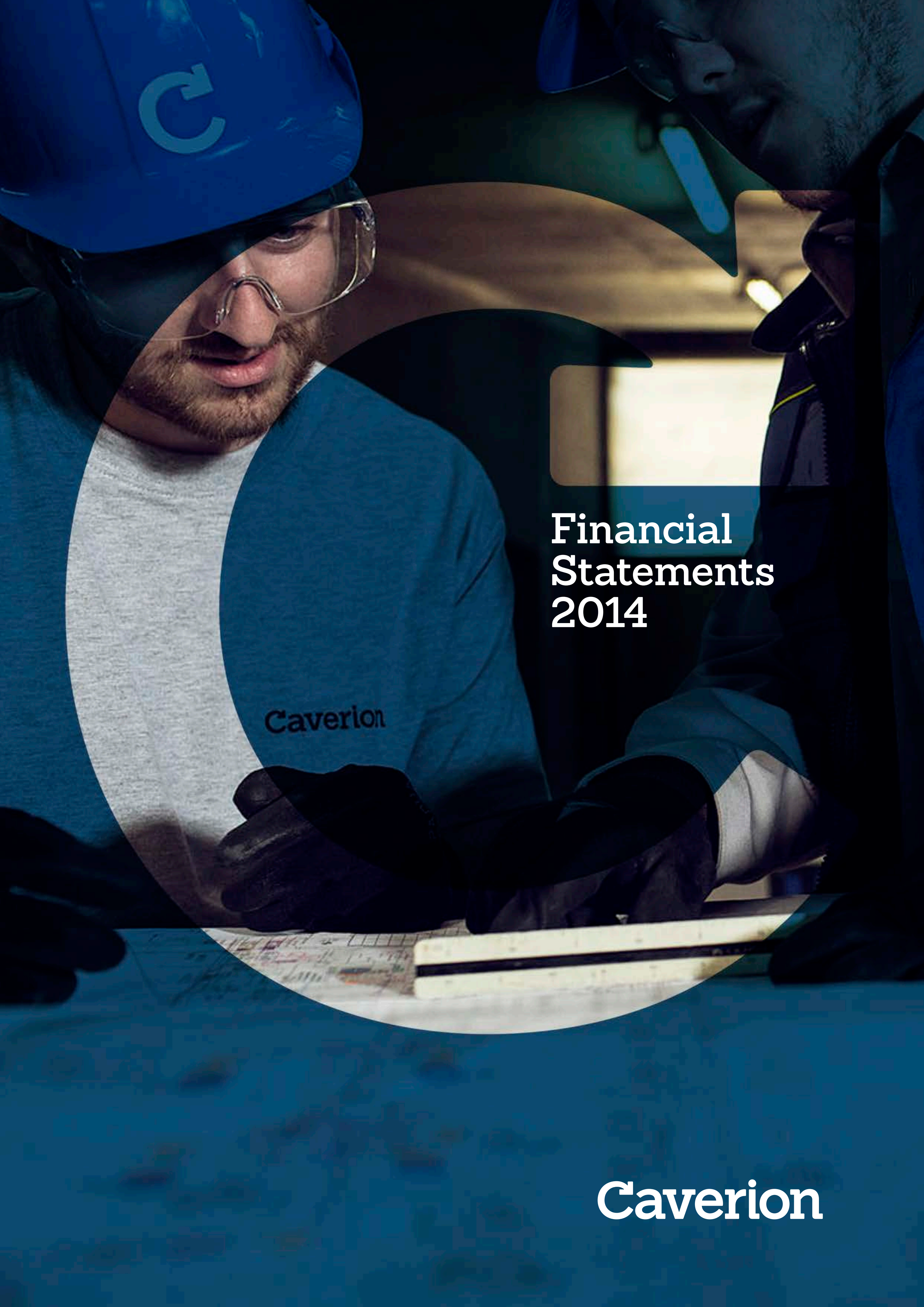
Financial Statements 2014



Caverion

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Board of Directors' Report January 1–December 31, 2014

Main events in 2014

Caverion's Board of Directors announced on January 21, 2014 that Mr. Fredrik Strand has been chosen as Caverion's President and Chief Executive Officer. Mr. Strand took up his position as new President and CEO of Caverion Corporation on April 1, 2014. Furthermore, in 2014, Caverion appointed new heads of divisions of Sweden, Germany and Eastern Europe, who were also appointed as members of Group Management Board.

In April 2014, the Board of Directors revisited the vision and the strategic focus areas of Caverion Group. Caverion's vision is to be a leading European provider of advanced and sustainable life cycle solutions for buildings and industries. In order to reach the vision, the Board of Directors approved six strategic focus areas for Caverion: strong company image, increasing profits, innovative and advanced solutions, strong growth, excellent leadership and operational excellence.

Caverion updated its guidance for 2014 on July 14, 2014. The lowered EBITDA guidance was based on the delayed turnaround of the business after the demerger and the low-performing projects, mainly in Norway and Denmark. Furthermore, Caverion reviewed the project business more closely in all the divisions during the second quarter and revised the cost estimates and provisions relating to some low-performing projects in the overall project portfolio.

During the period emphasis was put in actions improving profitability and reducing working capital and thereby improving the cash flow. Caverion improved the efficiency of operations by introducing a harmonised operating model as well as common processes and tools throughout the company.

Strategy

Strategy until the end of 2016

The core of the corporate strategy of Caverion remained unchanged in 2014. The objective is still to deliver on growth and profitability and to develop advanced and sustainable life cycle solutions for buildings and industries.

The six strategic focus areas and the critical success factors related to them are the key to delivering profitable growth. The main focus during the period was related to strong company image, excellent leadership, operational excellence and innovative and advanced solutions. With related actions Caverion is able to deliver growth and improved profitability in the coming years.

Financial targets and dividend policy

The Board of Directors of Caverion set the financial targets for Caverion Group by the end of 2016 on October 31, 2013, which were valid during the whole financial year 2014. The actual performance in 2014 is presented in the table below.

	Target	Performance 2014
Revenue growth (%)	Average annual growth in revenue of more than 10 percent	–5%
Profitability (%)	EBITDA over six percent of revenue	2.8%
Working capital (EUR million)	Negative	–19.3 EUR million
Dividend policy	At least 50 percent of the result for the year after taxes, excluding changes in fair value, as dividend and capital redemption to the Company's shareholders.	The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.22 per share be paid, representing 100 percent of the Group´s net profit for the period. *

* Board of Directors' proposal to the Annual General Meeting to be held on March 16, 2015.

Operating environment in 2014

The overall market situation has been stable throughout the year despite the general economic environment and overall uncertainty.

The service and maintenance market was stable in all operating countries. The general interest in life cycle solutions continued to increase.

In Finland, some of our customers have had to postpone their projects during the second half of the year, but we have also been able to secure some large new deals. In Sweden the project market has been stable in 2014. Norway had also a good operating environment in the project market. Demand remained favourable in Germany.

Competitive situation

Caverion has a strong market position in the European building solutions market measured by revenue. According to the management, Caverion holds a leading market position in Finland and Norway. Caverion is among the three largest companies in Sweden and Austria. In Germany and Denmark, Caverion is among the five largest companies in the market (source of market sizes: Euroconstruct November 2014, VTT Technical Research Centre of Finland and the company's estimate based on public information from third parties).

Caverion is Finland's leading industrial solutions company, operating in the energy, forest, mining, process and marine industries, among others. The largest industrial client segments are the forest industry and the energy industry. The Company is also one of the leading providers of industrial solutions in Sweden.

Group financial development 2014

The income statements, statements of cash flows, statement of financial position, statement of changes in equity and the related key figures for the periods before June 30, 2013 are based on carve-out financial information of Building Services business of YIT Group and on actual figures as an independent group for the periods after the consummation of the partial demerger.

The key figures have been presented in more detail in the Consolidated Financial Statements.

Order backlog

The order backlog grew by 7 percent from the end of December 2013 (EUR 1,240.7 million) and was EUR 1,323.6 million at the end of December. Changes in foreign exchange rates decreased the order backlog at the end of December by EUR 31.6 million compared to the end of December 2013. In addition to the project business, only the long-term contracts of the service and maintenance business are included in the order backlog.

Revenue

Revenue in January–December was EUR 2,406.6 (2,543.6) million, a decrease of 5 percent compared to the previous year. As a result of the improved order backlog in 2013 the revenue increased by 8 percent in Germany during January–December compared to the previous year and was EUR 496.2 (458.4) million. Revenue decreased, mainly in Sweden and Norway, during January–December compared to the previous year due to increased selectiveness in projects and revised revenues in the project portfolio in the second quarter.

Changes in foreign exchange rates decreased the Group's total revenue for January–December by EUR 68.8 million compared to the previous year, of which the Norwegian crown accounted for EUR 32.2 million and the Swedish crown for EUR 30.9 million. Revenue decreased by 3 percent at previous year's exchange rates for January–December. Revenue with comparable exchange rates was EUR 2,475.4 (2,543.6) million in January–December.

The Group revenue of service and maintenance business was EUR 1,297.0 (1,409.3) million, or 54 (55) percent of the Group's total revenue, a decrease of 8 percent in January–December compared to the previous year. The Group revenue of project business was EUR 1,109.5 (1,134.3) million, or 46 (45) percent of the Group's total revenue, a decrease of 2 percent from the previous year in January–December.

Distribution of revenue

Revenue, EUR million	1–12/ 2014	%	1–12/ 2013	%	Change
Sweden	597.2	25%	665.9	26%	–10%
Finland	521.1	22%	546.8	21%	–5%
Germany	496.2	21%	458.4	18%	8%
Norway	458.3	19%	516.4	20%	–11%
Austria	136.3	6%	148.1	6%	–8%
Denmark	126.6	5%	139.8	5%	–9%
Other countries	70.8	3%	68.2	3%	4%
Group total	2,406.6	100%	2,543.6	100%	–5%
– Service and maintenance	1,297.0	54%	1,409.3	55%	–8%
– Projects	1,109.5	46%	1,134.3	45%	–2%

Revenue by country is presented based on the Group company location.

Profitability

EBITDA

The Group EBITDA amounted to EUR 67.5 (70.9) million in January–December, or 2.8 (2.8) percent of revenue, a decrease of 5 percent compared to the previous year. EBITDA excluding non-recurring items amounted to EUR 80.7 (81.7) million in January–December, or 3.4 (3.2) percent of revenue. Projects mainly in Norway and Denmark diluted the profitability in January–December 2014. However, the turnaround of the project operations progressed well during the second half of the year.

The non-recurring items for January–December totalled EUR 13.2 million. The non-recurring costs of EUR 26.4 million consisted of expenses relating to a terminated M&A project, reorganisation costs and provisions for old, completed projects. These were offset by a non-recurring release of pension liability to pension costs of EUR 13.2 million following a transfer into a new pension scheme in Norway.

The profitability for the period January–December is affected by the revision of the overall project portfolio more closely in all the divisions during the second quarter and the revision of the cost estimates and provisions relating to some low-performing projects. The review impacted negatively the reported EBITDA in April–June due to cost estimate adjustments to projects in the completion phase, provisions made for low-performing active projects and provisions made for old, completed projects. The latter were considered as non-recurring items.

Operating profit

Caverion's operating profit amounted to EUR 44.2 (49.4) million in January–December, or 1.8 (1.9) percent of revenue, a decrease of 11 percent compared to the previous year. Depreciation, amortisation and impairment amounted to EUR 23.3 (21.5) million in January–December, of which EUR 9.8 million were allocated intangibles related to acquisitions and EUR 13.5 million were other depreciations.

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

Profit before taxes, net profit and earnings per share

Profit before taxes amounted to EUR 36.5 (42.8) million, net profit to EUR 27.6 (35.5) million and earnings per share to EUR 0.22 (0.28) in January–December. The net financing expenses in January–December 2014 were EUR –7.6 (–6.6) million. The carve-out figures for January–June 2013 exclude the financial cost effect of the new financing arrangements transferred to Caverion Corporation as a result of the partial demerger of YIT.

The effective tax rate of the Group was 24.5 (17.0) percent in January–December. The tax rate changes for 2014 in Finland, Norway and Denmark and revaluation of deferred tax assets and liabilities had a positive impact on the effective tax rate in 2013.

Excluding the effects of these changes the effective tax rate would have been approximately 27 percent in 2013.

Capital expenditure and acquisitions

Gross capital expenditure on non-current assets included in the balance sheet totalled EUR 23.4 (27.8) million during January–December, representing 1.0 (1.1) percent of revenue.

Investments in information technology totalled EUR 16.3 (22.5) million during January–December 2014. IT investments were focused on building a harmonized IT platform and implementing a common ERP template. The IT systems and mobile tools were also developed to improve the internal processes and efficiency. Other investments amounted to EUR 7.1 (5.3) million.

Caverion made no acquisitions or disposals during January–December 2014.

Research and development

The Group's investments in research and development efforts in 2014 amounted to approximately EUR 9.6 million, representing 0.4 percent of revenue. Investments in research and development amounted to EUR 12.7 million (0.5 percent of revenue) in 2013 and to EUR 14.0 million (0.5 percent of revenue) in 2012. The most significant business development investment in the Group has been the service efficiency development programme.

Cash flow, working capital and financing

The Group's operating cash flow before financial and tax items amounted to EUR 113.5 (108.5) million in January–December 2014. The Group's operating cash flow after investments amounted to EUR 73.5 (74.2) million in January–December 2014.

Working capital decreased by EUR 65.3 million compared to December 31, 2013 (EUR 46.0 million) and amounted to –19.3 million at the end of December.

Caverion's cash and cash equivalents amounted to EUR 98.8 million at the end of December (12/2013: EUR 133.3 million). In addition, Caverion has undrawn revolving credit facilities amounting to EUR 60 million and undrawn overdraft facilities amounting to EUR 19 million.

The Group's interest-bearing loans and borrowings amounted to EUR 149.0 (219.8) million at the end of December, and the average interest rate after hedges was 2.1 percent. Fixed-rate loans after hedges accounted for approximately 21 percent of the Group's borrowings. Approximately 93 percent of the loans have been raised from banks and other financial institutions and approximately 5 percent from insurance companies. A total of EUR 53.5 million of the interest-bearing loans and borrowings will fall due during the next 12 months.

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Net debt amounted to EUR 50.2 (86.5) million at the end of December.

Board of Directors, Auditors and CEO

Board of Directors

The annual shareholders' meeting of Caverion on March 17, 2014 elected Caverion Corporation's Board of Directors consisting of the chairman Henrik Ehrnrooth, vice chairman Ari Lehtoranta and three members Anna Hyvönen, Eva Lindqvist and Michael Rosenlew and approved also their remuneration.

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

Auditors

The Annual General Meeting elected PricewaterhouseCoopers Oy, Authorised Public Accountants, to audit the company's governance and accounts in 2014. The auditor with the main responsibility is Heikki Lassila, Authorised Public Accountant.

President and CEO

Caverion's Board of Directors announced on January 21, 2014 that it had chosen Mr. Fredrik Strand as Caverion's President and Chief Executive Officer. Furthermore the Board of Directors announced on February 5, 2014 that it has decided that Mr. Strand will take up his position as new President and CEO of Caverion Corporation on April 1, 2014. Mr. Juhani Pitkäkoski acted as the President and CEO of Caverion Corporation until March 31, 2014.

Group structure

Caverion Group's ultimate parent company is Caverion Corporation, a public limited liability company established under the laws of Finland. During the reporting period Caverion Group consisted of companies in Sweden, Finland, Germany, Norway, Austria, Denmark, Russia, Lithuania, Poland, Latvia, Estonia, Czech Republic, Malaysia, Singapore and Romania.

Segment Reporting

The Board of Directors of Caverion Corporation decided on January 27, 2014 to change Caverion's external reporting structure as of January 1, 2014 to better match the company's management structure and business areas. The former segments based on geographical areas (Building Services Northern Europe and Building Services Central Europe) were replaced by one single operative segment, that also included the Group services and other items.

Personnel

In January–December the Group employed 17,300 (18,071) people on average. At the end of December, the Group employed 17,074 (17,673) people. The personnel expenses for January–December amounted to a total of EUR 995.2 (1,062.8) million.

Personnel by country	12/2014	12/2013	Change
Finland	4,697	4,772	–2%
Sweden	3,868	3,993	–3%
Norway	2,804	3,469	–19%
Germany	2,415	2,429	–1%
Austria	722	711	2%
Denmark	1,041	1,019	2%
Other countries	1,527	1,280	19%
Group total	17,074	17,673	–3%

The key focus areas for people and human resources in January–December were to continue building a firm foundation for future growth and efficient way of operating. Furthermore, the goal was to ensure top professionals and excellent leaders for whole Caverion. In 2014, Caverion hired new heads of divisions of Sweden, Germany and Eastern Europe, Group CIO and strengthened international teams with key professionals. A development programme for the strategic focus area Excellent Leadership was established to lead effectively group-wide development projects such as people processes with integrated solutions, talent management as well as organisational development. Caverion employed over 1,200 trainees and apprentices in 2014. In November 2014, the employee survey results with a high response rate and improving engagement were communicated group wide as a basis for further development.

One of the key targets of the Caverion human resource management is working for health and safety of employees. Occupational safety is measured using a common indicator (number of accidents per one million work hours). In 2014, the accident frequency rate was 10.1 (1–12/2013: 9.2).

Environmental issues

Caverion's business does not include significant environmental risks. The most significant opportunity for influencing global carbon footprint is the result of cooperation with customers. Caverion continuously develops its products and services that make it possible to decrease the environmental impacts of its customers' operations. Caverion offers its customers a variety of energy efficiency services: for example, property energy inspections and analyses, energy-efficient building systems and modernisations adjustment and automation of systems.

The carbon dioxide emissions of Caverion's own operations are mainly caused by the fuel consumption of its service vehicles. The company utilises logistics solutions that help to decrease greenhouse gas emissions in the transport of both goods and personnel. Attention is also paid to route optimisation, economical driving as well as fuel used in vehicles.

Environmental standard ISO 14001 certification covered 93 percent (2013: 82%) of revenue, which demonstrates that Caverion is engaged in continuous improvement of environmental issues relating to its operations.

In cooperation with other companies, Caverion has better opportunities for strengthening its expertise in energy efficiency. The company takes part in the activities of the local working groups of the international Green Building Council network in many of the countries in which it operates, among others.

Major events after the end of reporting period

Caverion has sold its operations in Romania through a management buy-out in January 2015. This has no material impact on the financial position and performance of Caverion Group.

Major risks and uncertainties

Caverion Group classifies as risks those factors that might endanger the achievement of the Group's strategic and financial goals. Risks are divided into strategic, operational, financial and event risks. The identification and management of risk factors takes into account the special features of the business and operating environment. Risk management is an integral part of the Group's management, monitoring and reporting systems. The nature and probability of strategic risks is continuously monitored and reported on. A strategic risk assessment is carried out at Group level once a year in connection with the review of the strategy.

From strategic point-of-view Caverion has developed its business structure towards a more stable and balanced direction in order to handle changing economic cycles. Regular monitoring and analysis make it possible to react quickly to changes in the operating environment and to utilise the new business opportunities. The company has an extensive customer base, comprised of customers of various sizes from the public as well as private sector.

The Group's aim is to grow both organically and through acquisitions. Risks associated with acquisitions and outsourcing are managed by selecting projects according to strict criteria and effective integration processes that familiarise new employees with Caverion's values, operating methods and strategy. The Group has a uniform process and guidelines for the implementation of acquisitions.

Caverion's typical operational risks include risks related to contract tenders, service agreements, project management and personnel. With regard to various projects, it is important to act selectively, taking into account the risks and profitability of the projects, and review the content, risks and terms and conditions of all contracts and agreements in accordance with specified processes. Inefficient and unsuccessful project management may have a material effect on Caverion's ability to offer high-quality and profitable services, which may have an unfavourable effect on Caverion's business, result of operations and financial position.

In 2014 Caverion has improved its project risk management by introducing transparent rules for delegation of authority as well as implementing new steering committee and project review practices. In each division, Caverion is also setting up shared project and managed operations offices, which encompass a centre of expertise in delivering demanding contracts to support the 250 local offices. The project management related to project controls has already improved and the ability to run projects according to set targets has improved.

The success of the company materially depends on the professional skills of the company's management and personnel, as well as on the ability of the company to retain its current management and personnel and, when necessary, recruit new and skilled personnel. The majority of Caverion's business is labour-intensive, meaning that the availability and commitment of skilled employees is a prerequisite for organic growth and business success. The loss of executives or employees or the inability to attract qualified new personnel may have a material unfavourable effect on the company's business, result of operations and financial position.

The Group books write-offs or provisions on receivables when it is evident that no payment can be expected. Caverion Group adopts its policy of valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collecting, collateral and analyses made by clients and general market economic situation at the time.

Goodwill recognized 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 Group's goodwill amounted to EUR 335.7 million on December 31, 2014.

Financial risks include risks related to liquidity, currency and interest rates as well as credit and counterparty risks. The counterparty risks of Caverion's business operations are above all associated with fulfilling the obligations of agreements made with customers, customer receivables and long-term service agreements. Financial risks and risks related to the financial reporting process are managed according to accounting principles and Treasury policy, internal control as well as internal and external auditing. Financial risks are described in more detail in the Financial Statements note 28.

Possible event risks include accidents related to personal or information security as well as sudden and unforeseen material damage to premises, project sites and other property resulting, for example, from fire, collapse or theft. Event risks are covered in accordance with the Caverion Group insurance policies.

Authorisations

Share issue

The Annual General Meeting of Caverion Corporation authorised Caverion's Board of Directors to decide on share issues in accordance with the proposal by the Board of Directors. The authorisation may be used in full or in part by issuing a maximum of 25,000,000 Caverion shares in one or more issues. The share issues may be directed, that is, in deviation from the shareholders' pre-emptive rights, and shares may be issued for subscription against payment or without charge. A share issue may also be directed to the company itself, within the limitations laid down in the Limited Liability Companies Act.

The share issue authorisation includes the authorisation to transfer own shares acquired through share issues. This authorisation applies to a maximum of 12,500,000 shares. The Board of Directors was authorised to decide on the purpose and the terms and conditions for such transfer.

The authorisation is valid until March 31, 2015. The Board of Directors has not used the authorization during 2014.

Repurchase of own shares

The Annual General Meeting of Caverion Corporation also authorised Caverion's Board of Directors to decide on the repurchase of own shares in accordance with the proposal by the Board of Directors. The authorisation covers the purchasing of a maximum of 12,500,000 company shares using the funds from the company's unrestricted equity. The shares are not to be purchased in proportion to the shareholders' holdings. The shares will be purchased in public trading arranged by NASDAQ OMX Helsinki Ltd.

The authorisation is valid until March 31, 2015. The Board of Directors resolved on July 21, 2014 to start a share repurchase program based on the authorization given by the Annual General Meeting of Shareholders. The Board of Directors resolved to acquire a maximum of 500,000 company's own shares, which were all acquired in public trading arranged by NASDAQ OMX Helsinki Ltd during July 23 – August 12.

Information about shares in Caverion Corporation

Shares and share capital

Caverion Corporation has a single series of shares, and each share entitles its holder to one vote at the general meeting of the company and to an equal dividend. The company's shares have no nominal value. Caverion's articles of association neither have any redemption or consent clauses nor any provisions regarding the procedure of changing the articles. Caverion Corporation's share capital and the number of shares have not changed during the reporting period. The number of shares in Caverion Corporation was 125,596,092 and the share capital was EUR 1,000,000 at the end of the reporting period on December 31, 2014.

Shares held by the company, pledging, option rights

Caverion held 4,080 treasury shares on January 1, 2014. During January–December 5,177 Caverion shares were returned to the company in accordance with the terms and conditions of the share-based incentive scheme of YIT Corporation.

Caverion acquired 500,000 own shares in public trading arranged by NASDAQ OMX Helsinki Ltd during July 23 – August 12. Caverion's Board of Directors approved a long-term share-based incentive plan 2014–2016 for the company's key senior executives on May 26, 2014. If all targets will be reached, the share award will in total correspond to a maximum of 500,000 Caverion shares. More information on the long-term share-based incentive plan has been released in a stock exchange release on May 26, 2014.

Caverion held 509,257 treasury shares at the end of December 2014. Number of shares outstanding was 125,086,835 on December 31, 2014.

Own shares held by Caverion Corporation represent 0.41% of the total number of shares and voting rights.

Caverion or its subsidiaries do not have any Caverion Corporation shares as a pledge.

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

Trading in shares

Trading in Caverion shares commenced on July 1, 2013.

The opening price of Caverion's share was EUR 8.90 at the beginning of the year 2014. The closing rate on the last trading day of the review period on December 30, 2014 was EUR 6.65. The share price decreased by 25.3 percent during January–December. The highest price of the share during the review period January–December was EUR 8.92, the lowest was EUR 5.37 and the average price was EUR 7.03. Share turnover on NASDAQ OMX in January–December amounted to 51.0 million shares. The value of share turnover was EUR 358.3 million (source: NASDAQ OMX).

In addition to the Helsinki Stock Exchange, Caverion's shares are also traded in other market places, such as BATS Chi-X, Frankfurt Stock Exchange (Open Market), Turquoise and Burgundy. During January–December, 3.6 million Caverion Corporation shares changed hands in alternative market places, corresponding to approximately 4.6 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X. Furthermore, during January–December, 24.6 million Caverion Corporation shares changed hands in OTC trading outside NASDAQ OMX, corresponding to approximately 31.0 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 831.8 million. Market capitalisation has been calculated excluding the 509,257 shares held by the company as per December 31, 2014.

Shareholders

At the end of December 2014, the number of registered shareholders in Caverion was 32,837 (9/2014: 33,860). At the end of December 2014, a total of 33.0 percent of the shares were owned by nominee-registered and non-Finnish investors (9/2014: 30.9%).

On July 22, 2014 the company published a disclosure of change in ownership in Caverion Corporation in accordance with Chapter 9, section 5 of the Securities Market Act, according to which the total holdings of Antti Herlin and the companies controlled by him, Holding Manutas Ltd and Security Trading Ltd, in Caverion Corporation shares had exceeded the threshold of 1/10 (10 percent).

On May 19, 2014 the company published a disclosure of change in ownership in Caverion Corporation in accordance with Chapter 9, section 5 of the Securities Market Act, according to which the holdings of Security Trading Ltd, a company controlled by Antti Herlin, in Caverion Corporation shares had exceeded the threshold of 1/20 (5 percent).

On March 28, 2014 the company published a disclosure of change in ownership in Caverion Corporation in accordance with Chapter 9, section 5 of the Securities Market Act, according to which the total holdings of Varma Mutual Pension Insurance Company in Caverion Corporation shares had fallen below the threshold of 1/20 (5 percent).

On February 4, 2014 the company published a disclosure of change in ownership in Caverion Corporation in accordance with Chapter 9, section 5 of the Securities Market Act, according to which the total holdings of Antti Herlin and the companies controlled by him, Holding Manutas Ltd and Security Trading Ltd, in Caverion Corporation shares had exceeded the threshold of 1/20 (5 percent).

Updated lists of Caverion's largest shareholders, the holdings of public insiders and ownership structure by sector as per December 31, 2014, are available on Caverion's website at www.caverion.com/investors.

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

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

Largest shareholders on December 31, 2014

Shareholders	Shares, pcs	% of shares
1. Structor S.A.	17,840,000	14.20
2. Funds held by Antti Herlin, including directly held shares	13,150,180	10.47
3. Ilmarinen Mutual Pension Insurance Company	4,709,444	3.75
4. Fondita funds	3,850,000	3.07
5. Nordea-funds	3,264,570	2.60
6. OP funds	2,968,616	2.36
7. Varma Mutual Pension Insurance Company	2,864,393	2.28
8. Aktia funds	2,378,887	1.89
9. The State Pension Fund	1,850,000	1.47
10. Elo Pension Company	1,344,468	1.07
11. Brotherus Ilkka	1,304,740	1.04
12. Evli funds	1,103,705	0.88
13. SEB funds	937,600	0.75
14. Danske Invest funds	874,685	0.70
15. Etera Mutual Pension Insurance Company	757,446	0.60
16. Säästöpankki funds	586,052	0.47
17. Odin funds	537,068	0.43
18. Caverion Oyj	509,257	0.41
19. FIM funds	438,511	0.35
20. Föreningen Konstsamfundet rf	423,002	0.34
20 largest, total	**61,692,624**	**49.1**
All shares	**125,596,092**	**100.0**

Ownership structure by sector on December 31, 2014

Sector	Shareholders	% of owners	Shares	% of Share Capital
Nominee registered and non-Finnish holders	177	0.54	41,434,650	33.0
Households	30,473	92.80	26,002,124	20.7
General government	37	0.11	12,678,254	10.1
Financial and insurance corporations	94	0.29	17,217,813	13.7
Non-profit institutions	420	1.28	7,449,174	5.9
Non-financial corporations and housing corporations	1,636	4.98	20,814,077	16.6
On common and special accounts	0	0.00	0	0.0
Total	**32,837**	**100.00**	**125,596,092**	**100.0**

The ownership structure is based on the classification of sectors determined by Statistics Finland.

The information is based on the list of company shareholders maintained by Euroclear Finland Oy. Each nominee register is recorded in the share register as a single shareholder. Through one nominee register it is possible to administrate portfolios of several investors.

Management ownership on December 31, 2014

Members of the Board	Shares, pcs.
Ehrnrooth Henrik (30.6.2013–), Chairman of the Board of Directors	0
Holdings of Interest Parties	17,840,000
Hyvönen Anna (30.6.2013–)	0
Holdings of Interest Parties	0
Lehtoranta Ari Tapio (30.6.2013–)	0
Holdings of Interest Parties	13
Lindqvist Eva (30.6.2013–)	1,500
Holdings of Interest Parties	0
Rosenlew Michael (30.6.2013–)	0
Holdings of Interest Parties	0
Total	**17,841,513**

Management	Shares, pcs
Thernström Strand Olof Fredrik (1.4.2014–), CEO	4,000
Holdings of Interest Parties	0
Alakuijala Päivi (30.6.2013–)	1,300
Holdings of Interest Parties	0
Eskola Merja (7.10.2013–)	770
Holdings of Interest Parties	0
Gaaserud Knut (30.6.2013–)	506
Holdings of Interest Parties	0
Hacklin Jarno (30.6.2013–)	7,586
Holdings of Interest Parties	0
Heinola Antti (30.6.2013–)	9,700
Holdings of Interest Parties	0
Huusko Erkki (30.6.2013–)	8,380
Holdings of Interest Parties	0
Kühn Werner (1.10.2014–)	16,500
Holdings of Interest Parties	0
Lundin Thomas (10.11.2014–)	0
Holdings of Interest Parties	0
Malmberg Matti (30.6.2013–)	6,160
Holdings of Interest Parties	0
Rafn Peter (30.6.2013–)	691
Holdings of Interest Parties	0
Schuster Karl-Walter (30.6.2013–)	8,465
Holdings of Interest Parties	0
Simmet Manfred (30.6.2013–)	2,377
Holdings of Interest Parties	0
Toikkanen Sakari (30.6.2013–)	39,882
Holdings of Interest Parties	0
Total	**106,317**

Auditors	Shares, pcs
Lassila Heikki (30.6.2013–), Auditor with chief responsibility for audits	0
Holdings of Interest Parties	0
Total	**0**

Outlook for 2015

Guidance for 2015

Caverion estimates that the Group's revenue will remain at the previous year's level and EBITDA margin for 2015 will grow significantly.

Market outlook for Caverion's services and solutions

The mega trends in the industry, such as increase of technology in buildings, energy efficiency requirements, increasing digitalisation and automation continue to promote demand for Caverion's services and solutions over the coming years.

Technical installation and maintenance business is expected to be stable. Requirements for increased energy efficiency and better indoor conditions and tightening environmental legislation will be significant factors to support positive market development.

Large new tenders for buildings and industry are expected to increase during the year. Positive signs can be seen in tendering activity, especially in the public and industrial sector. Low interest rates and availability of financing are expected to support investments. The demand for design and build of total technical solutions is expected to develop favourably in the large and technically demanding projects.

Demand for managed services is expected to increase. As technology in buildings is increasing the need for new services and the demand for life cycle solutions are expected to increase. Customers' tendency towards focusing on their core operations continues to open opportunities for Caverion in terms of outsourced operation and maintenance mainly for public authorities, industries and utilities.

Overall changes in the operating environment due to growing uncertainty over the general macroeconomic development and mounting geopolitical tensions may lead to some cautiousness in project start-ups and service demand.

Consolidated income statement

EUR million	Note	1.1.–31.12.2014	1.1.–31.12.2013
Revenue	2	**2,406.6**	**2,543.6**
Other operating income	3	2.1	3.2
Change in inventories of finished goods and in work in progress		–4.2	0.0
Production for own use		1.3	1.4
Materials and supplies		–659.5	–674.7
External services		–390.6	–431.8
Employee benefit expenses	6	–995.2	–1,062.8
Other operating expenses	4	–293.0	–308.1
Share of results in associated companies	13	0.0	0.0
Depreciation, amortisation and impairment	5	–23.3	–21.5
Operating profit		**44.2**	**49.4**
Financial income		1.1	2.0
Exchange rate differences (net)		–1.4	–1.2
Financial expenses		–7.3	–7.4
Financial income and expenses	7	–7.6	–6.6
Profit before taxes		**36.5**	**42.8**
Income taxes	8	–8.9	–7.3
Net profit for the financial year		**27.6**	**35.5**
Attributable to:			
Owners of the parent		27.6	35.5
Non-controlling interests		0.0	0.0
Earnings per share for profit attributable to owners of the parent:			
Earnings per share, basic, EUR	9	0.22	0.28
Earnings per share, diluted, EUR		0.22	0.28

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

Consolidated statement of comprehensive income

EUR million	Note	1.1.–31.12.2014	1.1.–31.12.2013
Profit for the period		**27.6**	**35.5**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in the fair value of defined benefit pension		–6.9	–2.1
– Deferred tax		1.4	1.5
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedging	28	0.1	0.1
– Deferred tax		0.0	0.0
Change in fair value of available-for-sale assets	14	–0.6	–0.3
– Deferred tax		0.2	0.1
Translation differences		–3.5	–5.9
Other comprehensive income, total		**–9.4**	**–6.6**
Total comprehensive income		**18.2**	**28.9**
Attributable to:			
Owners of the parent		18.2	28.9
Non-controlling interests		0.0	0.0

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

Consolidated statement of financial position

EUR million	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment	10	26.0	27.9
Goodwill	11, 12	335.7	335.7
Other intangible assets	11	51.0	48.4
Investments in associated companies	13	0.1	0.1
Available-for-sale financial assets	14	1.3	2.0
Receivables	15	2.8	2.3
Deferred tax assets	16	0.7	3.5
Total non-current assets		**417.8**	**420.1**
Current assets			
Inventories	17	20.1	29.5
Trade and other receivables	18	596.7	689.9
Income tax receivables		1.2	1.5
Cash and cash equivalents	19	98.8	133.3
Total current assets		**716.7**	**854.2**
TOTAL ASSETS		**1,134.5**	**1,274.3**

EUR million	Note	31.12.2014	31.12.2013
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	20		
Share capital		1.0	1.0
Treasury shares		–3.2	0.0
Translation differences		–1.8	1.7
Fair value reserve		–0.6	–0.2
Retained earnings		241.7	247.0
		237.2	249.5
Non-controlling interests		0.6	0.6
Total equity		**237.8**	**250.1**
Non-current liabilities			
Deferred tax liabilities	16	60.2	62.1
Pension obligations	22	39.9	51.1
Provisions	23	8.2	9.1
Borrowings	24	95.5	148.5
Other liabilities	25	0.2	0.2
Total non-current liabilities		**204.0**	**270.9**
Current liabilities			
Trade and other payables	25	617.2	657.9
Income tax liabilities		2.7	7.3
Provisions	23	19.4	16.7
Borrowings	24	53.5	71.3
Total current liabilities		**692.7**	**753.2**
Total liabilities		**896.7**	**1,024.1**
TOTAL EQUITY AND LIABILITIES		**1,134.5**	**1,274.3**

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

Consolidated statement of cash flows

EUR million	Note	1.1.–31.12.2014	1.1.–31.12.2013
Cash flow from operating activities			
Net profit for the financial year		27.6	35.5
Adjustments for:			
Depreciation, amortisation and impairment		23.3	21.5
Reversal of accrual-based items		–11.5	–3.9
Financial income and expenses		7.6	6.6
Gains on the sale of tangible and intangible assets		–0.6	–0.5
Taxes		8.9	7.3
Total adjustments		27.8	31.0
Change in working capital:			
Change in trade and other receivables		69.8	56.6
Change in inventories		8.5	8.4
Change in trade and other payables		–20.1	–23.1
Total change in working capital		**58.1**	**42.0**
Operating cash flow before financial and tax items		**113.5**	**108.5**
Interest paid		–7.0	–6.5
Other financial items, net		0.2	2.4
Interest received		1.0	1.7
Dividends received		0.0	0.1
Taxes paid		–11.6	–5.7
Net cash generated from operating activities		**96.2**	**100.4**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash		–0.4	–0.8
Purchases of property, plant and equipment	10	–7.1	–5.6
Purchases of intangible assets	11	–16.4	–22.2
Decreases in other investments		–0.6	
Proceeds from sale of tangible and intangible assets		1.1	2.2
Proceeds from sale of available-for-sale financial assets		0.6	0.2
Net cash used in investing activities		**–22.7**	**–26.2**
Cash flow from financing activities			
Proceeds from borrowings	24		162.0
Repayment of borrowings	24	–68.5	–33.5
Change in current liabilities, net	24	–2.4	0.0
Payments of finance lease debts		–0.7	–0.7
Purchase of own shares	20	–3.2	
Dividends paid		–27.7	
Equity financing with YIT Group			–164.5
Net cash used in financing activities		**–102.5**	**–36.8**
Net change in cash and cash equivalents		**–29.0**	**37.3**
Cash and cash equivalents at the beginning of the financial year		133.3	100.8
Foreign exchange rate effect on cash and cash equivalents		–5.5	–4.8
Cash and cash equivalents at the end of the financial year	19	**98.8**	**133.3**

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

Consolidated statement of changes in equity

EUR million	Note	Attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Retained earnings	Translation differences	Fair value reserve	Treasury shares	Total		
Equity on January 1, 2014		**1.0**	**247.0**	**1.7**	**–0.2**	**0.0**	**249.5**	**0.6**	**250.1**
Comprehensive income 1–12/2014									
Profit for the period			27.6				27.6	0.0	27.6
Other comprehensive income:									
Change in fair value of defined benefit pension			–6.9				–6.9		–6.9
– Deferred tax			1.4				1.4		1.4
Cash flow hedges	28				0.1		0.1		0.1
– Deferred tax					0.0		0.0		0.0
Change in fair value of available for sale financial assets	14				–0.6		–0.6		–0.6
– Deferred tax					0.2		0.2		0.2
Translation differences				–3.5			–3.5		–3.5
Comprehensive income 1–12/14, total			22.1	–3.5	–0.4		18.2	0.0	18.2
Transactions with owners									
Dividend distribution			–27.6				–27.6		–27.6
Purchase of own shares	20					–3.2	–3.2		–3.2
Share-based payments	21		0.3			0.0	0.3		0.3
Transactions with owners, total			–27.3			–3.2	–30.5		–30.5
Equity on December 31, 2014		**1.0**	**241.7**	**–1.8**	**–0.6**	**–3.2**	**237.2**	**0.6**	**237.8**

EUR million	Note	Attributable to owners of the parent							Non-controlling interests	Total equity
		Invested equity	Share capital	Retained earnings	Translation differences	Fair value reserve	Treasury shares	Total		
Equity on January 1, 2013 *		**379.3**			**7.7**	**–0.1**		**386.8**	**0.6**	**387.4**
Comprehensive income 1–6/2013										
Profit for the period		7.0						7.0	0.0	7.0
Other comprehensive income:										
Cash flow hedges	28					0.1		0.1		0.1
– Deferred tax						0.0		0.0		0.0
Change in fair value of available for sale financial assets	14					0.0		0.0		0.0
– Deferred tax						0.0		0.0		0.0
Translation differences					–1.5			–1.5		–1.5
Comprehensive income 1–6/13, total *		7.0			–1.5	0.1		5.6	0.0	5.6
Transactions with owners										
Share-based payments	21	–0.8						–0.8		–0.8
Equity transactions with YIT Group		–164.5						–164.5		–164.5
Transactions with owners, total *		–165.3						–165.3		–165.3
Demerger on June 30, 2013		–221.0	1.0	220.0				0.0		0.0
Demerger related capitalised costs				–0.9				–0.9		–0.9
Equity on June 30, 2013		**0.0**	**1.0**	**219.1**	**6.1**	**0.1**		**226.2**	**0.6**	**226.8**
Comprehensive income 7–12/2013										
Profit for the period				28.5				28.5	0.0	28.5
Other comprehensive income:										
Change in fair value of defined benefit pension				–2.1				–2.1		–2.1
– Deferred tax				1.5				1.5		1.5
Cash flow hedges	28					–0.1		–0.1		–0.1
– Deferred tax						0.0		0.0		0.0
Change in fair value of available for sale financial assets	14					–0.2		–0.2		–0.2
– Deferred tax						0.1		0.1		0.1
Translation differences					–4.3			–4.3		–4.3
Comprehensive income 7–12/13, total				27.9	–4.3	–0.2		23.3	0.0	23.3
Transactions with owners										
Share-based payments	21			0.1			0.0	0.1		0.1
Transactions with owners, total				0.1			0.0	0.1		0.1
Equity on December 31, 2013		**0.0**	**1.0**	**247.0**	**1.7**	**–0.2**	**0.0**	**249.5**	**0.6**	**250.1**

* carve-out figures

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

Key figures

Consolidated income statement, Jan 1 – Dec 31	2014	2013	2012
Revenue, EUR million	2,406.6	2,543.6	2,803.2
EBITDA, EUR million	67.5	70.9	85.3
EBITDA margin, %	2.8	2.8	3.0
EBITDA excluding non-recurring items, EUR million	80.7	81.7	91.1
EBITDA margin excluding non-recurring items, %	3.4	3.2	3.2
Operating profit, EUR million	44.2	49.4	61.1
Operating profit margin, %	1.8	1.9	2.2
Profit before taxes, EUR million	36.5	42.8	57.5
% of revenue	1.5	1.7	2.1
Profit for the period, EUR million	27.6	35.5	40.8
% of revenue	1.1	1.4	1.5

Consolidated statement of financial position, EUR million	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Total assets	1,134.5	1,274.3	1,339.1
Working capital	–19.3	46.0	94.0
Interest-bearing net debt [1]	50.2	86.5	–9.8

Key ratios and other data	2014	2013	2012
Equity ratio, %	24.7	22.2	32.4
Gearing ratio, % [1]	21.1	34.6	–2.5
Operating cash flow before financial and tax items, EUR million	113.5	108.5	74.2
Order backlog, EUR million	1,323.6	1,240.7	1,199.1
Personnel, average for the period	17,300	18,071	19,132
Personnel at the end of the period	17,074	17,673	18,618

Share-related key figures, Jan 1 – Dec 31	2014	2013	2012
Earnings per share, basic, EUR	0.22	0.28	0.32
Earnings per share, diluted, EUR	0.22	0.28	0.32
Equity per share, EUR	1.9	2.0	3.1
Dividend per share, EUR	0.22 *	0.22	–
Dividend per earnings, %	99.8 *	77.8	–
Effective dividend yield, %	3.3 *	2.5	–
Price per earnings (P/E ratio)	30.3	31.5	–
Share price trend			
Share price on Dec 31, EUR	6.65	8.90	–
Low, EUR	5.37	3.00	–
High, EUR	8.92	8.94	–
Average, EUR	7.03	5.54	–
Share capitalization on Dec 31, EUR million	831.8	1,117.7	–
Share turnover trend			
Share turnover, thousands	50,953	46,168	–
Share turnover, %	40.6	36.8	–
Number of shares outstanding at the end of period, thousands	125,087	125,592	–
Weighted average number of shares, thousands	125,381	125,595	–
Weighted average number of shares, dilution adjusted, thousands	125,381	125,595	–

* Board of Directors' proposal

[1] Interest-bearing net debt and gearing for 2012 are not comparable to the figures in 2014 and 2013 due to the new credit facility transferred to Caverion Corporation as a result of the partial demerger as per June 30, 2013.

Calculation of key figures

EBITDA =	Operating profit (EBIT) + depreciation, amortisation and impairment
Working capital =	Inventories + trade and POC receivables + other current receivables – trade and POC payables – other current payables – advances received – current provisions
Interest-bearing net debt =	Interest-bearing liabilities – cash and cash equivalents
Equity ratio (%) =	$\frac{\text{Equity + non-controlling interest} \times 100}{\text{Total assets – advances received}}$
Gearing ratio (%) =	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents} \times 100}{\text{Shareholder's equity + non-controlling interest}}$
Average number of employees =	The average number of employees at the end of each calendar month during the accounting period
Earnings / share, basic =	$\frac{\text{Net profit for the period (attributable for equity holders)}}{\text{Weighted average number of shares outstanding during the period}}$
Earnings / share, diluted	$\frac{\text{Net profit for the period (attributable for equity holders)}}{\text{Weighted average number of shares, dilution adjusted}}$
Equity per share =	$\frac{\text{Shareholders' equity}}{\text{Share issue-adjusted number of outstanding shares at the end of period}}$
Dividend per share =	$\frac{\text{Dividend per share for the period}}{\text{Adjustment ratios of share issues during the period and afterwards}}$
Dividend per earnings (%) =	$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$
Effective dividend yield (%) =	$\frac{\text{Dividend per share} \times 100}{\text{Share price on December 31}}$
Price/earnings ratio (P/E ratio) =	$\frac{\text{Share price on December 31}}{\text{Earnings per share}}$
Average price =	$\frac{\text{Total EUR value of all shares traded}}{\text{Average number of all shares traded during the accounting period}}$
Market capitalisation =	(Number of shares – treasury shares) x share price on the closing date
Share turnover =	Number of shares traded during the accounting period
Share turnover (%) =	$\frac{\text{Number of shares traded} \times 100}{\text{Average number of outstanding shares}}$

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES

GENERAL INFORMATION

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

Caverion Corporation is domiciled in Helsinki, and its registered address is Panuntie 11, 00620 Helsinki, Finland. The company’s shares are listed on the NASDAQ OMX Helsinki Ltd as of July 1, 2013. The copies of the consolidated financial statements are available at www.caverion.com or at the parent company’s head office, Panuntie 11, 00620 Helsinki.

Partial demerger of YIT Corporation

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

The financial information presented in these consolidated financial statements is based on actual figures as an independent group after the consummation of the demerger on June 30, 2013 and carve-out figures prior to the consummation of the demerger. The carve-out financial information presented in these consolidated financial statements reflects the financial performance of the entities that have historically formed the Building Services business within YIT Group. Accordingly, the consolidated statement of financial position as of December 31, 2013, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period July–December 2013 and the related key figures are based on actual figures as an independent group. The financial information for the periods before June 30, 2013 is based on carve-out financial information of Building and Services business of YIT Group.

These consolidated financial statements were authorised for issue by the Board of Directors on January 28, 2015 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Caverion Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union observing the standards and interpretations effective on December 31, 2014. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and corporate legislation complementing the IFRS regulation.

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

Assets and liabilities, income and expenses as well as cash flows assigned to Caverion Group in carve-out financial information are described under “Basis of accounting for carve-out financial information”.

Caverion Group’s consolidated financial statements for the financial year ended 2014 have been prepared under the historical cost convention, except for available-for-sale investments, financial assets and liabilities at fair value through profit and loss and derivative instruments at fair value. Equity-settled share-based payments are measured at fair value at the grant date.

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

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- ***IFRS 10 Consolidated financial statements and IAS 27 (revised 2011) Separate financial statements.*** IFRS 10 defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. IAS 27 (revised 2011) includes provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The change didn’t have a material impact on the consolidated financial statements.
- ***IFRS 11 Joint arrangements and IAS 28 (revised 2011) Investments in associates and joint ventures***: IFRS 11 include guidelines on how to consolidate joint arrangements. The treatment is

focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The change didn't have any impact on the consolidated financial statements.

- *IFRS 12 Disclosures of interests in other entities*: The standard includes the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The change didn't have a material impact on the consolidated financial statements.
- *Amendment to IFRSs 10, 11 and 12 on transition guidance.* These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The change didn't have any impact on the consolidated financial statements.

Caverion Group's accounting principles

Consolidation

Subsidiaries

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

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

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

Associated companies

The consolidated financial statements include associated companies in which the Group either holds 20%–50% of the voting rights or in which the Group otherwise has significant influence but not control. Investments in associated companies are accounted for using the equity method of accounting. Investments in associates are initially recorded at cost, and the carrying amount is increased or decreased to recognise the Caverion's share of the profit or loss of the associates after the date of the acquisition. The Group determines at each reporting date whether there is any objective that the investment in the associate is impaired.

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

Transactions with non-controlling interests

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

Disposal of subsidiaries

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

Foreign currency translation

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

Foreign currency transactions

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

Translation of the financial statements of foreign Group companies

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

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

Currency exchange rates used in the consolidated financial statements:

		Income statement January–December, 2014	Income statement January–December, 2013	Statement of financial position December 31, 2014	Statement of financial position December 31, 2013
1 EUR =	CZK	27.5359	25.9904	27.735	27.427
	DKK	7.4549	7.4579	7.4453	7.4593
	MYR	4.3465	4.1858	4.2473	4.5221
	NOK	8.3561	7.8075	9.0420	8.3630
	PLN	4.1847	4.1971	4.2732	4.1543
	RON	4.4441	4.4194	4.4828	4.4710
	RUB	51.0421	42.3362	72.337	45.3246
	SEK	9.0980	8.6514	9.3930	8.8591
	SGD	1.6829	1.6610	1.6058	1.7414
	USD	1.3287	1.3281	1.2141	1.3791

Operating segments

The profitability of Caverion Group is presented as a single entity as from January 1, 2014 onwards to better match the company's new management structure and business areas. The segments based on geographical areas (Building Services Northern Europe and Building Services Central Europe) were replaced by one single operative segment, that includes the Group services and other items as well. Material operative decisions are made by the Board of Directors of Caverion. Such decisions are prepared and presented by the Chairman of the Board and the President and Chief Executive Officer. Due to the management structure of Caverion, the nature of its operations and its business areas, the Group is the relevant reportable operating segment.

Property, plant and equipment

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

Buildings	40 years
Office equipment and furniture	5 years
Computers and computer supplies	3–5 years
Other tangible assets	10–40 years

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

Government grants

Government grants relating to property, plant and equipment are deducted in calculating the carrying amount of an asset. Grants are recognised in the income statement over the expected useful life of a depreciable asset as a reduced depreciation expense. Government grants relating to costs are recognised in the income statement over the periods in which the related costs are expensed.

Intangible assets

Goodwill

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

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

Other intangible assets

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

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

Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over the estimated useful life. Computer maintenance costs are expensed as they are incurred.

Research expenditure is expensed in the income statement as incurred. Expenditure on the design of new or more advanced products is capitalised as intangible assets in the balance sheet as from the date when the product is technically feasible, can be utilised commercially and is expected to provide future financial benefits. Capitalised development expenditure is amortised over the useful life. Amortisation begins when the asset is available for use. Assets that are not yet available for use are tested annually for impairment. Development expenses from which no economic benefits are expected to flow to the Caverion Group are expensed in the income statement.

The amortisation periods of other intangible assets are as follows:

Customer relations and contract bases	3–5 years
Unpatented technology	3–5 years
Computer software and other items	2–5 years
Prohibition of competition	2–3 years

Impairment of tangible and intangible assets

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

The recoverable amount is the higher of an asset's fair value less costs of disposal and the value in use. The value in use is determined based on the discounted future net cash flows estimated to be recoverable from the assets in question or cash-generating units. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is recognised immediately in the income statement and is initially allocated to the goodwill allocated to the cash-generating unit and thereafter to other assets pro rata on the basis of their carrying amounts. An impairment loss is reversed when the circumstances change and the amount recoverable from the asset has changed since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Impairment losses on goodwill are never reversed. The calculation of recoverable amounts requires the use of estimates. For more information on impairment testing, see note 12.

Inventories

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

Leases

Group as lessee

Leases concerning assets in which the Caverion Group holds a significant portion of the risks and rewards of ownership are classified as financial leases. A financial lease is recognised in the balance sheet at the lease's commencement at the lower of the fair value of the leased asset and the present value of minimum lease payments. Assets acquired under financial leases are depreciated over the shorter of the useful life of the asset and the lease term. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to income statement over the lease period so as to procure a constant periodic rate of interest on the remaining balance of the liability for each period. The liabilities arising from financial leases are included in the financial liabilities.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are treated as operating leases. Payments made under operating leases (net of any incentives received) are expensed in the income statement on a straight-line basis over the period of the lease.

Employee benefits

Pension liabilities

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

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

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

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

Share-based payments

The Group has a long-term share-based incentive plan for the company's key senior executives. The performance share plan forms a part of the incentive and commitment programme for the executives of Caverion Group. The plan consists of one three-year performance period in 2014–2016. It is followed by a one-year vesting period, after which the potential rewards will be paid in spring 2018. A person participating in the plan has the possibility to earn a reward only if his/her employment continues until the payment of the reward. The potential reward is based on the targets set for Group revenue and EBITDA margin until the end of 2016. The reward is to be paid in Caverion shares and as cash payment, which is intended to cover the taxes and tax-related costs arising from the reward.

The equity-settled share-based payments are valued based on the market price of Caverion share as of the grant date and are recognised as an employee benefit expense over the vesting period with corresponding entry in the equity. The liability resulting from the cash-settled share-based transactions is measured based on the market price of Caverion share as of the balance sheet date and accrued as an employee benefit expense with corresponding entry in the current liabilities until the settlement date.

In addition, Caverion has a share-based incentive plan which YIT had for its key personnel in years 2010–2012 and was transferred to Caverion in the demerger. See note 21 for more information on share-based payments.

Termination benefits

Termination benefits are payable when employment is terminated by the Caverion Group before normal retirement. The Caverion Group recognises termination benefits when it is committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. In addition, benefits that the Caverion Group has offered in connection with terminations to encourage voluntary redundancy are expensed. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. Other possible liabilities arising from the termination of employees in different jurisdictions are assessed at the closing date and recognised as an expense and liability.

Provisions

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a past event, the realisation of the payment obligation is probable and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditure required to settle the obligation. If reimbursement for some or all of the obligations can be received from a third party, the reimbursement is recorded as a separate asset, but only when it is practically certain that said reimbursement will be received. Provisions are recognised for onerous contracts when the obligatory expenditure required to meet obligations exceeds the economic benefits expected to be received from the contract. The amount of the warranty provision is set on the basis of experience of the realisation of these commitments. Provisions for restructuring are recognised when the Caverion Group has made a detailed restructuring plan and initiated the implementation of the plan or has communicated about it. Provisions are not recognised for the continuing operations of the Caverion Group. A contingent liability is an obligation that has possibly arisen as a result of past events and whose existence is confirmed only when the uncertain event that is beyond the Caverion Group's control is realised. In addition, an existing obligation that probably does not require the fulfilment of debt or whose amount cannot be reliably assessed is considered a contingent liability. Contingent liabilities are presented in the notes.

Income taxes

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

Deferred taxes are calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be reverse in the foreseeable future. Deferred taxes have been calculated using the statutory tax rates or the tax rates substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. The most significant temporary differences arise from differences between the recognised revenue from long-term contracts using the percentage of completion method and taxable income, depreciation differences relating to property, plant and equipment, defined benefit pension plans, provisions deductible at a later date, measurement at fair value in connection with business combinations and unused tax losses.

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

Financial assets

Classification and measurement

The financial assets are classified at initial recognition into the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the basis of the purpose for which they have been acquired.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets or derivatives held for trading that do not meet the criteria for hedge accounting. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives and other financial assets at fair value through profit and loss are initially measured at fair value, and transaction costs are expensed in the income statement. Subsequent to initial recognition, they are measured at fair value. Assets in this category are classified as non-current assets (Receivables) if expected to be settled after and current assets (Trade and other receivables) if expected to be settled within 12 months.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current. These assets are initially recognised at fair value, and transaction costs are expensed in the income statement. Subsequent to initial recognition, they are carried at amortised cost using the effective interest rate method less any impairment. The group's loans and receivables comprise loans receivables, trade receivables, cash and cash equivalents and other receivables.

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These assets are initially recognised at fair value, plus any transaction costs. Subsequent to initial recognition, they are carried at fair value. They are non-current financial assets as Group intends not to dispose of them within the 12 months.

Recognition and derecognition

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

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

Changes in the fair value of available for sale investments are recognised in other comprehensive income and are presented in the fair value reserves under shareholders' equity, net of tax. When investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement within financial income or expenses.

Offsetting financial instruments

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

Impairment of financial assets

Assets carried at amortised costs

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

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

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

According to the Group's policy for trade receivables, a loss of 50% is recognized in from all unsecured and doubtful receivables that are overdue more than 180 days and loss of 100% when receivables are overdue more than 360 days. Due to the application of the percentage of completion method, part of a reliably estimated impairment losses are included in the cost estimate of the project and considered as weakened margin forecast. Therefore impairment losses of trade receivables in onerous projects are included in the loss reserve.

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

Assets classified as available for sale

For investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised initially in the income statement on investments are not reversed through the income statement.

Financial liabilities

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

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

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the Caverion Group becomes party to an agreement and are subsequently re-measured at their fair value. Directly attributable transaction costs are recognised in the income statement. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses on derivative contracts that are not hedge accounted are recognised in the income statement within financial income and expense in the period in which they arise. Derivatives are classified as non-current liabilities when their contractual maturity is more than 12 months (Other liabilities) and current liabilities when maturity is less than 12 months (Trade and other payables).

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Treasury shares

The consideration paid for own shares and directly attributable costs are recognized as a deduction in equity. When the company sells its own shares, the consideration received, net of directly attributable transaction costs, is included in equity.

Revenue recognition

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

Goods and services sold

Group provides building services as well as industrial services and maintenance. Revenue from sales of goods is recorded when the significant risks and rewards and control associated with the ownership of the goods have been transferred to the buyer. Revenue for sales of short-term services is recognised in the accounting period in which the services are rendered.

Long-term contracts

Long-term service contracts and building service projects are recognised as revenue on the stage of completion basis when the outcome of the project can be estimated reliably. The stage of completion of long-term service contracts is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for the contract. Costs in excess of the stage of completion are capitalised as work in progress. Invoicing which exceeds the revenue recognised on the stage of completion basis is recognised in advances received from long-term projects. Invoicing which is less than the revenue recognised on the percentage of completion basis is deferred and presented as related accrued income. Advances received are deducted from the accrued income on the percentage of completion basis.

When it is probable that the total costs required to complete a contract will exceed the total revenue from the project, the expected loss is recognised as an expense immediately in all circumstances. Revenue recognition on the stage of completion basis for the long-term service agreements is based on estimates. If the estimates of the outcome of a contract change, the revenue and profits recognised are adjusted in the reporting period when the change first becomes known and can be estimated. In long-term contracts, the Group applies a procedure and policy in reporting which ensures that projects are estimated reliably. The duration of the long-term contracts vary by country approximately from one month to two years.

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

Interest and dividends

Interest income is recognised using the effective interest method and dividend income when the right to receive payment is established.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and exercise judgement in the application of the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of goodwill

Goodwill is tested for any impairment annually in accordance with the accounting policy stated in note 12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The cash flows in the value-in-use calculations are based on the management's best estimate of market development for the subsequent years. The discount rate may be increased with a branch specific risk factor.

The recoverable amounts have been assessed in relation to different time periods and the sensitivity has been analysed for the changes of the discount rate, profitability and in the increase of the residual value. In 2014 and 2013, the goodwill testing did not result any impairment losses. As at December 31, 2014 and 2013 the goodwill of Caverion Group amounted to EUR 335.7 million and EUR 335.7 million, respectively.

Recognition of revenue from long-term projects on the stage of completion basis

Due to estimates included in the revenue recognition of long-term service contract and building service projects, revenue and profit presented by financial period only rarely correspond to the equal distribution of the total profit over the duration of the project. When revenue recognition from long-term projects is based on the percentage of completion method, the outcome of the projects is regularly and reliably estimated. Calculation of the total income of projects involves estimates on the total costs required to complete the project as well as on the development of billable work. If the estimates regarding the outcome of a contract change, the revenue and profits recognised are adjusted in the reporting period when the change first becomes known and can be estimated. If it is probable that the total costs required to complete a contract will exceed the total contract revenue, the expected loss is recognised as an expense immediately. For the years ended 31 December 2014, and 2013 the revenue from long-term service contract and building service projects amounted to EUR 1,419.4 million and EUR 1,780.6 million, respectively and they were 59% and 70% of the Caverion Group total revenue (note 2).

Income taxes

The Group is subject to income taxes in several countries. Evaluating the total amount of income taxes at the Group level requires significant judgement, so the amount of total tax includes uncertainty. As at December 31, 2014 and 2013 the deferred taxes net liability amounted to EUR 59.5 million and EUR 58.6 million.

Provisions

The recognition of provisions involves estimates concerning probability and quantity. Provisions are recognised for onerous contracts when the unavoidable costs required to meet obligations exceeds the benefits expected to be received under the contract. The amount of the warranty provision is set on the basis of experience of the realisation of these commitments. As at December 31, 2014 and 2013 the provisions amounted to EUR 27.6 million and EUR 25.8 million.

Pension benefits

The present value of pension obligations depends on various factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Changes in the assumptions rate have an effect on the carrying amount of pension obligation. The discount rate used is the market rate of high-quality corporate bonds or the interest rate of treasury notes for the currency in which the benefits will be realised. The maturity of the instruments used to determine the reference rate used corresponds substantially to the maturity of the related pension obligation. Other assumptions are based on actuarial statistics and prevailing market conditions. As at December 31, 2014 and 2013 the pension liabilities amounted to EUR 39.9 million and EUR 51.1 million.

Trade receivables

The Group recognises an impairment loss on receivables when there is objective evidence that payment is not expected to occur. Caverion Group follows the measurement principle of trade receivables in business units when recognising an impairment loss. Recognised impairment loss includes estimates and critical judgements. The estimates are based on historical credit losses, past practice of credit management, client specific analysis and economic conditions at the assessment date. As at December 31, 2014 and 2013 trade receivables amounted to EUR 346.5 million and EUR 378.5 million.

Carve-out adjustments

Carve-out financial statements include the allocations of income, expense, assets, liabilities and cash flows that are described below, which are based on management's judgment, assumptions and estimates. The areas in the carve-out adjustments that involve higher degree of judgment, assumptions and estimates in these carve-out financial statements are related to financial liabilities and interests, group administration costs, taxes and invested equity.

Basis of accounting for the carve-out financial information

The carve-out financial information of Caverion Group for the six month period ended June 30, 2013 has been prepared on a carve-out basis from YIT's consolidated financial statements, which comply with IFRS as adopted by the EU, comprising the historical income and expenses, assets and liabilities and cash flows attributable to Building Services business. The carve-out financial information also includes allocations of income, expenses, assets, liabilities and cash-flows from the YIT parent company and Perusyhtymä Oy. Caverion Group's carve-out financial information include all those legal entities that have historically formed YIT's reportable segments Building Service Northern Europe and Building Service Central Europe and which were transferred to Caverion Corporation in the partial demerger.

The following summarises the main carve-out adjustments and allocations made in preparing the carve-out financial information. Management of Caverion considers that the allocations described below have been made on a reasonable basis, but are not necessarily indicative of the costs that would have been incurred if Caverion had been a stand-alone entity.

Intercompany transactions and related party transactions

Intercompany transactions and assets and liabilities between Caverion entities have been eliminated in the carve-out financial information. Transactions with other YIT Group companies remaining with YIT have been treated as related party transactions. All intercompany receivables and liabilities and related financial income and expenses of YIT parent company with the counterparty of Caverion entity have been allocated to the Caverion parent company. Acquisition costs relating to Caverion subsidiaries owned by YIT parent company have been allocated to Caverion parent company and the acquisition method has been used to eliminate the acquisition of subsidiaries.

Invested equity

The net assets of Caverion group are represented by capital invested in Caverion Group and shown as "invested equity". Changes in net assets allocated to Caverion are presented separately in the statement of changes in invested equity through line "Equity transactions with YIT Group" and in the cash flow statements through line "Equity financing with YIT Group, net", reflecting the internal financing between YIT Group and Caverion Group during the periods presented. The amount of invested equity is affected by the net assets allocated to the Caverion parent company. The net assets allocated to Caverion parent company consists mainly of investments in group companies, intercompany receivables and liabilities, financial liabilities, other receivables and liabilities and net cash and cash equivalents.

Cash management and financing

Cash management within YIT was centralised so that YIT managed Group's cash needs mainly through cash pool arrangement. In the demerger Caverion Corporation received the proportion of cash and cash equivalents of YIT Corporation that equals the portion of intra-group account liabilities allocated to Caverion compared to the entire intra-group account liabilities to all YIT Group's direct and indirect subsidiaries. The historical cash and cash equivalents were allocated to the carve-out financial information using the similar method. No related interest income was allocated.

The external debt financing and related interest expenses of the demerging YIT parent entity and Caverion entities that were directly attributable to the operations of Caverion, were included in the carve-out financial information. External derivative contracts entered by YIT were allocated to Caverion if those were directly connected with Caverion, such as interest rate swap related to the financing loan and the currency derivatives relating to the cash pool arrangement.

In addition refinancing relating to the partial demerger was arranged and finalised during June 2013. A credit facility with a Nordic bank group was transferred to Caverion Corporation upon the registration of the partial demerger. It includes an amortising long-term loan facility, a long-term revolving credit facility and a short-term bridge loan facility. In addition to the credit facility, amortising loans attributable to the operations of Caverion were transferred to Caverion Corporation in the demerger. The carve-out financial information for the periods prior to the consummation of the demerger has not been adjusted to reflect the effects of this reorganisation of financing. Thus, the carve-out financial information is not comparable to the amounts reflected in the consolidated financial statements after the consummation of the demerger.

Income tax

While Caverion was part of YIT Group, the legal entities within the Caverion Group had operated as separate taxpayers. For these entities the tax charges and the tax liabilities and receivables in the carve-out financial information are based on actual taxation. The taxes allocated to Caverion parent company from the demerging YIT parent company have been calculated as Caverion parent company had been a separate taxpayer. Therefore, the income tax for the period of Caverion parent company is the amount of tax payable or refundable based on the entity's hypothetical tax returns, and it is presented as current tax expense in the income statement. In the balance sheet these tax entries are presented as transactions through invested equity, because any payable or refundable taxes will not arise to Caverion parent company due to these hypothetical taxes. Deferred taxes on temporary differences are recognised where such temporary differences exist.

Pensions

Pensions and other post-employment benefit plans and their respective portion of the plan liabilities, plan assets, interest and service costs have either been included or allocated to Caverion Group from YIT group for the purpose of preparing the carve-out financial information.

Centrally provided services

YIT Group has historically recharged centrally provided services from its subsidiaries, such as financing, IT, HR and services related to the premises. Historically these recharged costs have been allocated to Caverion Group entities, and they are included in the carve-out financial information based on these historical recharges.

YIT parent company has also been responsible for the management and general administration of the YIT Group. The income and expenses of YIT parent company have been allocated to the Caverion parent company mainly based on the transferring employers and subsidiary allocations. The carve-out financial information includes also employee cost allocations relating to Caverion employees' participation in the YIT share-based compensation plan.

Leases

In the carve-out financial information the non-cancellable operating leases allocated to Caverion Group include lease agreements of Caverion subsidiaries with third parties and lease agreements for office facilities with YIT Group. The minimum lease payments of the non-cancellable lease agreements made with YIT Group presented in the carve-out financial information are equivalent with the minimum lease payments of the corresponding external lease agreements made by YIT Group.

Evaluation of the future impact of new standardss and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments'. The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit and loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard has not yet been endorsed by EU. The management is assessing the impact of the standard on the financial statements of the Group.

IFRS 15, 'Revenue from contracts with customers.' This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts,' IAS 18, 'Revenue' and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard has not yet been endorsed by EU. The management is assessing the impact of the standard on the financial statements of the Group.

Amendments to IAS 1: 'Disclosure Initiative'. Changes considers materiality and aggregation, the presentation of subtotals, structure of financial statements and the disclosure of accounting policies. The amendments have not yet been endorsed by EU. The management is assessing the impact on the financial statements of the Group.

The management is also assessing the impact of other new standards, amendments to standards and interpretations, that are effective for annual periods beginning after January 1, 2014. These have not yet been endorsed by EU and it is expected that they do not have material impact on the financial statements of the Group.

2. LONG-TERM CONTRACTS

EUR million	2014	2013
Revenue recognised as revenue in the period from long-term service contracts and building service projects	1,419.4	1,780.6
Contract costs incurred and recognised profits less recognised losses to date for work in progress	1,876.8	2,124.9
Accrued income from long-term service contracts and projects	206.2	261.9
Advances received	52.0	46.3

For long-term service contracts and building service projects the costs incurred plus recognised profits, which are higher than the invoiced amount, are shown in the statement of financial position under “Trade and other receivables”. Advances received and difference that arises if the costs incurred and recognised profits are lower than the invoiced amount is included in “Accounts payable and other liabilities”.

3. OTHER OPERATING INCOME

EUR million	2014	2013
Gains on the sale of tangible and intangible assets	0.6	0.5
Rental income	0.4	0.4
Other income	1.1	2.3
Total	**2.1**	**3.2**

4. OTHER OPERATING EXPENSES

EUR million	2014	2013
Losses on the sale of tangible and intangible assets	0.0	0.0
Expenses for leased office facilities	37.2	37.8
Other expenses for leases	46.9	53.8
Voluntary indirect personnel expenses	15.8	16.0
Other variable expenses for work in progress	64.1	59.3
Travel expenses	45.6	48.9
IT expenses	31.9	37.2
Premises expenses	9.3	10.2
Other fixed expenses [1]	42.1	45.1
Total	**293.0**	**308.1**

[1] Other fixed expenses include administrative, marketing and other fixed costs.

The Group’s research and development expenditure amounted to EUR 9.6 (12.7) million in 2014.

Audit fee

EUR million	2014	2013
PricewaterhouseCoopers		
Audit fee	0.6	0.5
Statement	0.0	0.0
Tax services	0.2	0.2
Other services	0.6	0.5
Total	**1.4**	**1.2**

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2014	2013
Depreciation and amortisation by asset category		
Intangible assets		
Allocations	9.8	10.2
Other intangible assets	4.9	3.0
Tangible assets		
Buildings and structures	0.5	0.5
Machinery and equipment	4.3	4.8
Machinery and equipment, finance lease	0.8	0.6
Other tangible assets	3.0	2.4
Total	**23.3**	**21.5**
Impairment		
Goodwill		
Depreciations and impairments total	**23.3**	**21.5**

6. EMPLOYEE BENEFIT EXPENSES

EUR million	2014	2013
Wages and salaries	787.4	827.6
Pension costs, defined contribution plan	76.2	61.8
Pension costs, defined benefit plan *	–11.7	4.5
Other post-employment benefits	0.2	0.6
Share-based compensation	0.4	0.6
Other indirect employee costs	142.9	167.7
Total	**995.2**	**1,062.8**
Average number of personnel	**17,300**	**18,071**

* One of the defined benefit pension plans in Norway was transferred to as defined contribution plan at the end of June 2014. The release of pension liability totalled approximately EUR 14 million.

Information on the management's salaries and fees and other employee benefits are presented in note 32. Related party transactions.

7. FINANCIAL INCOME AND EXPENSES

EUR million	2014	2013
Financial income		
Dividend income on available for sale investments	0.0	0.1
Interest income on loans and other receivables	1.0	1.7
Realised gains on available for sale investments	0.1	0.2
Other financial income on loans and other receivables	0.1	0.1
Total financial income	**1.1**	**2.0**
Financial expenses		
Interest expenses on liabilities at amortised cost [1)]	–6.3	–5.2
Other financial expenses on liabilities at amortised cost	–1.0	–2.2
Interest expenses on finance leases	–0.1	–0.1
Total financial expenses	**–7.3**	**–7.4**
Exchange rate gains	8.5	6.2
Exchange rate losses	–9.9	–7.5
Exchange rate differences, net	**–1.4**	**–1.2**
Financial expenses, net	**–7.6**	**–6.6**

[1)] Interest expenses on liabilities at amortised cost include EUR 0.1 (0.0) million interest expenses on derivatives with hedge accounting applied for.

The carve-out figures for January–June 2013 exclude the financial cost effect of the new financing arrangements transferred to Caverion Corporation as a result of the partial demerger of YIT.

8. INCOME TAXES

Income taxes in the income statement

EUR million	2014	2013
Tax expense for current year	8.0	9.9
Tax expense for previous years	–0.8	0.7
Change in deferred tax assets and liabilities	1.7	–3.3
Total income taxes	**8.9**	**7.3**

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

EUR million	2014	2013
Profit before taxes	**36.5**	**42.8**
Income taxes at the tax rate in Finland (20.0%)	7.3	10.5
Effect of different tax rates outside Finland	1.6	0.5
Tax exempt income and non-deductible expenses	1.7	0.8
Net results of associated companies	0.0	0.0
Impact of the changes in the tax rates on deferred taxes [1)]	–0.1	–4.7
Impact of losses for which deferred taxes is not recognised	0.4	0.5
Reassessment of deferred taxes	–1.2	–1.0
Taxes for previous years	–0.8	0.7
Income taxes in the income statement	**8.9**	**7.3**

[1)] The effect of the change of tax rate in Denmark from 24.5% to 23.5% in 2015 and in Finland from 24.5% to 20.0%, in Denmark from 25.0% to 24.5% and in Norway from 28.0% to 27.0% in 2014.

9. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of shares outstanding during the year.

	2014	2013
Profit attributable to the owners of the parent company, EUR million	27.6	35.5
Weighted average number of shares (1,000 shares)	125,381	125,595
Earnings per share, basic, EUR	0.22	0.28

Diluted earnings per share is calculated by adjusting number of shares to assume conversion of all diluting potential shares. There were no diluting effects in 2014 and 2013.

	2014	2013
Profit attributable to the owners of the parent company, EUR million	27.6	35.5
Weighted average number of shares (1,000 shares)	125,381	125,595
Weighted average number of shares, dilution adjusted (1,000 shares)	125,381	125,595
Earnings per share, diluted, EUR	0.22	0.28

10. PROPERTY, PLANT AND EQUIPMENT

2014

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets [1]	Advance payments	Total
Historical cost at January 1, 2014	1.3	16.8	71.0	16.8	0.7	106.7
Translation differences	0.0	–0.1	–3.5	–0.5		–4.0
Increases		0.2	3.6	3.0	1.1	7.9
Decreases	–0.2	–0.3	–7.9	–1.5		–9.9
Historical cost at December 31, 2014	**1.1**	**16.6**	**63.3**	**17.8**	**1.8**	**100.6**
Accumulated depreciation and impairment at January 1, 2014		–11.3	–57.8	–9.6		–78.7
Translation differences		0.1	2.8	0.3		3.2
Depreciation		–0.5	–5.1	–3.0		–8.6
Accumulated depreciation of decreases		0.1	8.0	1.4		9.5
Accumulated depreciation and impairment at December 31, 2014		**–11.6**	**–52.1**	**–10.9**		**–74.6**
Carrying value January 1, 2014	1.3	5.5	13.2	7.2	0.7	27.9
Carrying value December 31, 2014	1.1	5.0	11.2	6.9	1.8	26.0

2013

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets [1]	Advance payments	Total
Historical cost at January 1, 2013	1.6	17.9	70.6	17.2	0.5	107.8
Translation differences	0.0	0.0	–2.9	–0.9		–3.9
Increases		0.2	5.4	0.9	0.7	7.2
Decreases	–0.3	–1.2	–2.0	–0.4	–0.5	–4.4
Historical cost at December 31, 2013	**1.3**	**16.8**	**71.0**	**16.8**	**0.7**	**106.7**
Accumulated depreciation and impairment at January 1, 2013		–11.1	–56.9	–8.0		–76.0
Translation differences		0.0	2.5	0.4		2.9
Depreciation		–0.5	–5.4	–2.4		–8.3
Accumulated depreciation of decreases		0.3	2.0	0.4		2.7
Accumulated depreciation and impairment at December 31, 2013		**–11.3**	**–57.8**	**–9.6**		**–78.7**
Carrying value January 1, 2013	1.6	6.8	13.7	9.2	0.5	31.8
Carrying value December 31, 2013	1.3	5.5	13.2	7.2	0.7	27.9

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

Finance lease assets

Tangible assets include assets leased by finance lease agreements as follows:

Machinery and equipment

EUR million	2014	2013
Historical cost at January 1	8.9	8.0
Translation differences	–0.4	–0.7
Increases	0.6	1.6
Decreases	–0.3	
Accumulated depreciation	–7.3	–7.1
Carrying value December 31	**1.5**	**1.8**

No impairment losses have been recognised during the financial years 2014 and 2013. The government grant received is not material. The received government grants have been deducted from the carrying value.

11. INTANGIBLE ASSETS

2014 EUR million	Goodwill	Allocations from business combinations	Other intangible assets [1]	Total other intangible assets
Historical cost at January 1, 2014	336.6	78.3	34.9	113.2
Increases		2.2	16.4	18.6
Decreases		–6.0	–0.8	–6.8
Translation differences		–2.8	–0.8	–3.6
Historical cost at December 31, 2014	**336.6**	**71.7**	**49.7**	**121.4**
Accumulated amortization at January 1, 2014	–0.9	–51.1	–13.7	–64.8
Amortisation		–9.8	–4.8	–14.6
Translation differences		1.7	0.3	2.1
Accumulated amortisation of decreases		6.0	0.8	6.8
Accumulated amortisation at December 31, 2014	**–0.9**	**–53.2**	**–17.3**	**–70.5**
Carrying value January 1, 2014	335.7	27.2	21.2	48.4
Carrying value December 31, 2014	335.7	18.5	32.3	51.0

2013 EUR million	Goodwill	Allocations from business combinations	Other intangible assets [1]	Total other intangible assets
Historical cost at January 1, 2013	336.6	81.7	13.7	95.4
Increases		2.9	22.2	25.1
Decreases		–1.8	–0.3	–2.1
Translation differences		–4.5	–0.7	–5.2
Historical cost at December 31, 2013	**336.6**	**78.3**	**34.9**	**113.2**
Accumulated amortization at January 1, 2013	–0.9	–45.3	–11.1	–56.4
Amortization and impairment		–10.2	–3.0	–13.2
Translation differences		2.6	0.3	2.9
Accumulated amortization of decreases		1.8	0.2	2.0
Accumulated amortization at December 31, 2013	**–0.9**	**–51.1**	**–13.7**	**–64.8**
Carrying value January 1, 2013	335.7	36.4	2.5	39.0
Carrying value December 31, 2013	335.7	27.2	21.2	48.4

[1] Other intangible assets include e.g. computer software and licenses.

Allocations from business combinations:	2014	2013
Customer relations and contract bases	9.9	24.4
Order backlog	8.7	2.7
Total	**18.5**	**27.2**

12. GOODWILL

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

EUR million	2014	2013
Finland	68.9	68.9
Sweden	36.6	41.8
Norway	69.7	69.7
Denmark	7.6	7.6
Industrial services	47.0	41.8
Germany	86.0	86.0
Austria	16.5	16.5
Poland	2.4	2.4
Czech	1.1	1.1
Total goodwill	**335.7**	**335.7**

The recoverable amount of all cash generating units (CGU) is based on the value in use calculations. The value in use cash flows are based on the set out budget for next year and the managements best estimates of the strategy of the next two years. A growth rate for the terminal value of 2 per cent has been used in the impairment testing in 2014 and 2013. Caverion's management considers that the 2 per cent better reflects the rate of expected long-term inflation. The estimated business volumes are based on the current Group structure. The estimates include e.g. the business potential in building service and maintenance sector in all Group countries. The estimates rest on the former experience and trends in these markets. Forecast of several research institutes related to growth, demand and price trends have also been utilised when preparing the estimates.

The discount factor employed is the calculated pre-tax WACC (Weighted Average Cost of Capital) for Caverion Group, which has been adjusted with the tax rates of the cash generating units. The range of the used pre-tax discount factor used in testing of the different cash generating units was between 8.7%–10.8% (2013: 9.5%–11.8%).

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

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

As a result of impairment testing in 2014, the recoverable amount (E) exceeded substantially the carrying value (T) in all CGUs except in Poland and Czech. The recoverable amount (E) exceeded clearly the carrying value (T) in Poland and only slightly in Czech. No impairment losses were recognized in 2014 or 2013.

The sensitivity analysis for the recoverable cash flows has been made assessing the impact of changes in e.g. discount rate, profitability and terminal value. Even remarkable negative change in these factors would not lead to impairment losses of tested assets, except in Poland and Czech.

The sensitivity analysis for Poland and Czech indicate that goodwill of Poland EUR 2.4 million and Czech EUR 1.1 million are most sensitive to WACC of Poland 9.66% and Czech 8.70% parametre changes.

13. INVESTMENTS IN ASSOCIATED COMPANIES

EUR million	2014	2013
Historical costs on January 1	0.1	0.1
Share of the profit	0.0	0.0
Historical costs on December 31	**0.1**	**0.1**

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

Group's associated companies and their assets, liabilities, revenue and profit/loss

EUR million	Company	Domicile	Assets	Liabilities	Revenue	Profit/loss	Ownership
2014	Arandur Oy	Vantaa	4.6	4.2	5.4	0.1	33.00%
2013	Arandur Oy	Vantaa	4.5	4.1	5.5	0.0	33.00%

14. AVAILABLE FOR SALE INVESTMENTS

EUR million	2014	2013
Carrying value January 1	2.0	2.5
Translation differences	0.0	
Increases	0.5	
Decreases	–0.5	–0.1
Changes in fair values	–0.7	–0.3
Carrying value December 31	**1.3**	**2.0**
Available for sale investments consist of as follows:		
Quoted shares	0.6	0.6
Unquoted shares	0.7	1.4
Total	**1.3**	**2.0**

15. NON-CURRENT RECEIVABLES

EUR million	2014 Carrying value	2014 Fair value	2013 Carrying value	2013 Fair value
Other receivables [1]	2.8	2.8	2.3	2.3

[1] Other receivables include defined benefit plan pension assets EUR 2.0 (2.1) million.

Reconciliation to note 27:

EUR million	2014	2013
Other receivables	2.8	2.3
Defined benefit pension asset	–2.0	–2.1
Difference	0.8	0.2

Non-current receivables do not include receivables from related parties.

16. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2014	2013
Deferred tax asset	0.7	3.5
Deferred tax liability	–60.2	–62.1
Deferred tax liability, net	**–59.5**	**–58.6**
Changes in deferred tax assets and liabilities		
Deferred tax liability, net January 1	–58.6	–63.2
Translation difference	1.4	2.5
Changes recognised in income statement	–1.7	3.3
Changes recognised in comprehensive income	1.5	1.6
Acquisitions and allocations	–2.1	–2.7
Deferred tax liability, net December 31	**–59.5**	**–58.6**

Changes in deferred tax assets and liabilities before the offset

2014 EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in compre-hensive income	Acquisitions and allocations	December 31
Deferred tax assets:						
Provisions	4.6	–0.1	0.3			4.8
Tax losses carried forward	8.1	–0.2	2.4			10.3
Pension obligations	9.2	–0.2	–4.2	1.4		6.2
Other items	1.8	–0.1	–0.2	0.1		1.6
Total deferred tax assets	**23.7**	**–0.6**	**–1.7**	**1.5**		**22.9**
Deferred tax liabilities:						
Allocation of intangible assets [1]	41.1	–1.4	–4.0		2.1	37.8
Accumulated depreciation differences	6.3	–0.2	–1.0			5.1
Pension obligations	0.4		0.0			0.4
Percentage of completion method	31.7	–0.4	5.6			36.9
Inventories	2.1	0.0	–0.5			1.6
Other items	0.7		–0.1			0.6
Total deferred tax liabilities	**82.3**	**–2.0**	**0.0**		**2.1**	**82.4**

2013 EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in compre-hensive income	Acquisitions and allocations	December 31
Deferred tax assets:						
Provisions	5.2	–0.2	–0.4			4.6
Tax losses carried forward	7.0		1.1			8.1
Pension obligations	8.1	–0.7	0.2	1.6		9.2
Other items	3.3	–0.1	–1.5	0.1		1.8
Total deferred tax assets	**23.6**	**–1.0**	**–0.6**	**1.7**		**23.7**
Deferred tax liabilities:						
Allocation of intangible assets [1)]	46.9	–2.5	–6.0		2.7	41.1
Accumulated depreciation differences	7.5	–0.2	–1.0			6.3
Pension obligations	0.4		–0.1	0.1		0.4
Percentage of completion method	29.9	–0.6	2.4			31.7
Inventories	1.5		0.6			2.1
Available-for-sale investments	0.0	–0.1	0.1			0.0
Other items	0.7	–0.1	0.1			0.7
Total deferred tax liabilities	**86.9**	**–3.5**	**–3.9**	**0.1**	**2.7**	**82.3**

[1)] Capitalisation of intangible assets include besides capitalization of intangible assets, the deductible amount of the deferred taxes of goodwill from the separate entities

The deferred tax assets on the taxable losses will be booked to the extent the benefit is expected to be able to deduct from the taxable profit in the future. No deferred tax asset of EUR 2.0 (2.3) million has been recognised on accumulated losses, of which some part is not approved by tax authorities. Deferred tax liability on undistributed earnings of subsidiaries, where the tax will be paid on the distribution of earnings, has not been recognized in the statement of financial position, because distribution of the earnings is in the control of the Group and it is not probable in the foreseeable future.

17. INVENTORIES

EUR million	2014	2013
Raw materials and consumables	17.2	19.0
Work in progress	2.8	10.4
Advance payments	0.1	0.0
Total inventories	**20.1**	**29.5**

The Group didn't make any write-downs of inventories during financial years 2014 or 2013.

18. TRADE AND OTHER RECEIVABLES

EUR million	2014 Carrying value	2013 Carrying value
Trade receivables	346.5	378.5
Accrued income from long-term projects [1)]	206.2	261.9
Accrued income	27.6	33.0
Other receivables	16.4	16.5
Total	**596.7**	**689.9**

Trade receivables average amount was EUR 321.5 (364.4) million in 2014. Group has not received collaterals.

Reconciliation to note 27:

EUR million	2014	2013
Trade receivables	346.5	378.5
Accrued income from long-term projects [1)]	206.2	261.9
Other receivables	16.4	16.5
Total	**569.1**	**656.9**

[1)] Additional information is presented in note 2. Long-term contracts.

19. CASH AND CASH EQUIVALENTS

EUR million	2014 Carrying value	2014 Fair value	2013 Carrying value	2013 Fair value
Cash at bank and in hand	78.8	78.8	133.3	133.3
Short-term money market investments	20.0	20.0		
Cash and cash equivalents	**98.8**	**98.8**	**133.3**	**133.3**

Cash and cash equivalents presented in the consolidated statement of cash flows:

EUR million	2014	2013
Cash and cash equivalents	98.8	133.3

20. NOTES TO THE EQUITY

Share capital and treasury shares

	Number of outstanding shares	Share capital EUR million	Treasury shares EUR million
Jun 30, 2013	125,596,092	1.0	–
Transfer of treasury shares			
Return of treasury shares	–4,080		0.0
Dec 31, 2013	**125,592,012**	**1.0**	**0.0**
Jan 1, 2014	125,592,012	1.0	0.0
Transfer of treasury shares			
Return of treasury shares	–5,177		0.0
Purchase of own shares	–500,000		–3.2
Dec 31, 2014	**125,086,835**	**1.0**	**–3.2**

The total number of Caverion Corporation's shares was 125,596,092 and the share capital amounted to EUR 1.0 million on December 31, 2014.

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

Treasury shares

Changes in treasury shares of Caverion Corporation during the accounting period:

	Number of shares
Jan 1, 2014	4,080
Treasury shares granted	
Return of treasury shares	5,177
Purchase of own shares	500,000
Dec 31, 2014	**509,257**

During January–December 2014, 5,177 Caverion shares were returned to the company in accordance with the terms and conditions of the share-based incentive plan transferred to Caverion Corporation in partial demerger.

The Annual General Meeting of Caverion Corporation held on March 17, 2014 authorised Caverion's Board of Directors to decide on the repurchase of own shares in accordance with the proposal by the Board of Directors. The authorisation covers the purchasing of a maximum of 12,500,000 company shares using the funds from the company's unrestricted equity. Caverion acquired 500,000 own shares in public trading arranged by NASDAQ OMX Helsinki Ltd during July 23 – August 12.

The consideration paid for the treasury shares amounted to EUR 3.2 million and is disclosed as a separate fund in equity. The consideration paid on treasury shares decreases the distributable equity of Caverion Corporation. Caverion Corporation holds the own shares as treasury shares and has the right to return them to the market in the future.

Translation differences

Translation differences include the exchange rate differences recognised in group consolidation. In addition, the portion of the gains and losses of effective hedges on the net investment in foreign subsidiaries, which are hedged with currency forwards, is recognised in equity. There were no hedges of a net investment in a foreign operation in years 2014 and 2013.

Fair value reserve

Fair value reserve includes movements in the fair value of the available-for-sale financial assets and the derivative instruments used for cash flow hedging.

Dividends

After the balance sheet date the Board of Directors has proposed to the Annual General meeting a dividend of EUR 0.22 per share to be paid.

21. SHARE-BASED PAYMENTS

Caverion's Board of Directors approved a long-term share-based incentive plan 2014–2016 for the company's key senior executives on May 26, 2014. In total, the plan covers 40 persons at the end of the financial year 2014. The grant dates took place on September 16, 2014 and December 19, 2014.

The performance share plan will form a part of the incentive and commitment programme for the executives of Caverion Group. The key aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in becoming a leading European provider of advanced and sustainable lifecycle solutions for buildings and industries. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

The plan consists of one three-year performance period in 2014–2016. It is followed by a one-year commitment period, after which the potential rewards will be paid in spring 2018. A person participating in the plan has the possibility to earn a reward only if his/her employment continues until the payment of the reward. After the shares have been delivered, they will be freely transferable.

The potential reward is based on the targets set for Group revenue and EBITDA margin until the end of 2016. The reward is to be paid in Caverion shares and as cash payment, which is intended to cover the taxes and tax-related costs arising from the reward. If all targets will be reached, the share award will in total correspond to a maximum of 500,000 Caverion shares.

Plan	Share-based incentive plan 2014–2016
Issuing date	May 26, 2014
Maximum number of shares	500,000
Dividend adjustment	–
Grant date	September 16, 2014 and December 19, 2014
Share price on grant date (EUR)	5.21 and 5.54
Beginning of earning period	January 1, 2014
End of earning period	December 31, 2016
End of restriction period	April 30, 2018
Vesting conditions	Revenue and EBITDA margin, continued employment
Maximum contractual life, years	3.6
Remaining contractual life, years	3.3
Number of persons at the end of the reporting year	40
Execution	Cash and shares

Changes in plan during the period	
January 1, 2014	
Outstanding at the beginning of the reporting period	0
Changes during the period	
Granted	460,000
Forfeited	–
Excercised	–
Expired	–
December 31, 2014	
Outstanding at the end of the period	460,000

Costs recognised for the share-based incentive plan 2014

The consolidated financial statements include cost from 2014 share-based incentive plan amounting to EUR 0.2 million. The accrued liabilities related to cash-settled part of the compensation amounted to EUR 0.1 million in 2014. EUR 0.1 million of the cost recognised is related to the Group management board.

Share-based incentive plan transferred to Caverion Corporation in the partial demerger

YIT Group had a share-based incentive plan for its key personnel in years 2010–2012. On April 25, 2013 the Board of Directors of the YIT Corporation made a decision about removing the restriction of transfer and obligation to return the shares from the YIT shares that were owned or received on the basis of the share-based incentive plan by employees transferring to Caverion Group. Respectively, in the demerger, a restriction of transfer and obligation to return the shares to Caverion Corporation in accordance with the original terms were added to the shares of Caverion Corporation to be given to the employees. In the carve-out financial statements of Caverion Group, expenses relating to the share-based incentive plan have been presented as historically realised at the YIT Group. For the period June 30 – December 31, 2014 expenses have been recognised based on revaluation as at July 1, 2013 of the Caverion Corporation's shares given to the employees.

The consolidated financial statements include cost from these share-based incentive plans amounting to EUR 0.2 (0.6) million. EUR 0.1 (0.2) million of the cost recognised is related to the Group management board.

22. EMPLOYEE BENEFIT OBLIGATIONS

Obligations in the statement of financial position:

EUR million	2014	2013
a) Defined benefit plans	30.0	42.1
b) Post-employment other benefits	9.8	8.9
Liability in the statement of financial position (interest-free)	39.9	51.1
Pension asset in the statement of financial position	–2.0	–2.1
Net liability	**37.8**	**48.9**

Income statement charge:

EUR million	2014	2013
a) Defined benefit plans *	11.7	–4.5
b) Post-employment other benefits	–0.2	–0.6
Included in financial expenses	**–1.3**	**–1.6**
Income statement charge, total (income (+) / expense (–)	**10.2**	**–6.7**

Remeasurements, included in other comprehensive income:

EUR million	2014	2013
a) Defined benefit plans	–2.6	–2.3
b) Post-employment other benefits	–0.9	–1.4
Change in foreign exchange rates	–1.9	3.0
Included in other comprehensive income, total	**–5.5**	**–0.7**

a) Defined benefit pension plans

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

* One of the defined benefit pension plans in Norway was transferred to as defined contribution plan at the end of June 2014. The release of pension liability totalled EUR 14.0 million.

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

EUR million	2014	2013
Present value of funded obligations	6.0	99.8
Fair value of plan assets	–8.1	–79.3
Net deficit of funded plans	**–2.0**	**20.5**
Present value of unfunded obligations	30.0	19.5
Total net deficit of defined benefit pension plans	**28.0**	**40.0**
Liability in the statement of financial position	30.0	42.1
Receivable in the statement of financial position	–2.0	–2.1

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

EUR million	Present value of obligation	Fair value of plan assets	Total net obligation
At January 1, 2014	119.3	–79.3	40.0
Current service cost	2.1	0.2	2.3
Interest expense	2.9	–1.8	1.1
Gains on settlements	–86.1	72.0	–14.0
Remeasurements:			
Return on plan assets, excluding interest expense		1.3	1.3
Gain (–) / loss (+) from change in demographic assumptions	–2.1		–2.1
Gain (–) / loss (+) from change in financial assumptions	4.3		4.3
Experience gains (–) /losses (+)	0.3		0.3
Exchange difference	–0.8	0.0	–0.8
Employers' contributions	–0.4	–2.9	–3.3
Benefit payments from plans	–3.5	2.4	–1.1
At December 31, 2014	**36.0**	**–8.1**	**28.0**

EUR million	Present value of obligation	Fair value of plan assets	Total net obligation
At January 1, 2013	123.8	–81.8	42.0
Current service cost	3.9	0.4	4.2
Interest expense	3.8	–2.5	1.3
Remeasurements:			
Return on plan assets, excluding interest expense		–1.1	–1.1
Gain (–) /loss (+) from change in demographic assumptions	5.3		5.3
Gain (–) /loss (+) from change in financial assumptions	–0.5		–0.5
Exchange difference	–12.0	9.0	–3.0
Employers' contributions	–0.8	–5.4	–6.2
Benefit payments from plans	–4.2	2.1	–2.1
At December 31, 2013	**119.3**	**–79.3**	**40.0**

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

The significant actuarial assumptions were as follows:

2014	Discount rate	Salary growth rate	Pension growth rate
Finland	2.3%–3.75%	2.00%	2.10%
Norway	2.30%	2.75%	0.00%
Germany	2.50%	3.00%	2.25%
Austria	2.50%	1.50%	2.25%

2013	Discount rate	Salary growth rate	Pension growth rate
Finland	3.75%	2.00%	2.10%
Norway	4.10%	3.75%	0.60%
Germany	3.75%	3.00%	2.25%
Austria	3.75%	1.50%	2.25%

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

2014	Impact on defined benefit obligation *		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by –7.9%	Increase by 8.9%
Salary growth rate	0.50%	Increase by 0.2%	Decrease by –0.2%,
Pension growth rate	0.25%	Increase by 3.5%	Decrease by –3.3%

2013	Impact on defined benefit obligation *		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by –8.9%	Increase by 9.9%
Salary growth rate	0.50%	Increase by 4.4%	Decrease by –8.7%
Pension growth rate	0.25%	Increase by 2.5%	Decrease by –2.6%

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

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

Plan assets are comprised as follows:

EUR million	2014	%	2013	%
Equity instruments	5.4	67	12.6	16
Debt instruments	1.0	12	40.9	52
Property	0.0	0	10.0	13
Cash and cash equivalents	1.7	20	15.9	20
Total plan assets	**8.1**	**100**	**79.3**	**100**

The investments positions included in pension plans are managed by insurance companies using theirs investment policy to cover the duration and cash flow of the pension obligation.

Expected employer contributions is expected to be zero in year 2015.

Multi-employer plan in Sweden

In Sweden, Caverion participates in a multi-employer defined benefit plan in Alecta insurance company. 917 employees of Caverion Sverige AB are insured through this pension plan. This multi-employer plan has not been able to deliver sufficient information for defined benefit accounting purposes, thus Caverion has accounted for this pension plan as a contribution plan.

Alecta's possible surplus may be credited to employer company or to employee. The expected contributions to the plan for the next annual reporting period are EUR 0.4 million.

b) Other post-employment benefits

Other post-employment liabilities include a legal liability in Austria related to obligations at the termination of employment and additional pension benefits liabilities in Finland.

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

EUR million	2014	2013
Present value of unfunded obligations	9.8	8.9
Liability in the statement of financial position	**9.8**	**8.9**

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

EUR million	Present value of unfunded obligation
At January 1, 2014	8.9
Current service cost	0.2
Interest expense	0.3
Remeasurements	
Return on plan assets, excluding interest expense	0.0
Gain (–) /loss (+) from change in demographic assumptions	0.0
Gain (–) /loss (+) from change in financial assumptions	1.0
Experience gains (–) /losses (+)	0.2
Benefit payments from plans	–0.7
At December 31, 2014	**9.8**

EUR million	Present value of unfunded obligation
At January 1, 2013	7.8
Current service cost	0.2
Interest expense	0.2
Remeasurements	
Return on plan assets, excluding interest expense	
Gain (–) /loss (+) from change in demographic assumptions	1.0
Gain (–) /loss (+) from change in financial assumptions	0.4
Benefit payments from plans	–0.8
At December 31, 2013	**8.9**

Through its defined benefit pension plans and other post-employment benefit plans, the group is exposed to a number of risks, the most significant of which are detailed below:

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

Inflation risk – Some of the group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

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

23. PROVISIONS

EUR million	Guarantee reserve	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	Total
January 1, 2014	14.6	2.5	2.8	2.4	3.6	25.8
Translation differences	–0.2	–0.1	–0.1	0.0		–0.4
Provision additions	8.9	1.7	2.8	1.0	3.0	17.4
Released during the period	–6.8	–1.7	–2.7	–0.3	–3.0	–14.5
Reversals of unused provisions	–0.1	–0.2		–0.4	0.0	–0.7
December 31, 2014	**16.3**	**2.2**	**2.8**	**2.7**	**3.6**	**27.6**
Non-current provisions	5.1	0.1	0.4		2.6	8.2
Current provisions	11.2	2.1	2.4	2.7	1.0	19.4
Total	**16.3**	**2.2**	**2.8**	**2.7**	**3.6**	**27.6**

EUR million	Guarantee reserve	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	Total
January 1, 2013	14.2	3.4	2.1	3.0	7.5	30.2
Translation differences	–0.3	0.0	0.0	0.0	0.0	–0.4
Provision additions	8.2	1.3	4.1	1.1	3.0	17.7
Released during the period	–7.2	0.3	–3.4	–0.4	–4.2	–14.9
Reversals of unused provisions	–0.2	–2.5		–1.3	–0.9	–4.9
Reclassifications [1)]	–0.1				–1.8	–1.9
December 31, 2013	**14.6**	**2.5**	**2.8**	**2.4**	**3.6**	**25.8**
Non-current provisions	5.4		1.3		2.4	9.1
Current provisions	9.1	2.5	1.4	2.4	1.2	16.7
Total	**14.6**	**2.5**	**2.8**	**2.4**	**3.6**	**25.8**

[1)] The Group reclassified items to other current liabilities that were included in other provisions in 2012.

Provisions for contractual guarantees are determined on the basis of experience of the realisation of commitments. Provisions are presented as non-current or current provisions based on the forecasted date of the release of the provision.

24. BORROWINGS

EUR million	2014 Carrying value	2013 Carrying value
Non-current liabilities		
Loans from financial institutions	88.1	138.1
Pension loans	6.0	8.0
Other loans	0.5	1.2
Finance lease liabilities	0.9	1.2
Non-current liabilities, total	**95.5**	**148.5**

EUR million	2014 Carrying value	2013 Carrying value
Current liabilities		
Loans from financial institutions	50.1	68.3
Pension loans	2.0	2.0
Other loans	0.8	0.4
Finance lease liabilities	0.6	0.5
Current liabilities, total	**53.5**	**71.3**

In the table are included all other liabilities than presented in note 25 Trade and other payables.

Finance lease liabilities

EUR million	2014	2013
Finance lease liabilities fall due in as follows:		
Minimum lease payments		
No later than 1 year	0.6	0.5
1–5 years	0.9	1.2
Total minimum lease payments	**1.5**	**1.7**
Present value of minimum lease payments		
No later than 1 year	0.7	0.6
1–5 years	0.9	1.2
Total present value of minimum lease payments	**1.5**	**1.8**
Future finance charges	0.0	0.0
Finance expenses charged to income statement	–0.1	–0.1

Main finance lease agreements are the agreements of cars, machinery and equipment both in production and offices.

25. TRADE AND OTHER PAYABLES

EUR million	2014 Carrying value	2013 Carrying value
Non-current liabilities		
Liabilities of derivative instruments		0.0
Advances received	0.1	
Other liabilities	0.1	0.2
Total non-current payables	**0.2**	**0.2**
Current liabilities		
Trade payables	166.6	230.1
Accrued expenses	147.1	143.9
Accrued expenses in work in progress	52.0	50.3
Advances received [1]	171.5	147.4
Other payables	80.0	86.2
Total current payables	**617.2**	**657.9**

[1] Advances received consist of advances received and of invoiced advances. Advances received from the long-term contracts are presented in note 2.

Accrued expenses

EUR million	2014	2013
Accrued employee-related liabilities	118.0	116.7
Interest expenses	0.3	0.4
Liabilities of derivative instruments	0.6	0.8
Other accrued expenses	28.1	25.9

The carrying value of the interest-free liabilities reflects nearly the fair value of them.

Reconciliation to note 27:

EUR million	2014	2013
Non-current liabilities	0.2	0.2
Derivatives		0.0
Total	**0.2**	**0.2**

EUR million	2014	2013
Current trade payables and other liabilities	617.2	657.9
Accrued expenses	–147.1	–143.9
Accrued expenses in work in progress	–52.0	–50.3
Total	**418.1**	**463.7**

26. NOMINAL VALUES AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

Nominal values

EUR million	2014	2013
Foreign exchange forward contracts, hedge accounting not applied	33.3	32.9
Interest rate forward contracts		
Hedge accounting applied		
Interest rate swaps	20.0	20.0
Forward rate agreements		50.0

Fair values

EUR million	2014 Positive fair value (carrying value)	2014 Negative fair value (carrying value)	2014 Net value	2013 Positive fair value (carrying value)	2013 Negative fair value (carrying value)	2013 Net value
Foreign exchange forward contracts						
Hedge accounting not applied	0.4	–0.6	–0.2	0.1	–0.8	–0.7
Interest rate derivatives						
Hedge accounting applied		0.0	0.0		–0.1	–0.1

All derivatives are hedges according to Caverion Group's Treasury Policy, but hedge accounting as defined in IAS 39, is applied only on certain derivative contracts. Foreign exchange forward contracts are mainly designated as hedges of financial items and have been charged to P/L in finance income/expenses. Foreign exchange forward contracts maturity dates are within 2015 and 2016. The average interest rate fixing term of Group's interest-bearing loans has been increased by interest rate derivatives. The changes in the fair value of derivatives with hedge accounting applied for are recognised in fair value reserve in equity and the changes in fair value for derivatives with hedge accounting not applied for, are recognised in profit and loss account. All the interest rate derivatives to which hedge accounting is applied for are long-term agreements corresponding to the maturity of hedged liability.

27. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2014 EUR million	Available for sale investments	Loans and other receivables	Held for trading	Derivatives in hedge accounting	Finance liabilities	Carrying value	Fair value				Note
Valuation	**Fair value**	**Measured at amortised cost**	**Fair value**	**Fair value**	**Measured at amortised cost**		**Level 1**	**Level 2**	**Level 3**	**Total**	
Non-current financial assets											
Available for sale investments	1.3					1.3	0.6		0.7	1.3	14
Trade receivables and other receivables		0.8				0.8					15
Current financial assets											
Trade receivables and other receivables		569.1				569.1					18
Derivatives (hedge accounting not applied)			0.4			0.4		0.4		0.4	18, 26
Cash and cash equivalents		98.8				98.8					19
Total	**1.3**	**668.6**	**0.4**			**670.4**	**0.6**	**0.4**	**0.7**	**1.8**	
Non-current financial liabilities											
Loans from financial institutions					88.1	88.1		89.6		89.6	24
Pension loans					6.0	6.0		6.0		6.0	24
Other loans					0.5	0.5		0.5		0.5	24
Finance lease liabilities					0.9	0.9		1.0		1.0	24
Trade payables and other liabilities					0.2	0.2					25
Current financial liabilities											
Loans from financial institutions					50.1	50.1					24
Pension loans					2.0	2.0					24
Other loans					0.8	0.8					24
Finance lease liabilities					0.6	0.6					24
Trade payables and other liabilities					418.1	418.1					25
Derivatives (hedge accounting applied)				0.0		0.0		0.0		0.0	25, 26
Derivatives (hedge accounting not applied)			0.6			0.6		0.6		0.6	25, 26
Total			**0.6**	**0.0**	**567.2**	**567.9**		**97.7**		**97.7**	

2013

EUR million	Available for sale investments	Loans and other receivables	Held for trading	Derivatives in hedge accounting	Finance liabilities	Carrying value	Fair value				Note
Valuation	**Fair value**	**Measured at amortised cost**	**Fair value**	**Fair value**	**Measured at amortised cost**		**Level 1**	**Level 2**	**Level 3**	**Total**	
Non-current financial assets											
Available for sale investments	2.0					2.0	0.6		1.4	2.0	14
Trade receivables and other receivables		0.2				0.2					15
Current financial assets											
Trade receivables and other receivables		656.9				656.9					18
Derivatives (hedge accounting not applied)			0.1			0.1		0.1		0.1	18, 26
Cash and cash equivalents		133.3				133.3					19
Total	**2.0**	**790.4**	**0.1**			**792.6**	**0.6**	**0.1**	**1.4**	**2.1**	
Non-current financial liabilities											
Loans from financial institutions					138.1	138.1		139.5		139.5	24
Pension loans					8.0	8.0		7.7		7.7	24
Other loans					1.2	1.2		1.2		1.2	24
Finance lease liabilities					1.2	1.2		1.3		1.3	24
Trade payables and other liabilities					0.2	0.2					25
Current financial liabilities											
Loans from financial institutions					68.3	68.3					24
Pension loans					2.0	2.0					24
Other loans					0.4	0.4					24
Finance lease liabilities					0.5	0.5					24
Trade payables and other liabilities					463.7	463.7					25
Derivatives (hedge accounting applied)				0.1		0.1		0.1		0.1	25, 26
Derivatives (hedge accounting not applied)			0.8			0.8		0.8		0.8	25, 26
Total			**0.8**	**0.1**	**683.7**	**684.5**		**150.6**		**150.6**	

Measurement of fair values

Valuation techniques and significant unobservable inputs used in fair value measurement:

a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily funds and OMXH equity investments classified as available for sale.

b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair values for the derivative instruments categorised in Level 2 have been defined as follows: The fair values of foreign exchange forward and forward rate agreements have been defined by using the market prices at the closing day. The fair values of interest rate swaps are based on discounted cash flows. The fair values of non-current loans are based on discounted cash flows. Discount rate is defined to be the rate that Group was to pay for an equivalent external loan at the year-end. It consists of risk-free market rate and company and maturity related risk premium of 0.75–4.50% p.a (0.75–4.50% in 2013).

c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The available-for-sale investments categorised in Level 3 are non-listed equity instruments and they are measured at acquisition cost less any impairment or prices obtained from a broker as their fair value cannot be measured reliably.

There were no transfers between the levels of the fair value hierarchy during the period ended 31 December 2014.

Changes in the items categorized into level 3 are presented below:

EUR million	Assets 2014	Liabilities 2014	Assets 2013	Liabilities 2013
Opening balance	1.4		1.9	
Transfers into/from level 3				
Purchases and sales			–0.1	
Gains and losses recognised in profit and loss				
Gains and losses recognised in comprehensive profit and loss	–0.7		–0.3	
Closing balance	**0.7**		**1.4**	

28. FINANCIAL RISK MANAGEMENT

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

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

Interest rate risk

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

Caverion's exposure to cash flow interest rate risk arises mainly from current and non-current loans and related interest rate derivatives. Borrowing issued at floating interest rates expose Caverion to cash flow interest rate risk, which is hedged by interest rate derivatives. To manage the interest rate risk, the Board of Directors of the Caverion Group has defined an average interest rate fixing term target of 12 months for the Group's net debt (excluding cash). At the reporting date the average interest rate fixing term of net debt (excluding cash) was 3.9 months

Interest rate derivatives are used to hedge the re-pricing risk of floating-rate loans. Nominal hedged amount is EUR 20 million (EUR 20 million in 2013) and its reference interest rate is 6 month Euribor. Group applies cash flow hedge accounting for this interest rate derivative and the hedged cash flows will realise within next reporting period (notes 26 and 27). Hedges have been effective at the reporting date. The quoted price for interest rate swap agreements is derived from the discounted future cash flows. Fair values of derivatives are recognised in the hedging reserve in other comprehensive income according to accounting policies.

The weighted average effective interest rate of the whole loan portfolio after hedges was 2.13% in 2014 (2.31% in 2013). Interest rate derivatives increase the average effective interest rate of the loan portfolio by 0.02 percentage points in 2014 (0.03 percentage points increase in 2013). Fixed-rate loans after hedges accounted for approximately 21 percent of the Group's borrowings.

In addition to the targeted average interest rate fixing term of net debt the Caverion Group management monitors monthly the effect of the possible change in interest rate level on the Caverion Group's financial result. The monitored number is the effect of one percentage point change in interest rate level on yearly net interest expenses. The effect on Caverion's yearly net interest expenses would have been EUR 0.1 million in 2014 (EUR 0.7 million in 2013) net of tax.

In addition to interest bearing net debt, foreign exchange forward contracts associated with the intra-group loans expose the Group's result to interest rate risk. Caverion's external loans are mainly denominated in euros, but subsidiaries are financed in their functional currency. Caverion is exposed to the interest rate risk of different functional currencies in the Group when hedging foreign exchange risk arising from foreign currency denominated loans granted to subsidiaries by foreign exchange forward contracts. The parent company receives or pays the interest rate difference between foreign currencies and euro through hedging the foreign currency receivables. Caverion had no internal loans of significant amount at the reporting date.

A one percentage point change in interest rates at the reporting date would not have had a significant effect to the consolidated balance sheet in 2014 (EUR 0.4 million in 2013) net of tax. The effect would have changed the fair values of the interest rate derivatives in hedge accounting, in the fair value reserve in equity.

Credit and counterparty risk

Caverion's credit risk arises from outstanding receivable balances, long term agreements with customers, as well as cash and cash equivalents/deposits and derivative financial instruments with banks.The Group Treasury is responsible for the counterparty risk of derivative instruments and financial investment products. Local entities are responsible for managing the credit risk related to operating items, such as trade receivables. Customer base and the nature of commercial contracts differ in each Caverion's segments hence finance department of each segment manage the customer specific credit risk together with business units.

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

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

The credit losses and impairment of receivables were EUR 1.7 million in 2014 and EUR0.9 million in 2013. The Group's maximum exposure to credit risk at the balance sheet date (December 31, 2014) is the carrying amount of the financial assets.

Age analysis of trade receivables December 31, 2014

EUR million	Carrying amount	Impaired	Gross
Not past due [1]	263.0	–0.1	263.0
1–90 days	42.7	–0.1	42.8
91–180 days	5.8	–0.9	6.7
181–360 days	18.8	–1.0	19.7
over 360 days	16.3	–5.0	21.3
Total	**346.5**	**–7.0**	**353.6**

Age analysis of trade receivables December 31, 2013

EUR million	Carrying amount	Impaired	Gross
Not past due [1]	286.4	–0.2	286.6
1–90 days	56.4	–0.3	56.7
91–180 days	8.9	–0.5	9.4
181–360 days	8.5	–1.3	9.8
over 360 days	18.2	–9.2	27.5
Total	**378.5**	**–11.5**	**390.0**

[1] There are no material trade receivables that would be otherwise past due but whose terms have been renegotiated. For additional information on trade receivables, please see note 18.

Offsetting financial assets and liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

EUR million	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Assets December 31, 2014			
Derivative financial assets	0.4	–0.1	0.3
Total	**0.4**	**–0.1**	**0.3**
Liabilities December 31, 2014			
Derivative financial liabilities	0.6	–0.1	0.5
Total	**0.6**	**–0.1**	**0.5**

EUR million	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
Assets December 31, 2013			
Derivative financial assets	0.1	–0.1	0.0
Total	**0.1**	**–0.1**	**0.0**
Liabilities December 31, 2013			
Derivative financial liabilities	0.9	–0.1	0.8
Total	**0.9**	**–0.1**	**0.8**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements are settled on a gross basis. In certain circumstances – e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. Master netting agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events. Other financial assets or liabilities for example trade receivables or trade payables do not include any amounts subject to netting agreements.

Liquidity risk

The Caverion's management evaluates and monitors continuously the amount of funding required in the Group's business activities to ensure it has adequate liquid fund to finance its operations, repay its loans at maturity and pay annual dividends. The funding requirements have been evaluated based on annual budget, monthly financial forecast and short-term, timely cash planning. The Caverion's Group Treasury is responsible for maintaining sufficient funding, availability of different funding sources and controlled maturity profile of external loans. Approximately 93 percent of the loans have been raised from banks and other financial institutions and approximately 5 percent from insurance companies.

Caverion Group's interest-bearing loans borrowings amounted to 149.0 million at the end of December (EUR 219.8 million in 2013). A total of EUR 53.5 million of the interest-bearing loans and borrowings will fall due during the next 12 months.

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA.

To manage liquidity risk the Caverion Group uses cash and cash equivalents, Group accounts with overdraft facilities, credit facilities and commercial papers. Caverion's cash and cash equivalents amounted to EUR 98.8 million at the end of December (EUR 133.3 million in 2013). In addition, Caverion has undrawn overdraft facilities amounting to EUR 19 million and undrawn committed revolving credit facilities amounting to EUR 60 million. The committed revolving credit facilities are valid until June 2016.

Cash management and funding is centralized in the Caverion's Group Treasury. With a centralized cash management, the use of liquid funds can be optimized between different units of the Group. The following table describes the contractual maturities of financial liabilities. The amounts are undiscounted. Interest cash flows of floating rate loans and derivative instruments are based on the interest rates prevailing on December 31, 2014 (December 31, 2013). Cash flows of foreign currency denominated loans are translated into euro at the reporting date. Cash flows of foreign currency forward contracts are translated into euro at forward rates.

Contractual maturity analysis of financial liabilities and interest payments at December 31, 2014

EUR million	2015	2016	2017	2018	2019	2020-	Total	Note
Loans from financial institutions	52.7	89.4					142.1	24, 27
Pension loans	2.1	2.1	2.1	2.0			8.3	24, 27
Finance lease liabilities	0.6	0.6	0.1	0.1	0.0		1.4	24, 27
Other financial liabilities	0.8	0.5					1.3	24, 27
Trade and other payables	418.1						418.1	25, 27
Interest rate derivatives								
Hedge accounting applied	0.0						0.0	25, 26, 27
Foreign currency derivatives	0.2	0.0					0.2	25, 26, 27

Contractual maturity analysis of financial liabilities and interest payments at December 31, 2013

EUR million	2014	2015	2016	2017	2018	2019-	Total	Note
Loans from financial institutions	72.6	53.0	89.5				215.0	24, 27
Pension loans	2.1	2.1	2.1	2.1	2.0		10.4	24, 27
Finance lease liabilities	0.5	0.6	0.4	0.1	0.1		1.7	24, 27
Other financial liabilities	0.4	0.7	0.5		0.1		1.7	24, 27
Trade and other payables	463.7						463.7	25, 27
Interest rate derivatives								
Hedge accounting applied	0.1	0.0					0.1	25, 26, 27
Foreign currency derivatives	0.7						0.7	25, 26, 27

Foreign exchange risk

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

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

Foreign currency denominated net investments at the balance sheet date

EUR million	2014 Net investments	2013 Net investments
SEK	52.6	52.1
NOK	–1.5	0.4
DKK	9.0	9.5
Other currencies	4.1	11.4

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

According to the Caverion Group's Treasury policy, all group companies are responsible for identifying and hedging the foreign exchange risk related to the foreign currency denominated cash flows. All firm commitments over EUR 0.2 million must be hedged, by intra-group transactions with the Caverion Group Treasury. The Caverion Group Treasury hedges the net position with external counterparties but does not apply hedge accounting to derivatives hedging foreign exchange risk. Accordingly, the fair value changes of derivative instrument are recognised in consolidated income statement. In 2014 the most significant currency in the Caverion Group, that is related to commercial agreements and their hedges is Swedish Crown. If the euro had strengthened by 5% against to the Swedish Crown at the reporting date, valuation of the foreign exchange contracts would have caused a post-tax foreign exchange gain of EUR 0.1 million.

Excluding foreign exchange differences due to derivatives relating to the commercial agreements, the strengthening or weakening of the Euro would not have a significant impact on the Caverion Group's result, if the translation difference in consolidation is not considered. The sensitivity analysis comprises the foreign exchange derivative contracts made for hedging, both the internal and external loans and receivables, which offset the effect of changes in foreign exchange rates.

Capital management

The objective of capital management in Caverion Group is to maintain the 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.

29. OTHER LEASE AGREEMENTS

Group as lessee

The future minimum lease payments under non-cancellable operating leases:

EUR million	2014	2013
No later than 1 year	56.2	61.5
1–5 years	101.4	114.3
Later than 5 years	31.5	34.5
Total	**189.1**	**210.4**

The lease payments of non-cancellable operating leases charged to income statement amounted to EUR 63.1 (60.6) million.

The Group has leased the office facilities. The lease agreements of office facilities have a maximum validity period of 9 years. Most of the agreements include the possibility of continuing after the initial expiry date. The index, renewal, and other terms of the lease agreements of office facilities are dissimilar to each other. Operating leases include also the liabilities of operating lease agreements of employee cars, which have the average duration of four years.

30. COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2014	2013
Guarantees given on behalf of associated companies	0.2	0.2
Other commitments		
Other contingent liabilities	0.2	0.2

The Group parent company has guaranteed obligations of its subsidiaries. On December 31, 2014 the total amount of these guarantees was EUR 502.8 (468.1) million.

Group companies are engaged in legal proceedings that are connected to ordinary business operations. The outcomes of the proceedings are difficult to predict, but if a case is deemed to require a provision that has been made on the basis of best estimate. It is the understanding of the Group management that the legal proceedings do not have a significant effect on the Group's financial position.

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. Hereby, a secondary liability up to the allocated net asset value has been generated to Caverion Corporation, incorporated due to the partial demerger of YIT Corporation, for those liabilities that have been generated before the registration of the demerger and remain with YIT Corporation after the demerger. Except for the bond holders of YIT Corporation's certain floating rate bonds, the creditors of YIT Corporation's major financial liabilities have waived their right to claim for a settlement from Caverion Corporation on the basis of the secondary liability. Nominal amount for these YIT Corporation's floating rate bonds was EUR 10.8 (94.6) million on December 31, 2014 and they mature as follows: EUR 5.4 million in 2015 and EUR 5.4 million in 2016. In addition, Caverion Corporation has a secondary liability relating to the Group guarantees that remain with YIT Corporation after the demerger. These Group guarantees amounted to EUR 359.9 (389.1) million at the end of December 2014.

31. SUBSIDIARIES

Company name	Domicile	Holding, %
Shares in subsidiaries, owned by the Caverion Corporation		
Caverion Suomi Ltd	Helsinki	100.00
Caverion GmbH	Munich	100.00
Caverion Industria Ltd	Vantaa	100.00
Caverion Sverige AB	Solna	100.00
Caverion Norge AS	Oslo	100.00
Caverion Danmark A/S	Fredericia	100.00
Caverion Österreich GmbH	Vienna	100.00
Caverion Emerging Markets Ltd	Helsinki	100.00
Caverion Internal Services AB	Solna	100.00
Shares in subsidiaries, owned by Caverion Emerging Markets Ltd		
Caverion Eesti AS	Tallinn	100.00
Caverion Latvija SIA	Riga	100.00
UAB Caverion Lietuva	Vilnius	100.00
Caverion Huber Invest Ltd	Helsinki	100.00
Caverion Česká rebublika s.r.o	Prague	100.00
Caverion Polska Sp.z.o.o.	Warsaw	100.00
SC Caverion Building Services S.R.L	Sibiu	100.00
Caverion Asia PTE	Singapore	85.00
Caverion Malaysia	Butterworth	99.00
Shares in subsidiaries, owned by Caverion GmbH		
Caverion Deutschland GmbH	Munich	100.00
Duatec GmbH	Munich	100.00
OOO Kaverion Geboidetehnik Rus	Moscow	100.00
Shares in subsidiaries, owned by Caverion Sverige AB		
MISAB Sprinkler & VVS AB	Solna	100.00
Shares in subsidiaries, owned by Caverion Huber Invest Ltd		
ZAO Caverion St. Petersburg	St. Petersburg	100.00
OOO Caverion Elmek	Moscow	100.00
Shares in subsidiaries, owned by Caverion Industria Ltd		
Teollisuus Invest Ltd	Helsinki	100.00
OOO Peter Industry Service	St. Petersburg	100.00
Oy Botnia Mill Service Ab [1)]	Kemi	49.83
Kiinteistö Oy Leppävirran Teollisuustalotie 1	Leppävirta	60.00

[1)] Oy Botnia Mill Service Ab is fully consolidated due to Caverion Group's controlling interest based on shareholder's agreement.

Caverion doesn't have subsidiaries with material non-controlling interests based on Group's view.

32. RELATED PARTY TRANSACTIONS

EUR million	2014	2013 *
Sales of goods and services to associated companies	1.3	1.2
Purchases of goods and services from other entities controlled by key management personnel		0.1
Trade and other receivables from other related parties		0.1
Sales of goods and services to YIT Group [1]		26.0
Purchases of goods and services from YIT Group [2]		12.7
Trade and other receivables from YIT Group		5.2
Trade and other payables to YIT Group		3.4

* In these consolidated financial statements transactions and balance sheet items with YIT Group companies, that were considered as intercompany transactions in YIT reporting, have been treated as transactions with related parties until the consummation of the partial demerger on June 30, 2013

[1] Sales of goods and services consist of building services offered by Caverion to YIT Group in year 2013 before the partial demerger on June 30, 2013.
[2] The goods and services purchased consist of IT services as well as office lease costs purchased by Caverion from YIT Group in year 2013 before the partial demerger on June 30, 2013.

Goods and services to other related parties are sold on the basis of price lists in force with non-related parties.

Key management compensation [1]

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

EUR million	2014	2013 *
Salaries and other short-term employee benefits	4.7	3.7
Post-employment benefits	0.2	
Termination benefits		
Share-based payments [1]		0.7
Total	**4.8**	**4.4**

* Key management compensation for the six-month period ended June 30, 2013 include the allocated share of the employee benefits of the persons transferred to Caverion, consisting of YIT CEO, the deputy managing director, Group management and the Board of Directors.

[1] The total value of transferred shares, cash bonus and related taxes.

Information on share-incentive schemes has been presented in note 21. Share-based payments.

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

EUR million	2014	2013 *
President and CEO		
Strand Fredrik, President and CEO as from April 1, 2014	0.4	–
Pitkäkoski Juhani, President and CEO from June 30, 2013 to March 31, 2014	0.4	0.4
Total	**0.7**	**0.4**
Members of the Board of Directors		
Ehrnrooth Henrik, Chairman of the Board	0.1	0.0
Hyvönen Anna	0.1	0.0
Lehtoranta Ari	0.1	0.0
Lindqvist Eva	0.1	0.0
Rosenlew Michael	0.1	0.0
Total	**0.3**	**0.2**

* For the period June 30, 2013 to December 31, 2013.

Pensions and retirement age

The pension scheme of President and CEO is determined according to a defined contribution based system. In 2014 the total cost of this pension scheme was EUR 0.1 million. Other members of the Group Management Board do not have any supplementary executive pension schemes.

Retirement age of President and CEO is 65 years. For other members of the Group Management Board the statutory retirement age applies.

Termination compensation

The President and CEO's contractual notice period is six months. If the company terminates the contract, he shall also be paid separate compensation amounting to 12 months' base salary.

Loans to related parties

Loans to any related parties do not exist.

Equity transactions

Equity transactions made with the YIT Group before the partial demerger have been presented in the statement of changes in equity.

33. DISTRIBUTION OF REVENUE AND NON-CURRENT ASSETS

Caverion Corporation changed its segment reporting as of January 1, 2014 to better match the company's new management structure and business areas. The segments based on geographical areas (Building Services Northern Europe and Building Services Central Europe) were replaced by one single operative segment.

Geographical distribution of revenue and non-current assets

EUR million	2014 Revenue from external customers	2014 Non-current assets	2013 Revenue from external customers	2013 Non-current assets
Sweden	610.5	53.9	702.5	55.9
Finland	500.6	137.0	518.6	131.7
Norway	454.7	84.3	497.5	91.3
Germany	474.7	101.6	436.2	98.6
Austria	139.4	20.4	147.2	20.0
Denmark	119.3	10.8	131.7	10.4
Other countries	107.3	4.9	109.9	4.2
Group total	**2,406.6**	**412.8**	**2,543.6**	**412.1**

Revenues are presented by location of customers and assets by location of assets.

Revenue by businesses

EUR million	2014	%	2013	%
Service and maintenance	1,297.0	54	1,409.3	55
Projects	1,109.5	46	1,134.3	45
Group total	**2,406.6**	100	**2,543.6**	100

Revenue by customers

Caverion's customer base consists of a large number of customers in several geographical areas and no individual customer represents a material share of its revenue.

34. EVENTS AFTER THE REPORTING PERIOD

Caverion has sold its operations in Romania through a management buy-out after the end of the reporting period in January 2015. The sale of these operations has no material impact on the financial position and performance of Caverion Group.

Income statement, Parent company, FAS

EUR	Note	1.1.2014–31.12.2014	30.6.–31.12.2013
Other operating income	1	25,054,501.63	10,211,643.11
Personnel expenses	2	–8,902,409.32	–4,931,260.76
Depreciation and value adjustments	3	–1,605,767.48	–780,741.14
Other operating expenses	4	–21,312,224.79	–8,915,589.42
OPERATING LOSS		**–6,765,899.96**	**–4,415,948.21**
Financial income and expenses	5	13,236,974.07	–854,789.22
PROFIT BEFORE EXTRAORDINARY ITEMS		**6,471,074.11**	**–5,270,737.43**
Extraordinary items	6	16,350,000.00	10,300,000.00
PROFIT BEFORE APPROPRIATIONS AND TAXES		**22,821,074.11**	**5,029,262.57**
Appropriations	7	–536,853.65	–8,250.76
Income taxes	8	–980,401.49	–1,233,358.00
PROFIT FOR THE FINANCIAL PERIOD		**21,303,818.97**	**3,787,653.81**

Balance sheet, Parent company, FAS

EUR	Note	31.12.2014	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	4,580,909.95	4,550,804.14
Tangible assets	9	5,206,603.75	3,701,951.79
Investments	10	391,582,569.52	341,743,630.29
TOTAL NON-CURRENT ASSETS		**401,370,083.22**	**349,996,386.22**
CURRENT ASSETS			
Long-term receivables	11	60,001,100.00	80,003,260.00
Current receivables	12	43,723,686.64	55,810,813.07
Cash and cash equivalents		82,371,475.40	117,096,146.03
TOTAL CURRENT ASSETS		**186,096,262.04**	**252,910,219.10**
TOTAL ASSETS		**587,466,345.26**	**602,906,605.32**
EQUITY AND LIABILITIES			
EQUITY	13		
Share capital		1,000,000.00	1,000,000.00
Retained earnings		130,316,296.43	154,158,542.72
Profit for the period		21,303,818.97	3,787,653.81
Fair value reserve		–4,079.27	
Treasury shares		–3,203,487.39	–13,458.95
TOTAL EQUITY		**149,412,548.74**	**158,932,737.58**
APPROPRIATIONS	14	**545,104.41**	**8,250.76**
LIABILITIES			
Non-current liabilities	16	94,424,284.27	146,660,159.45
Current liabilities	17	343,084,407.84	297,305,457.53
TOTAL LIABILITIES		**437,508,692.11**	**443,965,616.98**
TOTAL EQUITY AND LIABILITIES		**587,466,345.26**	**602,906,605.32**

Cash flow statement, Parent company, FAS

EUR	1.1.2014–31.12.2014	30.6.2013–31.12.2013
Cash flow from operating activities		
Profit / loss before extraordinary items	6,471,074.11	–5,270,737.43
Adjustments for:		
Depreciations	1,605,767.48	780,741.14
Gains and disposals of sales of subsidiary shares	–3,288,123.05	
Financial income and expenses	–13,236,974.07	854,789.22
Cash flow before change in working capital	**–8,448,255.53**	**–3,635,207.07**
Change in working capital		
Change in trade and other receivables	–13,220,662.24	11,651,602.11
Change in long-term receivables	2,160.00	–2,160.00
Change in trade and other payables	123,415.65	–10,322,392.52
Cash flow before financial items and taxes	**–21,543,342.12**	**–2,308,157.48**
Cash flow from operating activities		
Interest paid and financial expenses	–14,737,879.49	–9,709,876.99
Dividends received	14,132,044.45	
Interest received and financial income	12,678,691.52	8,382,288.15
Income taxes paid	–2,243,472.72	
Cash flow from operating activities	**–11,713,958.36**	**–3,635,746.32**
Cash flow from investing activities		
Purchases of tangible and intangible assets	–3,140,525.25	–1,685,711.15
Proceeds from repayments of non-current loans	20,000,000.00	
Change in current interest-bearing receivables	29,303,479.23	–11,287,176.00
Subsidiary investments	–53,110,816.18	
Proceeds of sales of subsidiary shares	6,560,000.00	
Cash flow from investing activities	**–387,862.20**	**–12,972,887.15**
Cash flow from financing activities		
Purchase of own shares	–3,172,965.90	
Group contributions received	13,398,026.00	
Repayment of borrowings	–70,545,454.54	–15,000,000.00
Change in current loans	65,327,444.47	111,593,466.66
Dividends paid	–27,629,900.10	
Cash flow from financing activities	**–22,622,850.07**	**96,593,466.66**
Net change in cash and cash equivalents	**–34,724,670.63**	**79,984,833.19**
Cash and cash equivalents at the beginning of the financial year	117,096,146.03	
Cash and cash equivalents from the partial demerger		37,111,279.04
Cash and cash equivalents from the merger		33.80
Cash and cash equivalents at the end of the financial year	82,371,475.40	117,096,146.03

Notes to the financial statements, Parent company

Caverion Corporation accounting principles

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

Foreign currency transactions

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

Valuation of assets

Intangible and tangible assets are recognized in the balance sheet at original purchase cost less depreciation according to plan and possible impairment.

Depreciations according to plan are calculated using the straight-line method to allocate the cost to over their estimated useful lives.

The estimated useful lives of assets are the following:

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

Investments are stated at historical cost.

Income recognition

The income from intra-group service sales is recorded as other operating income when the service is completed.

Future expenses and losses

Future expenses and losses which relate to the financial year or previous financial years and are likely to materialize, are recognized as an expense in the income statement. When the precise amount or timing of realization is not known, they are presented in the balance sheet provisions for contingent losses.

Accrual of pension costs

The pension cover of parent company is handled by external pension insurance companies. Pension costs are recognized as costs in the income statement.

Interest income and expenses

Interest income and expenses of interest rate derivative contracts are recognized over the contract period, and are used to adjust the hedged interest rates. Currency derivatives are measured at fair value.

Loans and receivables

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

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

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

Financial liabilities and other liabilities

Borrowings are recorded on the settlement date at acquisition cost, and transaction costs are expensed in the financing expenses in the statement of income over the period of the liability to which it relates. Other borrowing costs are expensed in the period during which they are incurred. Fees paid on the establishment of loan facilities are recognised as expenses over the period of the facility to which it relates. Borrowings are derecognised when its contractual obligations are discharged or cancelled, or expire.

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

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

Derivative instruments

Derivative contracts that are used to hedge currency and the interest rate risks are valued at fair value. The fair values of interest rate swaps and foreign exchange derivatives are presented in the note 19 Derivative instruments.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currency. Foreign exchange derivatives are valued employing the market forward exchange rate quoted on the balance sheet date, and gains and losses are recognized in the financing income and expences in the income statement. Foreign exchange derivatives mature within 2015. Hedge accounting is not applied to foreign exchange derivatives.

Interest rate derivatives are used to hedge against changes affecting the net profit, balance sheet and cash flows due to interest rate fluctuations. The fair values of interest rate derivatives are derived by discounting the contractual future cash flows to the present value. Hedge accounting is applied to interest rate derivatives and they have been accounted for as cash flow hedges. The accounting principles related to derivative instruments and hedge accounting are described more specifically in Group's accounting principles in the section: Derivative financial instruments and hedge accounting.

Income taxes

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

Notes to the income statement, Parent company

1. OTHER OPERATING INCOME

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Service income	21,412.0	10,211.6
Gains on disposals of investments	3,642.5	
Total	**25,054.5**	**10,211.6**

2. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Personnel expenses		
Wages, salaries and fees	7,259.5	4,030.4
Pension expenses	1,260.3	774.3
Other indirect personnel costs	382.6	126.5
Total	**8,902.4**	**4,931.3**
Average personnel	70.0	85.0
Salaries and fees to the management		
President and executive Vice President	715.4	421.1
Members of the Board of Directors	324.7	166.2
Total	**1,040.1**	**587.3**

3. DEPRECIATIONS AND VALUE ADJUSTMENTS

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Depreciation on other tangible assets	1,538.9	747.3
Depreciations on buildings and structures	16.1	8.0
Depreciations on machinery and equipment	50.8	25.4
Total	**1,605.8**	**780.7**

4. OTHER OPERATING EXPENSES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
The fees for the auditors		
PricewaterhouseCoopers		
Audit fee	123.0	96.0
Tax services	11.0	1.0
Other services	578.0	21.0
Total	**712.0**	**118.0**

5. FINANCIAL INCOME AND EXPENSES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Dividend income		
From Group companies	14,132.0	
Interest income from non-current investments		
From Group companies	2,002.4	2,010.2
Other interest and financial income		
From Group companies	2,508.4	1,275.3
From others	215.5	97.3
Total	**2,723.9**	**1,372.7**
Other interest and financial expenses		
Interest expenses to Group companies	–467.6	–415.9
Interest expenses to others	–4,006.6	–2,404.4
Other expenses to others	–965.0	–1,331.4
Total	**–5,439.3**	**–4,151.7**
Exchange rate gains	8,360.2	5,486.1
Fair value change in derivatives	365.0	–714.6
Exchange rate losses	–8,907.2	–4,857.3
Total	**–182.1**	**–85.9**
Total financial income and expenses	**13,237.0**	**–854.8**

6. EXTRAORDINARY ITEMS

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Group contributions	16,350.0	10,300.0

7. APPROPRIATIONS

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
The accumulated difference between the depreciations	536.9	8.3

8. INCOME TAXES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Income taxes on operating activities	980.4	1,233.4
Total	**980.4**	**1,233.4**

Notes to the balance sheet, Parent company

9. CHANGES IN FIXED ASSETS

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Intangible assets		
Intangible rights		
Historical cost at Jan 01	5,298.1	
Demerger		3,461.1
Increases	1,569.0	1,837.0
Decreases		
Historical cost at Dec 31	6,867.1	5,298.1
Accumulated depreciations and value adjustments Jan 1	–747.3	
Depreciations for the period	–1,538.9	–747.3
Accumulated depreciations and value adjustments Dec 31	–2,286.2	–747.3
Book value at December 31	**4,580.9**	**4,550.8**
Total intangible assets	**4,580.9**	**4,550.8**
Tangible assets		
Land and water areas		
Historical cost at Jan 1	109.8	
Demerger		109.8
Increases		
Decreases		
Historical cost at Dec 31	109.8	109.8
Book value at December 31	**109.8**	**109.8**
Buildings and structures		
Historical cost at Jan 1	160.9	
Demerger		160.9
Increases		
Decreases		
Historical cost at Dec 31	160.9	160.9
Accumulated depreciations and value adjustments Jan 1	–8.0	
Depreciations for the period	–16.1	–8.0
Accumulated depreciations and value adjustments Dec 31	–24.1	–8.0
Book value at December 31	**136.8**	**152.8**
Machinery and equipment		
Historical cost at Jan 1	155.7	
Demerger		8.2
Increases		147.4
Decreases		
Historical cost at Dec 31	155.7	155.7
Accumulated depreciations and value adjustments Jan 1	–25.4	
Depreciations for the period	–50.8	–25.4
Accumulated depreciations and value adjustments Dec 31	–76.2	–25.4
Book value at December 31	**79.5**	**130.3**

Advance payments and construction in progress		
Historical cost at Jan 1	3,309.0	
Demerger		4,569.2
Increases	11,356.5	7,898.5
Decreases	–9,785.0	–9,158.7
Historical cost at Dec 31	4,880.5	3,309.0
Book value at December 31	**4,880.5**	**3,309.0**
Total tangible assets	**5,206.6**	**3,702.0**

10. INVESTMENTS

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Shares in Group companies		
Historical cost at Jan 1	341,743.6	
Increases demerger		133,595.3
Increases merger		289,438.0
Decreases merger		–81,289.7
Increases	53,110.8	
Decreases	–3,271.9	
Historical cost at Dec 31	391,582.6	341,743.6
Total investments	**391,582.6**	**341,743.6**

11. NON-CURRENT RECEIVABLES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Receivables from Group companies		
Loan receivables	60,000.0	80,000.0
Receivables from others	1.1	3.3
Total non-current receivables	**60,001.1**	**80,003.3**

12. CURRENT RECEIVABLES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Receivables from Group companies		
Trade receivables	19,181.5	7,189.8
Loan receivables	331.5	29,162.9
Other receivables	17,244.4	13,807.5
Total	**36,757.4**	**50,160.2**
Receivables from others		
Other receivables	434.1	1,837.9
Accrued income	6,532.2	3,812.6
Total	**6,966.3**	**5,650.6**
Accrued income		
Accrued financial expenses	314.7	771.6
Tax receivables	29.7	
Other receivables	6,187.8	3,041.0
Total	**6,532.2**	**3,812.6**

13. EQUITY

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Share capital Jan 1	1,000.0	
Transferred in demerger		1,000.0
Share capital Dec 31	1,000.0	1,000.0
Retained earnings Jan 1	157,932.7	
Treasury share reserve	–3,190.0	–8.8
Transferred in demerger		140,306.4
Transferred in merger		13,847.5
Dividend distribution	–27,629.9	
Retained earnings Dec 31	**127,112.8**	**154,145.1**
Net profit for the financial period	21,303.8	3,787.7
Fair value reserve 1.1.		
Cash flow hedges	–4.1	
Fair value reserve 31.12.	–4.1	
Total equity	**149,412.5**	**158,932.7**
Distributable funds at Dec 31		
Retained earnings	127,112.8	154,145.1
Net profit for the financial period	21,303.8	3,787.7
Fair value reserve	–4.1	
Distributable fund from shareholders' equity	**148,412.5**	**157,932.7**

Treasury shares of Caverion Corporation

December 31, 2014 parent company had treasury shares as follows:

	Number	Total number of shares	% of total share capital and voting rights
	509,257	125,596,092	0.41%

Caverion Corporation acquired and received own shares during the year 2014 as follows:

Time	Amount	Price (average)	Price (spread)
23.7.–31.7.2014	270,000	6.50	6.22–6.72
1.8.–12.8.2014	230,000	6.17	6.05–6.39
13.3.2014	1,557	3.32	3.13–3.50
30.9.2014	1,518	3.32	3.13–3.50
31.12.2014	1,582	3.32	3.13–3.50
31.12.2014	520	0.00	0.00

14. APPROPRIATIONS

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Accumulated depreciation difference Jan 1	8.3	
Decrease	536.9	8.3
Accumulated depreciation difference Dec 31	**545.1**	**8.3**

15. DEFERRED TAX RECEIVABLES AND LIABILITIES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Deferred tax receivables		
Postponed depreciation		1.2
Other temporary differences	271.1	354.6
Pension liabilities		41.1
Total	**271.1**	**397.0**
Deferred tax liabilities		
Accumulated depreciation difference	108.8	1.7
Other temporary differences	47.1	110.0
Total	**155.9**	**111.7**

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

16. NON-CURRENT LIABILITIES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Liabilities to Group companies		
Other loans	6,000.0	8,000.0
Liabilities to others		
Loans from credit institutions	88,272.7	138,454.5
Pension loans	151.6	205.6
Total non-current liabilities	**94,424.3**	**146,660.2**

17. CURRENT LIABILITIES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Liabilities to Group companies		
Trade payables	565.9	291.6
Accrued expenses	264.7	751.6
Other liabilities	287,846.5	222,378.9
Liabilities to others		
Loans from credit institutions	50,181.8	68,545.5
Trade payables	902.0	997.9
Other current liabilities	846.0	251.1
Accrued expenses	2,477.5	4,088.8
Total	**343,084.4**	**297,305.5**
Accrued expenses		
Personnel expenses	1,197.6	1,705.7
Interest expenses	305.3	357.5
Accrued expenses for Group companies	264.7	751.6
Taxes		1,233.4
Other expenses	974.6	792.2
Total	**2,742.2**	**4,840.4**

18. COMMITMENTS AND CONTINGENT LIABILITIES

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
Leasing and rent commitments		
Payable during the current financial year	952.3	890.5
Payable in subsequent years	6,393.3	6,711.0
Total	**7,345.5**	**7,601.4**
Guarantees		
On behalf of Group companies		
Contractual work guarantees	494,755.2	468,066.0
Loan guarantee	8,000.0	10,000.0
Leasing commitment guarantees	9,355.9	10,663.4

19. DERIVATIVE INSTRUMENTS

1,000 EUR	1.1.2014–31.12.2014	30.6.–31.12.2013
External foreign currency forward contracts		
Fair value	–211.2	–713.3
Value of underlying instruments	33,269.6	32,904.7
Internal foreign currency forward contracts		
Fair value	–93.0	44.0
Value of underlying instruments	6,280.1	6,489.9
Interest rate swaps and future contracts		
Fair value	–4.1	–70.7
Value of underlying instruments	20,000.0	70,000.0

20. SALARIES AND FEES TO THE MANAGEMENT

Decision-making regarding remuneration

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

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

Remuneration of the Board of Directors

Caverion Corporation's Annual General Meeting on March 17, 2014 decided that the Board of Directors' shall be paid remuneration as follows in 2014:

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

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

Fees paid to Board of Directors

EUR	Board membership	Audit committee meetings	Personnel committee meetings	Board meetings	Total 2014	Total 2013
Ehrnrooth Henrik	79,200		1,650	6,050	86,900	44,000
Hyvönen Anna	46,800	3,850		5,500	56,150	28,900
Lehtoranta Ari	57,250		1,650	5,500	64,400	28,350
Lindqvist Eva	46,800	3,850		5,500	56,150	28,900
Rosenlew Michael	49,550	3,850	1,650	6,050	61,100	36,050
Total	**279,600**	**11,550**	**4,950**	**28,600**	**324,700**	**166,200**

Management remuneration

The remuneration paid to the Group's Management Board is comprised of:

- Fixed salary
- Fringe benefits
- Annual performance bonus, and
- Long-term incentive schemes, such as the share-based incentive scheme

Performance bonuses

The basis of remuneration at Caverion is a fixed base salary, in addition to which Group's management and most of the salaried employees are included in a performance bonus scheme. The aim of the annual performance bonus scheme is to reward the management and selected employees based on the achievement of pre-defined and measurable strategic targets. The Board of Directors ratifies the rules of the annual performance bonus scheme every year, according to which possible bonuses are paid. Performance of the Group, the President and CEO as well as Group Management Board members is evaluated by the Board of Directors. The amount of possible bonuses is approved by the Board of Directors after the financial statements have been prepared.

The amount of the possible bonus payment is based on the achievement of the set financial performance targets, such as the Group's and/or division's financial result, strategic targets and/or development objectives set separately. Individual target bonus opportunity and maximum bonus opportunity are based on role responsibilities. Possible bonus payments can vary from zero payment to the pre-defined maximum bonus payment based on the achievement of targets set.

Performance and development discussions are an essential part of the performance bonus scheme and performance management at Caverion. In these discussions individual targets, their relative weighting and realization of the previously agreed targets are reviewed.

The maximum annual performance bonus paid to the President and CEO may equal 60% of the annual salary. The maximum annual performance bonus paid to the members of the Group Management Board may equal 50% of the annual salary.

Share-based incentive schemes

The performance share plan is a part of the management remuneration at Caverion Group. The key aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in becoming a leading European provider of advanced and sustainable lifecycle solutions for buildings and industries. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

The Board of Directors approved a share based incentive plan in its May 2014 meeting. The plan consists of one three-year performance period in 2014–2016. It is followed by a one-year commitment period, after which the potential rewards will be paid in spring 2018. A person participating in the plan has the possibility to earn a reward only if his/her employment continues until the payment of the reward. After the shares have been allocated, they will be freely transferrable.

The potential reward is based on the targets set for Group revenue and EBITDA margin until the end of 2016. The reward is to be paid in Caverion shares and as cash payment, which is intended to cover the taxes and tax-related costs arising from the reward. If all targets will be reached, the share award will in total correspond to a maximum of 500,000 Caverion shares. Any shares to be potentially rewarded are acquired through public trading, and therefore the plan will have no diluting effect on the share value. In total, the plan will cover approximately 40 persons.

Remuneration paid to the President and CEO

The remuneration paid to the President and CEO consists of salary, fringe benefits, annual performance bonus, share-based incentive and voluntary pension scheme. The President and CEO's annual performance bonus can be up to 60% of the annual taxable base salary. In 2014, 50% of the total bonus opportunity was tied to Group's EBITDA and 50% in Group's cash flow. These measures are in line with Caverion's strategic targets.

Pension, retirement age and termination compensation

The contractual retirement age of the President and CEO Fredrik Strand is 65 years. His pension scheme is determined according to a defined contribution based system. Other members of the Group Management Board do not have any supplementary executive pension schemes. The President and CEO's contractual notice period is six months. If the company terminates the contract, he shall also be paid separate compensation amounting to 12 months' base salary.

Remuneration paid to the CEO in 2014

Juhani Pitkäkoski 1.1.2014–31.3.2014

Salary and fringe benefits paid to Juhani Pitkäkoski as CEO totalled EUR 138,806 in 2014.

In addition to salary and fringe benefits, bonuses paid to him totalled EUR 211,417 in 2014.

Fredrik Strand 1.4.2014–31.12.2014

In 2014, Fredrik Strand's base salary and fringe benefits as the President and CEO was EUR 365,153

Pension costs of the CEO in 2014

EUR	CEO	Total 2014	Total 2013
Statutory pension scheme	Juhani Pitkäkoski	24,691	72,391
Voluntary pension scheme	Juhani Pitkäkoski		
Statutory pension scheme	Fredrik Strand	40,467	
Voluntary pension scheme	Fredrik Strand	122,842	

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

Loans to associated parties

The President and CEO and the members of the Board of Directors didn't have cash loans from the company or its subsidiaries on December 2014.

The Board of Directors' proposal for the distribution of profit

The distributable equity of the parent company Caverion Corporation on December 31, 2014 is (EUR):

Retained earnings	127,112,809.04
Profit for the period	21,303,818.97
Retained earnings, total	148,416,628.01
Fair value reserve	–4,079.27
Distributable equity, total	148,412,548.74

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.22 per share be paid.

Payment of dividend from retained earnings EUR 0.22 per share	27,519,103.70
To remain in distributable equity (EUR)	120,893,445.04

No significant changes have taken place in the company's financial position after the end of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardise the company's solvency.

Signatures to the Board of Directors' Report and Financial Statements

Helsinki, January 28, 2015

Henrik Ehrnrooth
Chairman

Ari Lehtoranta
Vice chairman

Anna Hyvönen

Michael Rosenlew

Eva Lindqvist

Fredrik Strand
President and CEO

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, January 28, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Auditor's Report
(Translation from the Finnish Original)

To the Annual General Meeting of Caverion Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Caverion Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Directors are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki January 28, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Life Cycle Solutions for
Buildings and Industries

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