Annual Report 2013
Financial Statements

Caverion

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Board of Director's Report

January 1 - December 31, 2013

Introduction to the Caverion Group

Caverion Group is one of the leading providers of building systems in the Nordic countries and Central Europe. Caverion designs, builds and maintains user-friendly and energy-efficient building systems and offers industrial services. Caverion's services are used in offices and retail properties, housing, public premises and industrial plants, among other places. Caverion was established through the demerger of Building Services and Industrial Services businesses from YIT Group on June 30, 2013. Group's revenue in the reporting period was 2,543.6 million euros and it employed around 17,700 employees at the end of 2013. The company's shares are listed on the NASDAQ OMX Helsinki as of July 1, 2013.

The incorporation of Caverion Corporation and the formation of Caverion Group

Caverion Corporation was established in the partial demerger of YIT Corporation ("YIT"). In the demerger YIT's building and industrial services business was demerged from YIT Group and formed a separate group of companies with the ultimate parent company Caverion Corporation.

YIT's Board of Directors approved the demerger plan on February 21, 2013, according to which YIT demerged partially so that the assets, liabilities and responsibilities relating to its building and industrial services business were transferred to a new public limited company incorporated in the demerger, Caverion Corporation. The main assets transferred in the demerger to Caverion Corporation were the entire share capitals of the companies belonging to the building and industrial service business of YIT i.e. YIT Industry Ltd (incorporated in Finland with business identity code 1860875-1) and YIT Building Systems Ltd (incorporated in Finland with business identity code 1860867-1). The latter company owned directly or indirectly the share capitals of the building systems business companies in Finland, Russia, Estonia, Latvia, Lithuania, Sweden, Norway, Denmark, Germany, Austria, Czech Republic, Poland, Romania, Malaysia and Singapore. The extraordinary general meeting of YIT approved unanimously on June 17, 2013 the demerger as proposed by the Board of Directors.

Caverion Corporation was registered with the Finnish trade register on June 30, 2013 as of which date the partial demerger of YIT took effect.

The shareholders of YIT received as demerger consideration one (1) share in Caverion Corporation for each share owned in YIT. However, no demerger consideration was distributed to any treasury shares held by YIT. The number of Caverion Corporation's shares distributed as demerger consideration was thus 125,596,092 shares. The demerger consideration was distributed in the book-entry securities system so that the number of Caverion Corporation's shares (equal to the number of YIT shares less YIT treasury shares held by YIT) was registered on the book-entry accounts of YIT shareholders at the latest on June 30, 2013. No demerger consideration was distributed to YIT.

YIT's extraordinary general meeting on June 17, 2013 approved the demerger plan of YIT and thereby also the articles of association of Caverion Corporation and its share capital, which is one million euro (1.000.000 €).

Legal group structure

At the time of the effective date of the demerger of YIT, which is also the incorporation day of Caverion Corporation, the latter became owner of two subsidiaries: YIT Building Systems Ltd and YIT Industry Ltd. The said companies registered their new names Caverion NE Ltd and Caverion Industria Ltd on July 1, 2013.

Caverion NE Ltd owned directly the entire share capitals of subsidiaries in Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania and indirectly two subsidiaries in Russia. Furthermore Caverion NE Ltd owned the entire share capital of Caverion Central Europe GmbH which in its turn owned directly or indirectly subsidiaries in Austria, Czech Republic, Germany, Poland, Romania, Malaysia and Singapore.

Changes in Group structure during the period

Caverion NE Ltd was merged to Caverion Corporation on December 31, 2013. The merger simplified Caverion Group's structure and will decrease administration costs. The subsidiaries owned by Caverion NE Ltd have been direct subsidiaries of Caverion Corporation as of the day of the merger registration.

Organization of business operations

Caverion Group's business was operationally divided during the reporting period into two business segments: Building Services Northern Europe and Building Services Central Europe. The business segment structure remained unchanged during 2013.

Group financial development 2013

The financial information presented in this report of the Board of Directors is based on actual figures as an independent group after the consummation of the demerger and carve-out figures prior to the consummation of the demerger. The carve-out financial information presented in this report reflects the performance and financial position 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 income statements, statements of cash flows, statements of financial position and comparative figures for the periods before June 30, 2013 are based on carve-out financial information of Building Services business of YIT Group.

Operating environment in January-December 2013

In 2013, the overall market situation was stable despite the general economic environment and overall uncertainty.

In Northern Europe, the service and maintenance market was stable in all operating countries in 2013. However, the customers postponed new investments, particularly in Sweden and Finland. In these countries the customers only carried out the necessary services related to maintenance of the core business and near term operational safety, which lead to postponed additional service and maintenance work throughout the year. The demand in the non-residential construction market remained low in Finland and the decline continued towards the rest of the year. In Sweden the project market developed relatively well despite the weaker prospects in the beginning of the year and improved towards the rest of the year. In Sweden the overall market was stable in service and maintenance, while technical facility services and especially EPC (Energy Performance Contracting) developed well and are expected to continue to grow also in 2014. Norway had a good operating environment in the project market throughout the year while the challenges in Caverion's profitability in the Norwegian project business were internal. In Denmark the project market developed slowly with a low level of activity. The industrial project market in Finland and Sweden remained at a low level throughout the year, which also had an impact on the demand for industrial service and maintenance. However, the demand for industrial outsourcing has improved. In Russia the project market remained stable and the market for service and maintenance continued to grow further. In the Baltic countries demand remained at a low level in both project business and service and maintenance.

In Central Europe, demand remained favourable and uncertainty in the project market eased in Germany and in Austria in 2013. Decision-making on new investments was still slow, but positive signs were emerging. After stagnation in 2012 new building system investments grew in 2013. The building system services market in the rest of Central Eastern Europe developed slowly with a low level of activity.

Competitive situation

Caverion has a strong market position in the North European building systems market measured by revenue. According to the company's estimate, Caverion holds a leading market position in Finland and Norway. Caverion is the third largest company in Sweden and Denmark measured by revenue (source of market sizes: Euroconstruct December 2013, VTT Technical Research Centre of Finland and the company's estimate based on public information from third parties).

In the Central European building systems market, Caverion's market position is the strongest in Germany and Austria in terms of revenue. In Germany, Caverion holds the fifth largest market position in relevant markets and third largest in Austria in terms of revenue (source of market sizes: Euroconstruct December 2013, VTT Technical Research Centre of Finland and the company's estimate based on public information from third parties).

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

Strategic targets and their achievement

Caverion's long term strategic objective is to achieve a leading position in the European building systems market. In 2013 the strategy had three main objectives:

- In Northern Europe, the key aim is to improve profitability.
- In Central Europe, Caverion will pursue strong growth, especially in Germany and German-speaking countries. The aim is to grow both organically and through acquisitions.
- Extensive new and advanced projects and services. The company will pursue growth and profitability by putting an emphasis on long-term service agreements in the service and maintenance business, Design & Build projects and deliveries related to energy savings.

YIT's Board of Directors set the following financial targets for Caverion until 2016 on June 3, 2013.

- Revenue growth (%): Average annual growth in revenue of more than 10 percent
- Profitability (%): EBITDA over six percent of revenue
- Operating cash flow after investments (EUR million): Strong operating cash flow to enable organic growth, repayment of loans and distribution of dividend.

The Board of Directors of Caverion amended the financial targets of Caverion Corporation on October 31, 2013. The amended financial targets for Caverion for the strategy period 2014–2016 are:

- Revenue growth (%): Average annual growth in revenue of more than 10 percent
- Profitability (%): EBITDA over six percent of revenue
- Working capital: Negative

Working capital has been defined as inventories + current, non-interest-bearing receivables and liabilities excluding cash and cash equivalents (calculation formula below):

Working capital = Inventories + trade and POC receivables + other current receivables - trade and POC payables - other current payables - advances received - current provisions. Working capital does not include non-current provisions or pension obligations.

Dividends and dividend policy

Caverion's aim is to distribute at least 50 per cent of the result for the year after taxes, excluding changes in fair value, as dividend and capital redemption to the company's shareholders.

Key figures

Financial key figures	2013	2012 [1)]	2011
Revenue, EUR million	2,543.6	2,803.2	2,875.7
EBITDA, EUR million	70.9	85.3	125.3
EBITDA margin, %	2.8	3.0	4.4
Operating profit, EUR million	49.4	61.1	105.0
Operating profit margin, %	1.9	2.2	3.7
Profit before taxes, EUR million	42.8	57.5	102.0
Net profit for the period, EUR million	35.5	40.8	73.0
Attributable to			
Equity holders of the parent company, EUR million	35.5	40.7	72.9
Non-controlling interest, EUR million	0.0	0.1	0.1
Equity ratio, %	22.2	32.4	–
Gearing ratio, % [2)]	34.6	-2.5	–
Number of personnel at Dec 31	17,673	18,618	19,481
Number of personnel on average during the year	18,071	19,132	19,701
Share-related key figures	**2013**	**2012 [1)]**	**2011**
Earnings/share, EUR [3)]	0.28	0.32	–
Earnings /share, diluted EUR	0.28	0.32	–
Equity/share, EUR	2.0	3.1	–
Dividend/share, EUR	0.22*)	–	–
Dividend per earnings, %	77.8*)	–	–
Effective dividend yield, %	2.5*)		
Price/Earnings ratio (P/E ratio)	31.5		
Share price trend	**2013**	**2012 [1)]**	**2011**
Share price at Dec 31, EUR	8.90	–	–
Low, EUR	3.00	–	–
High, EUR	8.94	–	–
Average, EUR	5.54	–	–
Market capitalization at Dec 31, EUR million	1,117.7	–	–
Share turnover trend			
Share turnover, thousands	46,168	–	–
Share turnover of shares outstanding, %	85.0	–	–
Average number of shares outstanding (thousands)	125,595	–	–
Number of outstanding shares at the end of the period (thousands)	125,592	–	–

The historical carve-out financial statements for 2011-2012 do not necessarily reflect what the combined results of operations, financial position and cash flows of would have been, had Caverion with its subsidiaries operated as an independent group and had it presented stand-alone financial statements during the periods presented.

*) Board of Directors' proposal

1) The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-12/2012: personnel expenses increased by EUR 0.1 million and EBITDA, operating profit and profit before taxes decreased correspondingly by EUR 0.1 million.

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

3) Excluding the financial cost effect for January–June 2013 of the new financing arrangements transferred to Caverion Corporation as a result of the partial demerger. If the refinancing under the new loan agreement would have been drawn down at the beginning of the financial year, the net financing expenses in

January-December would have amounted to approximately EUR 8.4 million.

EBITDA	=	Operating profit (EBIT) + depreciation, amortisation and impairment
Equity ratio (%)	=	Equity + non-controlling interest x 100
		Total assets - advances received
Gearing ratio (%)	=	Interest-bearing liabilities - cash and cash equivalents x 100
		Shareholder's equity + non-controlling interest
Share-issue adjusted earnings per share (EUR)	=	Net profit for the period (attributable for equity holders)
		Share issue-adjusted average number of outstanding shares during period
Equity / share (EUR)	=	Shareholders' equity
		Share issue-adjusted number of outstanding shares at the end of period
Share-issue adjusted dividend per share (EUR)	=	Dividend per share for the period
		Adjustment ratios of share issues during the period and afterwards
Dividend per earnings (%)	=	Dividend per share x 100
		Earnings per share
Effective dividend yield (%)	=	Share issue-adjusted dividend per share x 100
		Share issue-adjusted share price on December 31
Price/earnings ratio (P/E ratio)	=	Share issue-adjusted share price on December 31
		Share issue-adjusted earnings per share
Market capitalisation	=	(Number of shares – treasury shares) x share price on the closing date by share series
Share turnover (%)	=	Number of shares traded x 100
		Average number of outstanding shares

Revenue

Revenue decreased by 9 percent in January–December compared to the previous year, amounting to EUR 2,543.6 million (1–12/2012: EUR 2,803.2 million). The revenue decreased mainly due to increased selectiveness in project business in Norway and Sweden, lower service and maintenance revenue and postponements in Caverion's project start-ups in Germany. Changes in foreign exchange rates decreased the revenue for January–December by EUR 21.2 million compared to the previous year.

The revenue of Building Services Northern Europe decreased 8 percent in January–December compared to the previous year, amounting to EUR 1,922.7 million (1–12/2012: EUR 2,089.2 million). Changes in foreign exchange rates decreased the revenue for January–December by EUR 20.8 million compared to the previous year.

The revenue of Building Services Central Europe decreased by 13 percent in January–December compared to the previous year, amounting to EUR 621.3 million (1–12/2012: EUR 714.2 million). Changes in foreign exchange rates did not have a substantial impact on the revenue compared to the year before. The decrease in revenue was mainly influenced by weaker order backlog at the end of 2012, restructuring of operations and the closing of unprofitable units.

Revenue, EUR million	1–12/13	1–12/12	Change
Building Services Northern Europe	1,922.7	2,089.2	-8%
Building Services Central Europe	621.3	714.2	-13%
Eliminations	-0.4	-0.2	
Group, total	2,543.6	2,803.2	-9%

Revenue, EUR million	1–12/13	1–12/12	Change
Sweden	665.9	704.3	-5%
Finland	546.8	603.7	-9%
Norway	516.4	580.4	-11%
Germany	458.4	541.8	-15%
Austria	148.1	154.3	-4%
Denmark	139.8	145.6	-4%
Other countries	68.2	73.2	-7%
Group, total	2,543.6	2,803.2	-9%

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

Profitability

EBITDA

The Group EBITDA decreased by 17 percent in January–December compared to the previous year being burdened by HOCHTIEF Service Solutions M&A related project costs amounting to EUR 1.4 million, one-off items relating to restructuring amounting to EUR 4.2 million, as well as demerger related costs amounting to EUR 5.2 million. The Group EBITDA excluding the one-off items above amounted to EUR 81.6 million in January–December (1–12/2012: EUR 91.1 million), corresponding to an EBITDA margin of 3.2 percent in January–December (1–12/2012: 3.2%).

In Building Services Northern Europe, the EBITDA for the review period decreased by 12 percent from the previous year. The segment EBITDA for January–December is burdened by one-off items relating to restructuring amounting to EUR 4.2 million and demerger related costs amounting to EUR 3.6 million. EBITDA for the fourth quarter in 2012 was burdened by significant project forecast changes. The weak profitability of the project business in Norway and low business volume contributed to the decrease in the segment EBITDA in January–December. Customers also postponed additional service and maintenance work, and as a result, the utility rate of operations was too low. Caverion aims to improve the profitability of Building Services Northern Europe. The reduction of 600 employees was carried out by the end of the third quarter. In Sweden and Denmark, the efficiency programme was progressing well and the profitability developed according to plan. In Norway, the project business (especially in the capital region) had weak profitability in the second half of the year while the results from the actions taken to improve profitability are expected to be seen during 2014. Furthermore, a service efficiency programme is on-going in all countries in which Caverion operates.

In Building Services Central Europe, the EBITDA for January–December decreased by 29 percent compared to the previous year, mainly due to the lower volume of German operations. EBITDA of Building Services Central Europe for January–December was burdened by HOCHTIEF Service Solutions M&A related project costs amounting to EUR 1.4 million and demerger related costs of EUR 1.1 million.

EBITDA, EUR million/margin	1-12/13	Margin, %	1-12/12 [1)]	Margin, %	Change
Building Services Northern Europe	52.3	2.7	59.5	2.8	-12%
Building Services Central Europe	23.6	3.8	33.2	4.7	-29%
Group services and other items	-5.0		-7.4		
Group, total	70.9	2.8	85.3	3.0	-17%

1) The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-12/2012: personnel expenses increased by EUR 0.1 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.1 million.

Operating profit

Operating profit, EUR million/margin	1–12/13	Margin, %	1–12/12 [1)]	Margin, %	Change
Building Services Northern Europe	36.4	1.9	41.1	2.0	-11%
Building Services Central Europe	18.8	3.0	27.4	3.8	-31%
Group services and other items	-5.8		-7.4		
Group, total	49.4	1.9	61.1	2.2	-19%

1) The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-12/2012: personnel expenses increased by EUR 0.1 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.1 million.

Depreciation, amortisation and impairment amounted to EUR 21.5 million in January–December (1-12/2012: EUR 24.2 million) of which EUR 10.2 million were allocated intangibles related to acquisitions and EUR 11.4 million were other depreciations.

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

Order backlog

Order backlog, EUR million	12/13	12/12	Change
Building Services Northern Europe	764.6	819.0	-7%
Building Services Central Europe	476.0	380.1	25%
Group, total	1,240.7	1,199.1	3%

The order backlog grew by 3 percent from the end of 2012 and was EUR 1,240.7 million at the end of December. Changes in foreign exchange rates decreased the order backlog for January–December by EUR 26.2 million compared to the previous year.

In addition to the project business, only the long-term contracts of the service and maintenance business are included in the order backlog.

The order backlog of Building Services Northern Europe decreased by 7 percent from the end of 2012 due to selectiveness in projects. The order backlog of Building Services Central Europe increased by 25 percent from the end of 2012. The weaker order backlog at the end of 2012 has been reflected as lower revenue in January–December compared to the previous year. The improved order backlog in 2013 was a positive sign, but is not expected to contribute to revenue until the first half of 2014.

Capital expenditure and acquisitions

Gross capital expenditure on non-current assets included on the balance sheet totalled EUR 27.8 million (1–12/2012: EUR 16.2 million) during January–December, representing 1.1 percent (1–12/2012: 0.6%) of revenue. Investments in information technology totalled EUR 22.5 million (1–12/2012: EUR 1.3) and related primarily to the partial demerger. Other investments amounted to EUR 5.3 million (1–12/2012: EUR 5.3 million).

Caverion made no acquisitions or disposals during January–December 2013 (1−12/2012: EUR 9.5 million). The sale and purchase agreement negotiations on the German HOCHTIEF Service Solutions pursuant to the initial, non-binding offer made by YIT in May ended without result on June 28, 2013.

Research and development

The Group's investments in research and development efforts in 2013 amounted to approximately EUR 12.7 million, representing 0.5 percent of revenue. In 2012, investments in research and development amounted to EUR 14.0 million (0.5 percent of revenue) and in 2011, EUR 14.4 million (0.5 percent of revenue).

The most significant business development investment in the Group has been the Building Service Efficiency development programme, which focuses particularly on improving the efficiency of service and maintenance operations in Building Services.

Operative invested capital

Return on operative invested capital (last 12 months), % 1)	1–12/13	1–12/12
Building Services Northern Europe	11.6	11.0
Building Services Central Europe	19.1	32.5

1) In the comparison figures the impact of IAS 19 and adjustments of internal items have been taken into account.

Operative invested capital, EUR million	12/13	12/12	Change
Building Services Northern Europe	283.5	344.8	-18%
Building Services Central Europe	100.6	96.6	4%

At the end of December, the Group's operative invested capital amounted to EUR 470.0 million (12/2012: EUR 478.6 million). Invested capital is calculated by deducting non-interest bearing liabilities from the balance sheet total.

Cash flow

The Group's operating cash flow after investments for January–December amounted to 74.2 million (1–12/2012: EUR 40.5 million), which was burdened by demerger-related IT investments of EUR 21.3 million. Operating cash flow for the fourth quarter was seasonally very strong supported by release in working capital.

Working capital

Caverion's target is to reach negative working capital by the end of 2016. By addressing this, the company can free up capital tied into operations and improve cash flow going forward.

Working capital decreased significantly compared to the previous year and amounted to 46.0 million at the end of December (12/2012: EUR 94.0 million).

Profit before taxes and earnings per share

Profit before taxes amounted to EUR 42.8 million and earnings per share amounted to EUR 0.28 in January–December, excluding the financial cost effect for January–June 2013 of the new financing arrangements transferred to Caverion Corporation as a result of the partial demerger of YIT. If the refinancing under the new loan agreement would have been drawn down at the beginning of the financial year, the net financing expenses in January–December would have amounted to approximately EUR 8.4 million.

The effective tax rate of the Group was 17.0 percent in January–December (1–12/2012: 29.0 %). 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.

Development by business area

Group revenue, EUR million	1–12/13	% of total	1–12/12	% of total	Change
Service and maintenance	1,409.3	55	1,542.4	55	-9%
Project business	1,134.3	45	1,261.0	45	-10%
Group, total	2,543.6	100	2,803.2	100	-9%

Service and maintenance business

Service and maintenance revenue, EUR million	1–12/13	% of total	1–12/12	% of total	Change
Northern Europe	1,173.5	83	1,322.6	86	-11%
Central Europe	235.8	17	219.8	14	7%
Group revenue of service and maintenance	1,409.3	100	1,542.4	100	-9%

The Group revenue of service and maintenance business decreased by 9 percent in 2013 and was EUR 1,409.3 million, or 55 percent of the Group's total revenue.

In Building Services Northern Europe the service and maintenance business generated EUR 1,173.5 million, or 61 percent of the segment's total revenue in January–December.

In Building Services Central Europe the service and maintenance business generated EUR 235.8 million, or 38 percent of the segment's total revenue in January–December. The share of service and maintenance was still significantly lower in Building Services Central Europe (1–12/2013: 38%) than in Building Services Northern Europe (1–12/2013: 61%), and therefore the opportunities for increasing it in Building Services Central Europe are good. The revenue of service and maintenance increased by 7 percent in January–December from the corresponding period the previous year. The opportunities, both internal and market driven, for increasing the share of service and maintenance in Building Services Central Europe remain good.

Project business

Project business revenue, EUR million	1–12/13	% of total	1–12/12	% of total	Change
Northern Europe	749.0	66	766.8	61	-2%
Central Europe	385.4	34	494.2	39	-22%
Group revenue of project business	1,134.3	100	1,261.0	100	-10%

The Group revenue of project business decreased by 10 percent in 2013 and was EUR 1,134.3 million, or 45 percent of the Group's total revenue.

In Building Services Northern Europe, the project business generated EUR 749.0 million, or 39 percent of the segment's total revenue in January–December.

In Building Services Central Europe, the project business generated 385.4 million, or 62 percent of the segment's total revenue in January–December.

Financing

Refinancing relating to the partial demerger was finalized as planned during June. As a result, Caverion's loan portfolio has a diversified maturity structure to mitigate refinancing risk. Caverion has a solid liquidity reserve to meet the debt repayments falling due during the calendar year and to cover the potential funding need over the planning period of business operations including planned capital expenditure. Overall, the Group's financing position enables the implementation of the Group's growth strategy.

Caverion's cash and cash equivalents amounted to EUR 133.3 million at the end of December (12/2012: EUR 100.8 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 219.8 million at the end of December (12/2012: EUR 91.0 million), and the average interest rate after hedges was 2.31 percent. Fixed-rate loans after hedges accounted for approximately 38 percent of the Group's borrowings. Approximately 94 percent of the loans have been raised from banks and other financial institutions and approximately 5 percent from insurance companies. A total of EUR 71.3 million of the interest-bearing loans and borrowings will fall due during the next 12 months.

Caverion's external financing consists mainly of a credit facility with a Nordic bank group. The facility was transferred to Caverion Corporation upon the registration of the partial demerger. It includes an amortising long-term loan facility of EUR 140 million falling due in June 2016, a long-term revolving credit facility of EUR 60 million falling due in June 2016 (which was undrawn at the end of December) and a short-term bridge loan facility of EUR 22 million falling due in June 2014. In addition to the credit facility, amortising loans transferred to Caverion Corporation in the demerger amounted to EUR 58 million at the end of December.

The Group's net financing expenses in January–December amounted to EUR 6.6 million. Net financing expenses for the review period are burdened by one-off items relating to the partial demerger amounting to EUR 0.7 million. If the refinancing under the credit facility would have been drawn down at the beginning of the financial year, the net financing expenses in January–December would have amounted to approximately EUR 8.4 million.

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 86.5 million at the end of December (12/2012: EUR -9.8 million).

Management

Board of Directors

The extraordinary shareholders' meeting of YIT on June 17, 2013 elected Caverion Corporation's first Board of Directors consisting of the chairman Henrik Ehrnrooth, deputy chairman Michael Rosenlew and three members Anna Hyvönen, Ari Lehtoranta and Eva Lindqvist and approved also their remuneration. According to Caverion's articles of association the annual general meeting of the shareholders elects the chairman, deputy chairman and 3 – 5 members to the Board of Directors of the company.

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.

President and CEO

In accordance with the stipulations of the demerger plan YIT Corporation's Board of Directors elected in May 2013 Mr. Juhani Pitkäkoski as the president and CEO of Caverion Corporation. Mr. Pitkäkoski acted as YIT Corporation's president and CEO until and including the effective date of the demerger i.e. 30.6.2013. As of the effective date of the demerger Caverion Board of Directors elects or dismisses the president and CEO of the company.

Management Board

The management Board of Caverion Group consisted of thirteen (13) members at the end of 2013:

- Juhani Pitkäkoski, President and CEO of Caverion Corporation
- Päivi Alakuijala, VP Communications and Marketing, Caverion Corporation
- Merja Eskola, SVP Human Resources, Caverion Corporation
- Knut Gaaserud, Managing Director, Caverion Norge AS
- Jarno Hacklin, Managing Director, Caverion Suomi Oy
- Antti Heinola, Chief Financial Officer, Caverion Corporation
- Erkki Huusko, Managing Director, Caverion Industria Ltd
- Ulf Kareliusson, Managing Director, Caverion Sverige AB
- Matti Malmberg, SVP, Building Services Northern Europé and Service Efficiency
- Peter Rafn, Managing Director, Caverion Denmark A/S
- Karl-Walter Schuster, SVP, Building Services Central Europe and Project Exellence
- Manfred Simmet, Managing Director, Caverion Österreich GmbH
- Sakari Toikkanen, SVP Development, Caverion Corporation

Personnel

In 2013, the Group employed 18,071 people on average, which was 6 percent less than in 2012 (2012: 19,132). At the end of the year, the Group employed 17,673 people (12/2012: 18,618). The personnel expenses for 2013 decreased by 6 percent during 2013 and amounted to a total of EUR 1,062.8 million (1–12/2012: EUR 1,127.4 million and 1–12/2011: EUR 1,091.2 million). The largest countries by number of personnel were Finland (27% of total employees), Sweden (22%), Norway (20%) and Germany (14%) at the end of December 2013.

In 2013, the uncertainty over macroeconomic development was reflected in Caverion's orders received, especially through postponed additional service and maintenance work, among others. In Northern Europe, improving the profitability required restructuring of organization, such as closing down un-profitable units and decreasing the organization levels. Also personnel reductions were necessary to improve profitability. Previously announced personnel reductions of 600 employees were completed in the third quarter of 2013. During 2013, the number of employees decreased most in Sweden, Finland and Norway.

Personnel by country	12/13	12/12	Change
Finland	4,772	4,977	-4%
Sweden	3,993	4,492	-11%
Norway	3,469	3,642	-5%
Germany	2,429	2,450	-1%
Austria	711	706	1%
Denmark	1,019	1,104	-8%
Other countries	1,28	1,247	3%
Group, total	17,673	18,618	-5%

Personnel by business segment	12/13	12/12	Change
Building Services Northern Europe	14,259	15,159	-6%
Building Services Central Europe	3,328	13,380	-2%
Corporate Services	86	79	9%
Group, total	17,673	18,618	-5%

The focus areas for human resource management in 2013 were building the new company's personnel policy, remuneration, health care system as well as models for personnel development and training. Furthermore, the goal was to secure efficient recruitment and administration of employment relationships. The company is committed to ethical ways of working and published its updated Code of Conduct in 2013.

One of the key targets of the company's human resource management is working for health and safety of its employees and zero occupational accidents.

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.

ISO 14001 certification covered 82% (2012: 77%) of revenue.

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.

Information about shares in Caverion Corporation

Shares and share capital

Caverion Corporation is a public limited company organised under the laws of the Republic of Finland, incorporated on the effective date of YIT's partial demerger on June 30, 2013. Caverion Corporation's share capital and the number of shares did not change from the date of its incorporation until the end of the reporting period. The number of shares in Caverion Corporation was 125,596,092 at the end of the reporting period on December 31, 2013. The company has a single series of shares, and each share entitles its holder to one vote at the general meeting of the company and to an equal dividend. Caverion Corporation's share capital is EUR one million (1,000,000). 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.

Shares held by the company, pledging, option rights

Caverion Corporation did not hold any treasury shares on the date of its incorporation. At the end of the reporting period Caverion holds 4,080 own shares, which were received on the basis of the return of shares conveyed from the 2011 and 2012 earning periods under the share-based incentive scheme of YIT Corporation in 2010−2016 for key persons, pursuant to the terms and conditions of the scheme.

Own shares held by Caverion Corporation represent 0.0003% 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. During the reporting period Caverion did not have any share-based incentive plan.

Trading in shares

The trading with Caverion shares commenced on July 1, 2013. Friday, June 28, 2013, was the last trading day on which Caverion was included in the YIT share and its price.

The opening price of Caverion's share was EUR 3.00 on July 1, 2013. The closing price of the share on the last trading day of the reporting period (December 30, 2013) was EUR 8.90. The share price increased 197 percent during July–December. The highest price of the share during the review period was EUR 8.94, the lowest was EUR 3.00 and the average price was EUR 5.54. Share turnover on NASDAQ OMX excluding OTC trading in July–December amounted to 46.2 million shares. The value of share turnover excluding OTC trading was EUR 255.7 million (source: NASDAQ OMX). The volume of OTC trading on NASDAQ OMX was 80,000 shares or EUR 0.32 million in July–December.

In addition to the Helsinki Stock Exchange, Caverion's shares are also traded in other market places, such as BATS Chi-X and Burgundy. During July–December, 1.1 million Caverion Corporation shares changed hands in alternative market places, corresponding to approximately 2.1 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X. Furthermore, during July–December, 4.8 million Caverion Corporation shares changed hands in OTC trading outside NASDAQ OMX, corresponding to approximately 9.3 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 1,117.8 million. Market capitalisation has been calculated excluding the 4,080 shares held by the company as per December 31, 2013.

Shareholders

At the end of December 2013, the number of registered shareholders in Caverion was 33,353 (6/2013: 39,250). At the end of December 2013, a total of 38.2 percent of the shares were owned by nominee-registered and non-Finnish investors

(6/2013: 35.2%).

During the review period, the company received no "flagging notifications" of change in ownership in Caverion Corporation in accordance with Chapter 9, section 5 of the Securities Market Act.

Updated lists of Caverion's largest shareholders and ownership structure by sector are available on Caverion's website at www.caverion.com/investors and on Caverion's IR App.

Caverion Corporation has not had a meeting of shareholders during the reporting period.

Largest shareholders on December 31, 2013

Shareholder	Shares, pcs	% of shares
1. Structor S.A.	17,140,000	13.65
2. Varma Mutual Pension Insurance Company	7,732,100	6.16
3. Funds held by Antti Herlin, including directly held shares	6,250,180	4.98
4. OP funds	4,640,629	3.69
5. Ilmarinen Mutual Pension Insurance Company	4,056,215	3.23
6. Fondita funds	3,891,000	3.10
7. Nordea funds	2,282,561	1.82
8. Odin funds	1,736,637	1.38
9. The State Pension Fund	1,470,000	1.17
10. Danske Invest funds	1,407,325	1.12
11. Aktia funds	1,393,077	1.11
12. Brotherus Ilkka	1,304,740	1.04
13. Tapiola Mutual Pension Insurance Company	1,009,000	0.80
14. Evli funds	992,500	0.79
15. Etera Mutual Pension Insurance Company	757,446	0.60
16. Säästöpankki funds	533,181	0.42
17. Föreningen Konstsamfundet rf	423,002	0.34
18. Foundation of Brita Maria Renlunds minne	412,000	0.33
19. Veritas Pension Insurance Company Ltd.	371,091	0.30
20. Sigrid Jusélius Foundation	361,000	0.29
20 largest, total	58,163,684	46.30
All shares	125,596,092	100.00

Ownership structure by sector on December 31, 2013

Sector	Shareholders	% of owners	Shares	% of Share Capital
Nominee registered and non-Finnish holders	209	0.63	48,037,606	38.2
Households	30,946	92.78	25,097,113	20.0
General government	38	0.11	16,612,285	13.2
Financial and insurance corporations	86	0.26	15,638,211	12.5
Non-profit institutions	427	1.28	7,165,709	5.7
Non-financial corporations and housing corporations	1,647	4.94	13,045,168	10.4
On common and special accounts	0	0.00	0	0.0
Total	33,353	100.00	125,596,092	100

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

Members of the Board	Caverion Share
Ehrnrooth Henrik (30.06.2013 -),Chairman of the Board of Directors	0
Holdings of Interest Parties	17,140,000
Hyvönen Anna (30.06.2013 -)	0
Holdings of Interest Parties	0
Lehtoranta Ari Tapio (30.06.2013 -)	0
Holdings of Interest Parties	0
Lindqvist Eva (30.06.2013 -)	0
Holdings of Interest Parties	0
Rosenlew Michael (30.06.2013 -)	0
Holdings of Interest Parties	0
Total	**17,140,000**

Management	Caverion Share
Pitkäkoski Juhani (30.06.2013 -), CEO	53,100
Holdings of Interest Parties	0
Alakuijala Päivi (30.06.2013 -)	1,150
Holdings of Interest Parties	0
Eskola Merja (07.10.2013 -)	0
Holdings of Interest Parties	0
Gaaserud Knut (30.06.2013 -)	506
Holdings of Interest Parties	0
Hacklin Jarno (30.06.2013 -)	7,586
Holdings of Interest Parties	0
Heinola Antti (30.06.2013 -)	9,261
Holdings of Interest Parties	0
Huusko Erkki (30.06.2013 -)	7,180
Holdings of Interest Parties	0
Kareliusson Ulf (30.06.2013 -)	3,091
Holdings of Interest Parties	0
Malmberg Matti (30.06.2013 -)	7,485
Holdings of Interest Parties	0
Rafn Peter (30.06.2013 -)	691
Holdings of Interest Parties	0
Schuster Karl-Walter (30.06.2013 -)	8,465
Holdings of Interest Parties	0
Simmet Manfred (30.06.2013 -)	2,377
Holdings of Interest Parties	0
Toikkanen Sakari (30.06.2013 -)	39,882
Holdings of Interest Parties	0
Total	**140,774**
Auditors	**Caverion Share**
Lassila Heikki (30.06.2013 -), Auditor with chief responsibility for audits	0

Holdings of Interest Parties	0
Total	**0**

Control and Shareholder Agreements

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 having effect on Caverion shareholders.

Auditors

The Extraordinary General Meeting of YIT Corporation on June 17, 2013 elected PricewaterhouseCoopers Oy, Authorised Public Accountants, to audit the company's governance and accounts in 2013. The auditor with the main responsibility is Heikki Lassila, Authorised Public Accountant.

Major events after the end of reporting period

The Board of Directors of Caverion Corporation decided on 27 January, 2014 that Caverion’s external reporting structure will be changed 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) are replaced by one single operative segment, that will also include the Group services and other items. Since Caverion’s establishment, both service and maintenance and project businesses have been developed strongly across all countries. Therefore, replacing reporting segments that are purely based on geographical areas was an evident decision. The first interim report based on the new reporting structure will be published on April 24, 2014 (interim report for January–March 2014). The change in reporting structure will have no effect on the Group’s strategic targets. At the same time, Caverion is renewing its guidance terminology so that it will more closely reflect the newly established company’s practice in estimating the future financial development. In the future, the company will give a verbal guidance with regard to revenue and profitability. However, the development of profitability in 2014 will be estimated also in absolute figures, due to the exceptional comparison period.

Caverion announced on January 20, 2014 that its Board of Directors had chosen Fredrik Strand as Caverion's new President and Chief Executive Officer. He will take up the new position during Q2, 2014. Currently, Fredrik Strand works as President and CEO at Sodexo, being responsible for the company’s Nordic businesses. Swedish citizen Fredrik Strand has worked in his current position since 2009. Between 1989 and 2009 he worked at Ericsson in several leadership positions. During this period he led e.g. Ericsson’s global service delivery operations and its development. He has also been responsible for the company’s service business in Latin America and the United States. Caverion’s current President and CEO Juhani Pitkäkoski will continue in his position until Fredrik Strand will take up the position. After that Pitkäkoski will support onboarding of the new CEO and will enhance development of Caverion’s strategic growth process, reporting to Fredrik Strand.

Outlook for 2014

Guidance

The Board of Directors of Caverion Corporation confirmed in its meeting on 27 January, 2014 the outlook and guidance for 2014.

Caverion estimates that the Group's revenue for 2014 with comparable exchange rates will remain at the previous year's level and EBITDA for 2014 excluding non-recurring items will grow clearly to EUR 90–110 million.

In 2014 the EBITDA increase will be executed by improving the operational efficiency, growing the service and maintenance business as well as increasing the project business in Germany. The potential changes in general macroeconomic environment nonetheless may have an effect on Caverion's business and customers.

Market outlook for Caverion's services in 2014

Caverion operates in Sweden, Finland, Norway, Germany, Austria, Denmark, Russia, Estonia, Latvia, Lithuania, Poland, the Czech Republic and Romania. The extensive geographical area of operations and comprehensive portfolio balance the effect of economic fluctuations.

The opportunities to grow in service and maintenance business are still favourable in all Caverion's operational areas. As technology in buildings is increasing the need for new services and the demand for energy efficiency services are expected to remain stable.

Decision-making on new investments is still slow, but positive signs can be seen. New investments in building systems are expected to increase slightly. The growing public investments and the need for renovation and repair work are expected to be the key factors behind the growth.

The tightening of environmental legislation will improve the growth potential of energy efficiency services. Environmental certifications and energy efficiency will be significant factors that will allow the property owners to upgrade their property value. An increasing number of properties will be connected to remote monitoring through command centres. Furthermore, services and projects related to traffic infrastructure maintenance are estimated to develop favourably.

Major risks and uncertainties

Caverion Group classifies as risks those factors that might endanger the achievement of the Group's strategic and financial goals if they should materialise. 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. The share of steadily developing service and maintenance operations has been increased. Operations have been expanded geographically so that economic fluctuations impact operations at different times in different markets. Continuous monitoring and analysis make it possible to react quickly to changes in the operating environment and to utilise the new business opportunities provided by them. 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 unfavorable effect on Caverion’s business, result of operations and financial position.

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. The loss of management members or employees or the inability to attract qualified new personnel may have a material unfavorable effect on the company’s business, result of operations and financial position.

The Group books write-offs or provision 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 unfavorable effect on Caverion’s result of operations and shareholders’ equity. Caverion Group’s goodwill amounted to EUR 335.7 million on December 31, 2013.

Financial risks include risks related to the sufficiency of financing, 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 through accounting and financing policies, internal control as well as internal and external auditing.

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. Caverion complies with a group-wide security policy covering the different areas of security.

A more detailed account of the risks relating to Caverion and its operating environment and business has been published in the Demerger Prospectus dated June 4, 2013. Financial risks are described in more detail in the Financial Statements note 30.

Authorizations

Share issue

The extraordinary general meeting of YIT, held on June 17, 2013, approved also the authorization for the Board of Directors of Caverion Corporation to organize a share issue. Altogether no more than 25,000,000 shares may be issued in a single issue or a series of share issues.

The Board of Directors may decide on a directed share issue in deviation from the shareholders' pre-emptive rights. The Board of Directors will be authorised to decide to whom and in which order the shares will be issued. In the share issue, shares may be issued for subscription against consideration or for no consideration. Based on the authorisation, the Board of Directors may also decide on a share issue without consideration directed to the company itself, provided that the number of shares held by the company after the share issue would be a maximum of 10 percent of the all shares in the company. This amount includes the shares held by the Company and its subsidiaries in the manner provided for in Chapter 15, Section 11(1) of the Limited Liability Companies Act.

This authorisation empowers the Board of Directors to decide on the terms and conditions of and measures related to the share issues in accordance with the Limited Liability Companies Act, including the right to decide whether the subscription price will be recognised in full or in part in the invested unrestricted equity reserve or as an increase to the share capital.

The share issue authorisation set out in this section includes the authorisation of the Board of Directors to decide on the transfer of own shares that may be acquired on the basis of the proposed authorisation. This authorisation applies to a maximum of 12,500,000 shares in the Company. The Board of Directors is authorised to decide on the purpose for transferring such shares and on the terms and conditions for such transfer. The authorisation is valid until March 31, 2014.

The Board of Directors has not used the authorization during the reporting period.

Repurchase of own shares

The extraordinary general meeting of YIT, held on June 17, 2013, approved the authorization for the Board of Directors of Caverion Corporation to repurchase its own shares. Altogether no more than 12,500,000 shares may be repurchased by using unrestricted equity of the company. In case shares will be repurchased it will be made through NASDAQ OMX Helsinki Ltd public trading and otherwise than in proportion of the number of shares owned by each of the shareholder. The authorization shall expire on March 31, 2014.

The Board of Directors has not used the authorization during the reporting period.

Branches

Caverion Corporation does not have any branches abroad.

Capital loans and loans, liabilities and commitments to related parties

Caverion Corporation has not issued any capital loans or any type of loans, liabilities or commitments to the related parties.

Board's proposal for the use of distributable equity

The distributable equity of Caverion Corporation on December 31, 2013 is:	
Retained earnings	154,145,083.77
Profit for the period	3,787,653.81
Retained earnings, total	157,932,737.58

The Board of Directors proposes to the Annual General Meeting that the distributable equity be disposed of as follows:	
Payment of a dividend from retained earnings EUR 0.22 per share to shareholders	27,630,242.64
To remain in distributable equity	130,302,494.94

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.

Helsinki, January 27, 2014

Caverion Corporation
Board of Directors

Henrik Ehrnrooth
Chairman

Michael Rosenlew
Vice Chairman

Anna Hyvönen

Ari Lehtoranta

Eva Lindqvist

Juhani Pitkäkoski
President and CEO

Consolidated income statement

EUR million	Note	1.1.-31.12.2013	%	1.1.-31.12.2012 Restated	%
Revenue	2, 4	**2,543.6**		**2,803.2**	
Other operating income	5	3.2		12.3	
Change in inventories of finished goods and in work in progress		-1.4		-0.6	
Production for own use		1.4		0.3	
Materials and supplies		-674.7		-799.8	
External services		-431.8		-468.8	
Employee benefit expenses	8	-1,062.8		-1,127.4	
Other operating expenses	6	-308.1		-333.9	
Share of results in associated companies	15	0.0		0.0	
Depreciation, amortisation and impairment	7	-21.5		-24.2	
Operating profit		**49.4**	**1.9**	**61.1**	**2.2**
Financial income		2.0		1.9	
Exchange rate differences (net)		-1.2		-0.3	
Financial expenses		-7.4		-5.2	
Financial income and expenses	9	-6.6		-3.6	
Profit before taxes		**42.8**	**1.7**	**57.5**	**2.1**
Income taxes	10	-7.3		-16.7	
Net profit for the financial year		**35.5**	**1.4**	**40.8**	**1.5**
Attributable to:					
Owners of the parent		35.5		40.7	
Non-controlling interests		0.0		0.1	
Earnings per share for profit attributable to owners of the parent: *					
Earnings per share, basic, EUR	11	0.28		0.32	
Earnings per share, diluted, EUR		0.28		0.32	

* Earnings per share for the financial year 2012 has been computed using the number of shares issued at the partial demerger.

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

Consolidated statement of comprehensive income

EUR million	Note	1.1.-31.12.2013	1.1.-31.12.2012 Restated
Profit for the period		**35.5**	**40.8**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in the fair value of defined benefit pension		-2.1	16.6
- Deferred tax		1.5	-5.5
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedging	30	0.1	-0.1
- Deferred tax		0.0	0.0
Change in fair value of available-for-sale assets	16	-0.3	-0.4
- Deferred tax asset		0.1	0.1
Translation differences		-5.9	3.9
Other comprehensive income, total		**-6.6**	**14.6**
Total comprehensive income		**28.9**	**55.3**
Attributable to:			
Owners of the parent		28.9	55.2
Non-controlling interests		0.0	0.1

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

Consolidated statement of financial position

EUR million	Note	31.12.2013	31.12.2012 Restated	1.1.2012 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	12	27.9	31.8	34.7
Goodwill	13, 14	335.7	335.7	336.6
Other intangible assets	13	48.4	39.0	32.8
Investments in associated companies	15	0.1	0.1	0.1
Available-for-sale financial assets	16	2.0	2.5	2.9
Receivables	17	2.3	5.3	6.4
Deferred tax assets	18	3.5	5.5	8.7
Total non-current assets		**420.1**	**419.9**	**422.2**
Current assets				
Inventories	19	29.5	39.0	37.5
Trade and other receivables	20	689.9	774.7	794.2
Income tax receivables		1.5	4.7	2.8
Cash and cash equivalents	21	133.3	100.8	155.4
Total current assets		**854.2**	**919.2**	**989.9**
TOTAL ASSETS		**1,274.3**	**1,339.0**	**1,412.0**

EUR million	Note	31.12.2013	31.12.2012 Restated	1.1.2012 Restated
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	22			
Share capital		1.0		
Treasury shares		0.0		
Translation differences		1.7	7.7	3.8
Fair value reserve		-0.2	-0.1	0.2
Retained earnings		247.0		
Invested equity			379.3	408.5
		249.5	386.9	412.5
Non-controlling interests		0.6	0.6	0.5
Total equity		**250.1**	**387.4**	**413.0**
Non-current liabilities				
Deferred tax liabilities	18	62.1	68.7	55.3
Pension obligations	24	51.1	51.8	66.1
Provisions	25	9.1	6.9	9.9

Borrowings	26	148.5	75.6	90.3
Other liabilities	27	0.2	4.6	6.1
Total non-current liabilities		**270.9**	**207.6**	**227.7**
Current liabilities				
Trade and other payables	27	657.9	697.8	715.6
Income tax liabilities		7.3	7.4	13.4
Provisions	25	16.7	23.3	25.8
Borrowings	26	71.3	15.4	16.5
Total current liabilities		**753.2**	**743.9**	**771.3**
Total liabilities		**1,024.1**	**951.5**	**999.0**
TOTAL EQUITY AND LIABILITIES		**1,274.3**	**1,339.0**	**1,412.0**

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

Consolidated statement of cash flows

EUR million	Note	1.1.-31.12.2013	1.1.-31.12.2012 Restated
Cash flow from operating activities			
Net profit for the financial year		35.5	40.8
Adjustments for:			
Depreciation, amortisation and impairment		21.5	24.2
Reversal of accrual-based items		-3.9	-12.3
Financial income and expenses		6.6	3.6
Gains on the sale of tangible and intangible assets		-0.5	-2.5
Taxes		7.3	16.7
Total adjustments		31.0	29.7
Change in working capital:			
Change in trade and other receivables		56.6	44.2
Change in inventories		8.4	0.4
Change in trade and other payables		-23.1	-40.9
Total change in working capital		**42.0**	**3.7**
Interest paid		-6.5	-5.0
Other financial items, net		2.4	-3.3
Interest received		1.7	1.3
Dividends received		0.1	0.0
Taxes paid		-5.7	-17.9
Net cash generated from operating activities		**100.4**	**49.3**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash	3	-0.8	-7.3
Purchases of property, plant and equipment	12	-5.6	-5.7
Purchases of intangible assets	13	-22.2	-0.9
Proceeds from sale of tangible and intangible assets		2.2	4.4
Proceeds from sale of available-for-sale financial assets		0.2	0.7
Net cash used in investing activities		**-26.2**	**-8.8**
Operating cash flow after investments		**74.2**	**40.5**
Cash flow from financing activities			
Proceeds from borrowings	26	162.0	
Repayment of borrowings	26	-33.5	-15.0
Change in current liabilities, net	26	0.0	
Payments of finance lease debts		-0.7	-0.5

Equity financing with YIT Group		-164.5	-81.9
Net cash used in financing activities		**-36.8**	**-97.4**
Net change in cash and cash equivalents		**37.3**	**-56.9**
Cash and cash equivalents at the beginning of the financial year		100.8	154.5
Foreign exchange rate effect on cash and cash equivalents		-4.8	3.1
Cash and cash equivalents at the end of the financial year	21	**133.3**	**100.8**

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

Consolidated statement of changes in equity

		Attributable to owners of the parent								
EUR million	Note	Invested equity	Share capital	Retained earnings	Translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interests	Total equity
Equity 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	30					0.1		0.1		0.1
-Deferred tax						0.0		0.0		0.0
Change in fair value of available for sale financial assets	16					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	23	-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	0.0	-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	30					-0.1		-0.1		-0.1
-Deferred tax						0.0		0.0		0.0
Change in fair value of available for sale financial assets	16					-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	0.0	23.3	0.0	23.3
Transactions with owners										
Share-based payments	23			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**

EUR million	Note	Attributable to owners of the parent Invested equity	Translation differences	Fair value reserve	Total	Non-controlling interests	Total invested equity
Invested equity January 1, 2012 *		**445.6**	**3.8**	**0.2**	**449.5**	**0.5**	**450.0**
Adoption of IAS 19, Employee benefits		-37.0			-37.0		-37.0
Restated invested equity January 1, 2012 *		**408.5**	**3.8**	**0.2**	**412.5**	**0.5**	**413.0**
Comprehensive income for the period							
Profit for the period		40.8			40.8	0.1	40.9
Profit for the period, re-measurement due to the IAS 19 change		-0.1			-0.1		-0.1
Other comprehensive income:							
Change in fair value of defined benefit pension, adoption of IAS 19 change		16.6			16.6		16.6
-Deferred tax		-5.5			-5.5		-5.5
Cash flow hedges	30			-0.1	-0.1		-0.1
-Deferred tax				0.0	0.0		0.0
Change in fair value of available for sale financial assets	16			-0.4	-0.4		-0.4
-Deferred tax				0.1	0.1		0.1
Translation differences			3.9		3.9		3.9
Comprehensive income, total *		51.7	3.9	-0.4	55.2	0.1	55.3
Transactions with owners							
Share-based payments	23	1.0			1.0		1.0
Equity transactions with YIT Group		-81.9			-81.9		-81.9
Transactions with owners, total *		-80.9			-80.9		-80.9
Invested equity December 31, 2012 *		**379.3**	**7.7**	**-0.1**	**386.8**	**0.6**	**387.4**

* carve-out figures

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

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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 and maintains user-friendly and energy-efficient building systems and offers industrial services, covering all building systems throughout the life cycle of the property. Caverion’s services are used in offices and retail properties, housing, public premises and industrial plants.

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.

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 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 27, 2014 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 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows are to be assigned to Caverion Group as described under “Basis of accounting for carve-out financial information” below. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and corporate legislation complementing the IFRS regulation.

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

Caverion Group’s consolidated financial statements for the year ended 2013 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 2013 and have an impact on the Group:

- IAS 19, ‘Employee benefits’ was revised and its impact on the Group’s accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 36 Changes in accounting policies for the impact on the financial statements.
- Amendment to IAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. As a result of the amendments to IAS 1 the Group has modified the presentation of items of OCI in its consolidated statement of comprehensive income.
- IFRS 13, ‘Fair value measurement’, aims to improve consistency in fair value measurement and provide new disclosure requirements when such measurements are required or permitted by other IFRSs. Standard incorporate the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the amendments the Group has expanded disclosures of fair values.

Basis of accounting for the carve-out financial information

The carve-out financial information of Caverion Group for the year ended December 31, 2012 and 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 carve-out financial information may not be indicative of Caverion Group’s future performance and it does not necessarily reflect what its combined results of operations, financial position and cash flows would have been, had Caverion with its subsidiaries operated as an independent group and had it presented stand-alone financial statements during the periods presented.

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.

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's investment in associates includes goodwill identified on 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 is recognised 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, 2013	**Income statement January-December, 2012**	**Statement of financial position December 31, 2013**	**Statement of financial position December 31, 2012**
1 EUR =	CZK	25.9904	25.146	27.427	25.151
	DKK	7.4579	7.4438	7.4593	7.4610
	MYR	4.1858	3.9687	4.5221	4.0347
	NOK	7.8075	7.4752	8.3630	7.3483
	PLN	4.1971	4.1843	4.1543	4.0740
	RUB	42.3362	39.9239	45.3246	40.3295
	SEK	8.6514	8.7061	8.8591	8.5920
	SGD	1.6610	1.6059	1.7414	1.611
	USD	1.3281	1.2854	1.3791	1.3194
	LVL	0.7015	0.6973	0.7028	0.6977
	LTL	3.4528	3.4528	3.4528	3.4528

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 tranferred 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. To date, the Group's research and development expenditure has not met the criteria for capitalization.

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 14.

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 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. As of December 31, 2013 Caverion's only share-based incentive plan was the one that YIT had for its key personnel in years 2010-2012 and which was transferred to Caverion in the demerger, see note 23 for more information.

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 construction 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.

<u>*Financial assets*</u>

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 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.

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 14. 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 2013, the goodwill testing did not result any impairment losses. In 2012, the goodwill testing resulted in an impairment loss of EUR 0.9 million regarding the goodwill in Poland. Otherwise, in 2013 these analyses and estimations have not given an indication for impairment, The recoverable amounts exceeded only slightly the tested carrying values in Poland and Czech As at December 31, 2013 and 2012 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 2013, and 2012 the revenue from long-term service contract and building service projects amounted to EUR 1.780,6 million and EUR 2,006,4 million, respectively and they were 70% and 72% of the Caverion Group total revenue (Note 4).

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, 2013 and 2012 the deferred taxes net liability amounted to EUR 58.6 million and EUR 63.2 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, 2013 and 2012 the provisions amounted to EUR 25.8 million and EUR 30.2 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, 2013 and 2012 the pension liabilities amounted to EUR 51.1 million and EUR 51.8 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, 2013 and 2012 trade receivables amounted to EUR 378.5 million and EUR 444.8 million.

Carve-out adjustments

Carve-out financial statements include the allocations of income, expense, assets, liabilities and cash flows that are described in note 1, 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.

Evaluation of the future impact of new standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Of these the following are expected to have an effect on the consolidated financial statements of the Group:

- <u>IFRS 10 Consolidated financial statements and IAS 27 (revised 2011) Separate financial statements.</u> 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 Group will adopt the standards in its 2014 financial statements. The Group management is assessing the impact of the standards on the financial statements of the Group.

- <u>IFRS 11 Joint arrangements and IAS 28 (revised 2011) Investments in associates and joint ventures:</u> 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 Group will adopt the standards in its 2014 financial statements. The Group management is assessing the impact of the standards on the financial statements of the Group.

- <u>IFRS 12 Disclosures of interests in other entities:</u> 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 Group will adopt the standard in its 2014 financial statements. The Group management is assessing the impact of the standard on the financial statements of the Group.

- <u>Amendment to IFRSs 10, 11 and 12 on transition guidance.</u> 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 Group will adopt the standard in its 2014 financial statements.

- Amendment to IAS 32 Financial instruments, Presentation - asset and liability offsetting: These amendments are to the application guidance in IAS 32, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group will adopt the standard in its 2014 financial statements.

- IFRS 9: Financial instruments: IFRS 9 is to replace IAS 39. Currently IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for) financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also IFRS 9 relaxes the requirements for hedge effectiveness and change what qualifies as a hedged item. IFRS 9 allows hedge accounting for example for risk components of commodities, aggregated exposures, groups of items when hedging foreign currency and equity investments. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard has not yet been endorsed by EU. The Group management is assessing the impact of the standard on the financial statements of the Group.

- Annual improvements 2010-2012 and annual improvements 2011-2013: Small and less important improvements to different standards in the 2010-2012 and 2011-2013 reporting cycles. The impacts of the improvements vary by standard. The amendments have not yet been endorsed by EU.

2. SEGMENT INFORMATION

Caverion's business and reportable segments are Building Services Northern Europe and Building Services Central Europe.

Caverion's reportable segments are based on the internal reports regularly reviewed by the Management Board of Caverion. The Management Board is the chief operating decision-maker, which reviews the Group's internal reporting in order to assess performance and allocate resources to the segments.

Segments' operating activities are organised as follows:

Building Services Northern Europe

- Servicing, repairs, renovation and modernisation works required in homes and in properties.
- Servicing and maintenance of the HEPAC, electrical and automation systems and individual contracted maintenance and servicing works.
- Maintenance of industrial plants, industrial processes, installations and repairing services. Industrial investments in electrical, automation and ventilation systems, piping and tanks.

Building Services Central Europe

- Servicing, repairs, renovation and modernisation works required in homes and in properties.
- Servicing and maintenance of the HEPAC, electrical and automation systems and individual contracted maintenance and servicing works.
- Maintenance of industrial plants, industrial processes, installations and repairing services. Industrial investments in electrical, automation and ventilation systems, piping and tanks.

Group services and other items

Other items include Group internal services and Group level unallocated costs.

Accounting principles in segment reporting

Building Services Northern Europe and Building Services Central Europe segments' reporting is based on and corresponds to the accounting principles described in these consolidated financial statements.

The segments' operative invested capital and return on operative invested capital (%) are monitored and reported regularly on the segment level.

Operative invested capital is determined as follows:

+ Tangible and intangible assets
+ Goodwill
+ Investments in associates
+ Inventories
+ Trade receivables and other interest-free receivables (excl. items related to taxes, interests and distribution of assets)
= Segment's assets

- Provisions
- Trade payables
- Advances received
- Other interest-free liabilities (excl. items related to taxes. interests and distribution of assets)
= Segment's liabilities

Segment's assets - Segment's liabilities = Operative invested capital

Return on operative invested capital, % =	Segment's operating profit / Operative invested capital on average *100

Operating segments 2013

EUR million	Building Services Northern Europe	Building Services Central Europe	Group services and other items	Items allocated to segments, total
Segments' revenue	1,922.7	621.3		2,544.0
Group internal	-0.2	-0.2		-0.4
Revenue from external customers	**1,922.5**	**621.1**	**0.0**	**2,543.6**
Share of profit from associates	0.0			0.0
EBITDA	**52.3**	**23.6**	**-5.0**	**70.9**
Depreciation, amortisation and impairment	-15.9	-4.8	-0.8	-21.5
Operating profit	**36.4**	**18.8**	**-5.8**	**49.4**
Segments' assets	**786.5**	**335.2**	**12.2**	**1,133.9**
Total assets include:				
Investments	10.0	5.7	12.1	27.8
Investments in associates	0.1			0.1
Segments' liabilities	**503.0**	**234.6**	**-3.9**	**733.7**
Segment's operative invested capital	283.5	100.6		
Return on operative invested capital (last 12 months) % =	11.6	19.1		

Operating segments 2012

EUR million	Building Services Northern Europe	Building Services Central Europe	Group services and other items	Items allocated to segments, total
Segments' revenue	2,089.2	714.2		2,803.4
Group internal	0.0	-0.2		-0.2
Revenue from external customers	**2,089.2**	**714.0**	**0.0**	**2,803.2**
Share of profit from associates	0.0			0.0
EBITDA	**59.5**	**33.2**	**-7.4**	**85.3**
Depreciation, amortisation and impairment	-18.3	-5.8		-24.2
Operating profit	**41.1**	**27.4**	**-7.4**	**61.1**
Segments' assets	**880.1**	**344.8**	**0.6**	**1,225.5**
Total assets include:				
Investments	12.0	4.1		16.2
Investments in associates	0.1			0.1
Segments' liabilities	**535.3**	**248.2**	**0.4**	**783.9**
Segment's operative invested capital	344.8	96.6		
Return on operative invested capital (last 12 months) % =	11.0	32.5		

Segment information reconciliation

EUR million	Group 2013	Group 2012
Reconciliation of net profit for the financial year		
Operating profit	49.4	61.1
Unallocated items:		
Financial income and expenses	-6.6	-3.6
Profit before taxes	42.8	57.5
Taxes	-7.3	-16.7
Non-controlling interests	0.0	-0.1
Net profit for the financial year	**35.5**	**40.7**
Assets		
Assets allocated to segments	1,133.9	1,225.5
Unallocated items:		
Cash and cash equivalents	133.3	100.8
Available for sale assets	2.0	2.5
Tax related items	5.0	10.2
Assets total	**1,274.3**	**1,339.0**
Liabilities		
Liabilities allocated to segments	733.7	783.9
Unallocated items:		
Interest-bearing liabilities	219.8	91.0
Tax related items	69.4	76.0
Periodisations of financial items	1.2	0.7
Liabilities total	**1,024.1**	**951.5**

Geographical information

In geographical segments revenues are presented by location of customers and assets are presented by location of assets.

EUR million	2013 Revenue from external customers	2013 Non-current assets	2012 Revenue from external customers	2012 Non-current assets
Sweden	702.5	55.9	723.8	58.4
Finland	518.6	131.7	585.8	120.8
Norway	497.5	91.3	564.6	94.7
Germany	436.2	98.6	521.1	97.6
Austria	147.2	20.0	157.5	20.0
Denmark	131.7	10.4	142.8	10.6
Other Central Europe	25.6	3.5	32.3	3.6
Russia	31.5	0.2	32.0	0.3
Baltic countries	24.9	0.3	25.5	0.2
Other Europe	5.8		2.0	
Other countries	22.1	0.1	15.9	0.1
Group total	**2,543.6**	**412.1**	**2,803.2**	**406.5**

3. ACQUISITIONS AND DISPOSALS

Financial year 2013

Caverion did not carry out any acquisitions or disposals during the financial year 2013.

Financial year 2012

In Sweden, Building Services Northern European segment acquired the share capital of Elektriska Installationer i Finspång AB. a company specialising in electricity, telecommunications, data, alarm and low voltage installations, and its sister company Kraftmontage i Finspång AB. specialising in electrical installations in February 2012. In Norway, the share capital of electrical installations specialist Madla Elektro AS was acquired in March 2012. In Sweden, the security business operations of Level5 security was acquired in April 2012 and the share capital of electrical installations company Dala Elmontage Lindkvist & Bodin Ab was acquired in May 2012.

During the first half of the year 2012, two acquisitions were made in the Building Services Central Europe segment. In Austria, the Group acquired the share capital of P&P Kältenangebau GmbH. a cooling solutions and service provider, and the share capital of WM Haustechnik GmbH. an HVAC solution provider.

The total acquisition price amounted to EUR 9.5 million. The acquisitions did not result in goodwill.

Composition of acquired net assets and goodwill

EUR million	2012
Consideration	
Cash	8.5
Contingent consideration	1.1
Total consideration	**9.5**
Acquisition-related costs	
(recognised as expenses)	0.2

Recognised amounts of identifiable assets acquired and liabilities assumed

EUR million	2012
Cash and cash equivalents	1.1
Property, plant and equipment	0.5
Customer base	1.6
Order backlog	4.5
Other intangible assets	12.9
Inventories	0.9
Trade and other receivables	6.6
Deferred tax liabilities, net	-2.0
Trade and other liabilities	-16.6
Total identifiable net assets	**9.5**
Non-controlling interest	
Goodwill	
Total	**9.5**

Revenue included in the income statement for the period	17.4
Profit for the period included in the income statement for the period	0.2

Revenue had the consolidation taken place from the beginning of the financial year	19.0
Profit for the period had the consolidation taken place from the beginning of the financial year	0.4

4. LONG-TERM CONTRACTS

EUR million	2013	2012
Revenue recognised as revenue in the period from long-term service contracts and building service projects	1,780.6	2,006.4
Contract costs incurred and recognised profits less recognised losses to date for work in progress	2,124.9	2,366.8
Accrued income from long-term service contracts and projects	261.9	279.4
Advances received	46.3	75.4

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".

5. OTHER OPERATING INCOME

EUR million	2013	2012
Gains on the sale of tangible and intangible assets	0.5	2.5
Rental income	0.4	0.2
Business combinations		4.0
Personnel-related allowances		2.4
Other income	2.3	3.2
Total	**3.2**	**12.3**

6. OTHER OPERATING EXPENSES

EUR million	2013	2012
Losses on the sale of tangible and intangible assets	0.0	0.0
Expenses for leased office facilities	37.8	41.3
Other expenses for leases	53.8	57.9
Voluntary indirect personnel expenses	16.0	17.2
Other variable expenses for work in progress	59.3	70.1
Travel expenses	48.9	50.6
IT expenses	37.2	42.0
Premises expenses	10.2	9.1
Other fixed expenses [1)]	45.1	45.6
Total	**308.1**	**333.9**

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

The Group's research and development expenses amounted to EUR 12.7 (14.0) million in 2013.

Audit fee

EUR million	2013	2012
PricewaterhouseCoopers		
Audit fee	0.5	0.6
Statement	0.0	0.0
Tax services	0.2	0.3
Other services	0.5	0.2
Total	**1.2**	**1.1**

7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2013	2012
Depreciation and amortisation by asset category		
Intangible assets		
Allocations	10.2	13.5
Other intangible assets	3.0	0.7
Tangible assets		
Buildings and structures	0.5	0.6
Machinery and equipment	4.8	5.5
Machinery and equipment, finance lease	0.6	0.4
Other tangible assets	2.4	2.5
Total	**21.5**	**23.3**
Impairment		
Goodwill		0.9
Depreciation, amortisation and impairment total	**21.5**	**24.2**

8. EMPLOYEE BENEFIT EXPENSES

EUR million	2013	2012 Restated
Wages and salaries	827.6	874.4
Pension costs, defined contribution plan	61.8	73.5
Pension costs, defined benefit plan	4.5	5.6
Other post-employment benefits	0.6	0.7
Share-based compensations	0.6	1.7
Other indirect employee costs	167.7	171.5
Total	**1,062.8**	**1,127.4**

Average number of personnel by business segment		
Building Services Northern Europe	14,674	15,588
Building Services Central Europe	3,313	3,462
Corporate services	85	83
Total	**18,071**	**19,132**

Information on the management's salaries and fees and other employee benefits are presented in note 34. Related party transactions.

9. FINANCIAL INCOME AND EXPENSES

EUR million	2013	2012
Financial income		
Dividend income on available for sale investments	0.1	0.0
Interest income on loans and other receivables	1.7	1.1
Realised gains on available for sale investments	0.2	0.5
Other financial income on loans and other receivables	0.1	0.2
Total financial income	**2.0**	**1.9**
Financial expenses		
Interest expenses on liabilities at amortised cost [1]	-5.2	-4.6
Other financial expenses on liabilities at amortised cost	-2.2	-0.5
Interest expenses on finance leases	-0.1	0.0
Total financial expenses	**-7.4**	**-5.2**
Exchange rate gains	6.2	1.0
Exchange rate losses	-7.5	-1.3
Exchange rate differences, net	**-1.2**	**-0.3**
Financial expenses, net	**-6.6**	**-3.6**

[1] Interest expenses on liabilities at amortised cost include EUR 0.0 (0.2) million interest expenses on derivatives with hedge accounting applied for.

Net financing expenses in 2013 are burdened by one-off items relating to the partial demerger amounting to EUR 0.7 million. If the refinancing under the credit facility would have been drawn down at the beginning of the financial year, the net financing expenses in January–December would have amounted to approximately EUR 8.4 million

10. INCOME TAXES

Income taxes in the income statement

EUR million	2013	2012
Tax expense for current year	9.9	9.8
Tax expense for previous years	0.7	-0.8
Change in deferred tax assets and liabilities	-3.3	7.7
Total income taxes	**7.3**	**16.7**

The reconciliation between income taxes in the consolidated income statement and income taxes at the statutory tax rate in Finland 24.5% is as follows:

EUR million	2013	2012
Profit before taxes	**42.8**	**57.5**
Income taxes at the tax rate in Finland (24,5%)	10.5	14.1
Effect of different tax rates outside Finland	0.5	2.4
Tax exempt income and non-deductible expenses	0.8	-1.1
Net results of associated companies	0.0	0.0
Impact of the changes in the tax rates on deferred taxes [1)]	-4.7	-1.1
Impact of losses for which deferred tax asset is recognised		-0.3
Impact of losses for which deferred taxes is not recognised	0.5	1.3
Reassessment of deferred taxes	-1.0	2.2
Taxes for previous years	0.7	-0.8
Income taxes in the income statement	**7.3**	**16.7**

[1)] The effect of the change of tax rate 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 and in Sweden from 26.3% to 22.0% in 2013.

11. EARNINGS PER SHARE

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

	2013	2012
Profit attributable to the owners of the parent company, EUR million	35.5	40.7
Weighted average number of shares, million	125.6	125.6
Earnings per share, basic, EUR	0.28	0.32
Earnings per share, diluted, EUR	0.28	0.32

Earnings per share for the financial year 2012 has been computed using the number of shares issued at the partial demerger.

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 2013 and 2012.

12. PROPERTY, PLANT AND EQUIPMENT

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

2012

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets [1]	Advance payments	Total
Historical cost at January 1, 2012	1.7	20.0	67.1	15.9	0.4	105.1
Translation differences		-0.3	1.6	0.2		1.5
Increases		0.1	4.7	1.7	0.2	6.7
Acquisitions			0.5			0.5
Decreases	-0.1	-1.9	-3.3	-0.6	-0.1	-6.0
Historical cost at December 31, 2012	**1.6**	**17.9**	**70.6**	**17.2**	**0.5**	**107.8**
Accumulated depreciation and impairment at January 1, 2012		-11.7	-52.8	-5.9		-70.4
Translation differences		0.2	-1.2	-0.1		-1.1
Depreciation		-0.6	-5.9	-2.5		-9.0
Accumulated depreciation of decreases		1.0	3.0	0.5		4.5
Accumulated depreciation and impairment at December 31, 2012		**-11.1**	**-56.9**	**-8.0**		**-76.0**
Carrying value January 1, 2012	1.7	8.3	14.3	10.0	0.4	34.7
Carrying value December 31, 2012	1.6	6.8	13.7	9.2	0.5	31.8

[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	2013	2012
Historical cost at January 1	8.0	6.9
Translation differences	-0.7	0.2
Increases	1.6	0.9
Decreases		0.0
Accumulated depreciation	-7.1	-7.1
Carrying value December 31	**1.8**	**0.9**

No impairment losses have been recognised during the financial years 2013 and 2012. The government grant received is not material. The received government grants have been deducted from the carrying value.

13. INTANGIBLE ASSETS

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 amortisation at January 1, 2013	-0.9	-45.3	-11.1	-56.4
Amortisation		-10.2	-3.0	-13.2
Translation differences		2.6	0.3	2.9
Accumulated amortisation of decreases		1.8	0.2	2.0
Accumulated amortisation 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

2012

EUR million	Goodwill	Allocations from business combinations	Other intangible assets [1]	Total other intangible assets
Historical cost at January 1, 2012	336.6	57.1	17.6	74.7
Increases			0.9	0.9
Acquisitions		19.0		19.0
Decreases			-1.7	-1.7
Translation differences		5.6	-3.1	2.5
Historical cost at December 31, 2012	**336.6**	**81.7**	**13.7**	**95.4**
Accumulated amortisation at January 1, 2012		-26.9	-15.0	-41.9
Amortisation	-0.9	-13.5	-0.7	-14.2
Translation differences		-5.4	2.5	-2.9
Accumulated amortisation of decreases		0.5	2.1	2.6
Accumulated amortisation at December 31, 2012	**-0.9**	**-45.3**	**-11.1**	**-56.4**
Carrying value January 1, 2012	336.6	30.2	2.5	32.8
Carrying value December 31, 2012	335.7	36.4	2.5	39.0

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

Allocations from business combinations:

EUR million	2013	2012
Customer relations and contract bases	24.4	31.1
Unpatented technology	0.0	0.2
Order backlog	2.7	4.5
Prohibition of competition clause	0.0	0.6
Total	**27.2**	**36.4**

14. GOODWILL

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

EUR million	2013	2012
Building Services Northern Europe		
Finland	68.9	68.9
Sweden	41.8	41.8
Norway	69.7	69.7
Denmark	7.6	7.6
Industrial services	41.8	41.8
Total Building Services Northern Europe	**229.7**	**229.7**
Building Services Central Europe		
Germany	86.0	86.0
Austria	16.5	16.5
Poland	2.4	2.4
Czech	1.1	1.1
Total Building Services Central Europe	**106.0**	**106.0**
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 set out strategy of next two years. A growth rate for the terminal value of 2 per cent has been used in the impairment testing in 2013 and 2012. 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 pre-tax discount factor of 9.9 – 11.8 (2012: 10.2 - 10.9) per cent was used in testing of Building Services Northern Europe and 9.5 -– 11.0 (2012: 9.9 – 11.1) per cent in testing of Building Services Central Europe in 2013.

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

	Ratio			Result
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 2013, the recoverable amount (E) exceeded substantially the carrying value (T) in all CGUs except in Poland and Czech. The recoverable amount (E) exceeded only slightly the carrying value (T) in Poland and Czech, thus no impairment loss was recognised in 2013. As a result of impairment testing in 2012, a write-down of

EUR 0.9 million was made to the goodwill of Poland.

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 9.50% and Czech 9.56% parametre changes.

15. INVESTMENTS IN ASSOCIATED COMPANIES

EUR million	2013	2012
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
2013	Arandur Oy	Vantaa	4.5	4.1	5.5	0.0	33.00%
2012	Arandur Oy	Vantaa	4.0	3.7	5.4	0.0	33.00%

16. AVAILABLE FOR SALE INVESTMENTS

EUR million	2013	2012
Carrying value January 1	2.5	2.9
Increases		
Decreases	-0.1	
Changes in fair values	-0.3	-0.4
Carrying value December 31	**2.0**	**2.5**

Available for sale investments consist of as follows:

Quoted shares	0.6	0.6
Unquoted shares	1.4	1.9
Total	**2.0**	**2.5**

17. NON-CURRENT RECEIVABLES

EUR million	2013 Carrying value	2013 Fair value	2012 Carrying value	2012 Fair value
Other receivables [1)]	2.3	2.3	5.3	5.3

[1)] Other receivables include defined benefit plan pension assets EUR 2.1 (1.7) million.

Reconciliation to note 29:

EUR million	2013	2012
Other receivables	2.3	5.3
Defined benefit pension asset	-2.1	-1.7
Difference	0.2	3.6

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

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2013	2012 Restated
Deferred tax asset	3.5	5.5
Deferred tax liability	-62.1	-68.7
Deferred tax liability, net	**-58.6**	**-63.2**
Changes in deferred tax assets and liabilities:		
Deferred tax liability, net January 1	-63.2	-46.6
Translation difference	2.5	-1.7
Changes recognised in income statement	3.3	-7.7
Changes recognised in comprehensive income	1.6	-5.4
Acquisitions and allocations	-2.7	-2.0
Deferred tax liability, net December 31	**-58.6**	**-63.2**

Changes in deferred tax assets and liabilities before the offset

2013

EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in comprehensive 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**

2012 (Restated)

EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in comprehensive income	Acquisitions and allocations	December 31
Deferred tax assets:						
Provisions	5.0	0.1	0.1			5.2
Tax losses carried forward	8.5	0.1	-1.6			7.0
Pension obligations	13.5	-0.2	0.5	-5.7		8.1
Other items	3.0		0.3			3.3
Total deferred tax assets	**30.0**	**0.0**	**-0.7**	**-5.7**		**23.6**
Deferred tax liabilities:						
Allocation of intangible assets [1)]	39.8	0.9	4.2		2.0	46.9
Accumulated depreciation differences	8.8	0.3	-1.6			7.5
Pension obligations	0.6			-0.2		0.4
Percentage of completion method	24.0	0.3	5.6			29.9
Inventories	1.8		-0.3			1.5
Available-for-sale investments	0.1			-0.1		0.0
Other items	1.5	0.2	-1.0			0.7
Total deferred tax liabilities	**76.6**	**1.7**	**6.9**	**-0.3**	**2.0**	**86.9**

[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 2.3 (2.1) 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.

19. INVENTORIES

EUR million	2013	2012
Raw materials and consumables	19.0	23.1
Work in progress	10.4	15.8
Advance payments	0.0	0.1
Total inventories	**29.5**	**39.0**

The Group didn't make any write-downs of inventories during financial years 2013 or 2012.

20. TRADE AND OTHER RECEIVABLES

EUR million	2013 Carrying value	2012 Carrying value
Trade receivables	378.5	444.8
Accrued income from long-term projects [1)]	261.9	279.4
Accrued income	33.0	39.3
Other receivables	16.5	11.1
Total	**689.9**	**774.7**

Trade receivables average amount was EUR 364.4 (397.8) million in 2013. Group has not received collaterals.

Reconciliation to note 29:

EUR million	2013	2012
Trade receivables	378.5	444.8
Accrued income from long-term projects [1)]	261.9	279.4
Other receivables	16.5	11.1
Total	**656.9**	**735.4**

[1)] Additional information is presented in note 4. Long-term contracts.

21. CASH AND CASH EQUIVALENTS

EUR million	2013 Carrying value	2013 Fair value	2012 Carrying value	2012 Fair value
Cash and cash equivalents	133.3	133.3	100.8	100.8

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

EUR million	2013	2012
Cash and cash equivalents	133.3	100.8

22. NOTES TO THE EQUITY

Caverion Corporation was established in the partial demerger of YIT on June 30, 2013. Thus, it is not possible to present share capital or an analysis of equity reserves for the financial year 2012. The net assets of Caverion Group are represented by capital invested in Caverion Group, presented under “invested equity” on the statement of financial position in 2012.

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**

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, 2013.

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
Jun 30, 2013	-
Treasury shares granted	
Return of treasury shares	4,080
Dec 31, 2013	**4,080**

The consideration paid for the treasury shares amounted to EUR 0.0 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 2013 and 2012.

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.

23. SHARE-BASED PAYMENTS

Caverion does not have any share-based incentive plan for its key personnel.

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, 2013 expenses have been recognised based on revaluation as at July 1, 2013 of the Caverion Corporation's shares given to the employees.

The main features of the incentive plan

	Basis for period June 30 - December 31, 2013		Basis for carve-out periods	
	Year 2012 program	Year 2011 program	Year 2012 program	Year 2011 program
Grant day	June 30, 2013	June 30, 2013	February 29, 2012	March 18, 2011
Market value of the share on the transfer/grant day	4.10	4.10	16.55	20.67
Share rights granted [1)]	-	-	252,136	274,917
Shares transferred/granted [2)]	53,505	58,367	66,914	69,885
Share rights cancelled [3)]	-	-	208,003	211,903
Delivery year of the shares [4)]	2013	2012	2013	2012
Last year of the commitment period	2016	2015	2016	2015
The number of key employees	114	105	117	108

[1)] The maximum amount of granted shares

[2)] Shares transferred to Caverion / granted based on the financial key targets

[3)] The difference between the maximum and realised number of shares

[4)] Shares granted in 2013 that are based on the 2012 plan, were delivered on May 21, 2013

The consolidated financial statements include cost from share-based incentive plans amounting to EUR 0.6 (1.7) million. The accrued liabilities related to cash-settled part of the compensation amounted to EUR 0.0 (0.5) million in 2013. EUR 0.2 (0.3) million of the cost recognised are related to the Group management board.

24. EMPLOYEE BENEFIT OBLIGATIONS

Obligations in the statement of financial position:

EUR million	2013	2012 Restated
a) Defined benefit plans	42.1	43.7
b) Post-employment other benefits	8.9	8.1
Liability in the statement of financial position (interest-free)	51.1	51.8
Pension asset in the statement of financial position	-2.1	-1.7
Net liability	**48.9**	**50.2**

Income statement charge:

EUR million	2013	2012 Restated
a) Defined benefit plans	-4.5	-5.6
b) Post-employment other benefits	-0.6	-0.7
Included in financial expenses	**-1.6**	**-0.3**
Income statement charge, total	**-6.7**	**-6.6**

Remeasurements, included in other comprehensive income:

EUR million	2013	2012 Restated
a) Defined benefit plans	-2.3	11.5
b) Post-employment other benefits	-1.4	-0.3
Change in foreign exchange rates	3.0	-
Included in other comprehensive income, total	**-0.7**	**11.2**

a) Defined benefit pension plans

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

EUR million	2013	2012
Present value of funded obligations	99.8	102.9
Fair value of plan assets	-79.3	-81.8
Net deficit of funded plans	**20.5**	**21.1**
Present value of unfunded obligations	19.5	20.9
Total net deficit of defined benefit pension plans	**40.0**	**42.0**
Liability in the statement of financial position	42.1	43.7
Receivable in the statement of financial position	-2.1	-1.7

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, 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**

EUR million	Present value of obligation	Fair value of plan assets	Total net obligation
At January 1, 2012	137.6	-80.3	57.3
Current service cost	5.6	0.4	6.0
Interest expense	3.6	-3.0	0.5
Remeasurements:			
Return on plan assets, excluding interest expense		2.6	2.6
Gain/loss from change in demographic assumptions	-23.1		-23.1
Gain/loss from change in financial assumptions	3.9		3.9
Exchange difference	0.2		0.2
Employers' contributions	-1.1	-4.0	-5.1
Benefit payments from plans	-2.8	2.5	-0.4
At December 31, 2012	**123.8**	**-81.8**	**42.0**

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

The significant actuarial assumptions were as follows:

	Discount rate	Salary growth rate	Pension growth rate
2013			
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%
2012			
Finland	3.50%	2.00%	2.10%
Norway	3.80%	3.50%	0.20%
Germany	3.50%	3.00%	2.30%
Austria	3.50%	1.30%	2.30%

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

	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	2013	%	2012	%
Equity instruments	12.6	16	12.1	15
Debt instruments	40.9	52	42.8	52
Property	10.0	13	10.4	13
Cash and cash equivalents	15.9	20	16.5	20
Total plan assets	**79.3**	**100**	**81.8**	**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.

Multi-employer plan in Sweden

In Sweden, Caverion participates in a multi-employer defined benefit plan in Alecta insurance company. 1,015 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

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

EUR million	2013	2012
Present value of unfunded obligations	8.9	8.1
Liability in the statement of financial position	**8.9**	**8.1**

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

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**

EUR million	Present value of unfunded obligation
At January 1, 2012	7.6
Current service cost	0.3
Interest expense	0.3
Remeasurements:	
Return on plan assets, excluding interest expense	
Gain/loss from change in demographic assumptions	0.0
Gain/loss from change in financial assumptions	0.3
Benefit payments from plans	-0.3
At December 31, 2012	**8.1**

The most significant risk factors in valuation of the Group’s defined benefit obligations are the future development of the interest and currency rates and the life-expectancy index.

25. PROVISIONS

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**

EUR million	Guarantee reserve	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	Total
January 1, 2012	15.4	3.6	5.1	3.4	8.2	35.7
Translation differences	0.2	0.0	-0.1	0.0	0.3	0.4
Provision additions	7.6	2.6	1.1	0.5	4.5	16.3
Released during the period	-8.1	-3.0	-4.0	-0.6	-5.0	-20.7
Reversals of unused provisions	-1.0			-0.3	-0.6	-1.9
Acquisitions	0.1	0.2			0.1	0.4
December 31, 2012	**14.2**	**3.4**	**2.1**	**3.0**	**7.5**	**30.2**
Non-current provisions	3.7		1.0		2.1	6.9
Current provisions	10.4	3.4	1.1	3.0	5.4	23.3
Total	**14.2**	**3.4**	**2.1**	**3.0**	**7.5**	**30.2**

[1] The Group has 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.

26. BORROWINGS

EUR million	2013 Carrying value	2012 Carrying value
Non-current liabilities		
Loans from financial institutions	138.1	63.5
Pension loans	8.0	10.0
Other loans	1.2	1.6
Finance lease liabilities	1.2	0.5
Non-current liabilities, total	**148.5**	**75.6**

EUR million	2013 Carrying value	2012 Carrying value
Current liabilities		
Loans from financial institutions	68.3	7.0
Pension loans	2.0	8.0
Other loans	0.4	0.0
Finance lease liabilities	0.5	0.4
Current liabilities, total	**71.3**	**15.4**

In the table are included all other liabilities than presented in note 27 Trade and other payables.

Finance lease liabilities

EUR million	2013	2012
Finance lease liabilities fall due in as follows:		
Minimum lease payments		
No later than 1 year	0.5	0.4
1-5 years	1.2	0.5
Total minimum lease payments	**1.7**	**0.9**
Present value of minimum lease payments		
No later than 1 year	0.6	0.4
1-5 years	1.2	0.5
Total present value of minimum lease payments	**1.8**	**0.9**
Future finance charges	0.0	0.0
Finance expenses charged to income statement	-0.1	0.0

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

27. TRADE AND OTHER PAYABLES

EUR million	2013 Carrying value	2012 Carrying value
Non-current liabilities		
Liabilities of derivative instruments	0.0	0.1
Other liabilities	0.2	4.5
Total non-current payables	**0.2**	**4.6**
Current liabilities		
Trade payables	230.1	223.4
Accrued expenses	143.9	150.8
Accrued expenses in work in progress	50.3	77.8
Advances received [1)]	147.4	143.7
Other payables	86.2	102.0
Total current payables	**657.9**	**697.8**

[1)] Advances received consist of advances received and of invoiced advances. Advances received from the long-term contracts are presented in note 4.

Accrued expenses

EUR million	2013	2012
Accrued employee-related liabilities	116.7	116.7
Interest expenses	0.4	0.5
Liabilities of derivative instruments	0.8	0.6
Other accrued expenses	25.9	33.0

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

Reconciliation to note 29:

EUR million	2013	2012
Non-current liabilities	0.2	4.6
Derivatives	0.0	-0.1
Total	**0.2**	**4.5**

EUR million	2013	2012
Current trade payables and other liabilities	657.9	697.8
Accrued expenses	-143.9	-150.8
Accrued expenses in work in progress	-50.3	-77.8
Total	**463.7**	**469.2**

28. NOMINAL VALUES AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

Nominal values

EUR million	2013	2012
Foreign exchange forward contracts, hedge accounting not applied	32.9	32.1
Interest rate forward contracts		
Hedge accounting applied		
Interest rate swaps	20.0	45.5
Forward rate agreements	50.0	

Fair values

EUR million	2013 Positive fair value (carrying value)	2013 Negative fair value (carrying value)	2013 Net value	2012 Positive fair value (carrying value)	2012 Negative fair value (carrying value)	2012 Net value
Foreign exchange forward contracts						
Hedge accounting not applied	0.1	-0.8	-0.7	0.2	-0.7	-0.5
Interest rate derivatives						
Hedge accounting applied		-0.1	-0.1		-0.2	-0.2

All derivatives are hedges according to Caverion Group's financial risk management 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 2014. 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.

29. 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.

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	16
Trade receivables and other receivables		0.2				0.2					17
Current financial assets											
Trade receivables and other receivables		656.9				656.9					20
Derivatives (hedge accounting not applied)			0.1			0.1		0.1		0.1	20
Cash and cash equivalents		133.3				133.3					21
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	26
Pension loans					8.0	8.0		7.7		7.7	26
Other loans					1.2	1.2		1.2		1.2	26
Finance lease liabilities					1.2	1.2		1.3		1.3	26
Trade payables and other liabilities					0.2	0.2					27
Current financial liabilities											
Loans from financial institutions					68.3	68.3					26
Pension loans					2.0	2.0					26
Other loans					0.4	0.4					26
Finance lease liabilities					0.5	0.5					26
Trade payables and other liabilities					463.7	463.7					27
Derivatives (hedge accounting applied)				0.1		0.1		0.1		0.1	27
Derivatives (hedge accounting not applied)			0.8			0.8		0.8		0.8	27
Total			**0.8**	**0.1**	**683.7**	**684.5**		**150.6**		**150.6**	

2012

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	2.5					2.5	0.6		1.9	2.5	16
Trade receivables and other receivables		3.6				3.6					17
Current financial assets											
Trade receivables and other receivables		735.4				735.4					20
Cash and cash equivalents		100.8				100.8					21
Total	**2.5**	**839.8**				**842.3**	**0.6**		**1.9**	**2.5**	
Non-current financial liabilities											
Loans from financial institutions					63.5	63.5		56.3		56.3	26
Pension loans					10.0	10.0		9.2		9.2	26
Other loans					1.6	1.6		1.6		1.6	26
Finance lease liabilities					0.5	0.5		0.5		0.5	26
Trade payables and other liabilities					4.5	4.5					27
Current financial liabilities											
Loans from financial institutions					7.0	7.0					26
Pension loans					8.0	8.0					26
Other loans					0.0	0.0					26
Finance lease liabilities					0.4	0.4					26
Trade payables and other liabilities					469.2	469.2					27
Derivatives (hedge accounting applied)				0.2		0.2		0.2		0.2	27
Derivatives (hedge accounting not applied)			0.5			0.5		0.5		0.5	27
Total			**0.5**	**0.2**	**564.7**	**565.4**		**68.3**		**68.3**	

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 maximizes 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 (0.80-4.00 % in 2012).

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 2013.

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

EUR million	Assets 2013	Liabilities 2013	Assets 2012	Liabilities 2012
Opening balance	1.9		2.3	
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	-0.3		-0.4	
Closing balance	**1.4**		**1.9**	

30. 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 operating units under policies approved by the Board of Directors of Caverion Group. Financing activities are carried out by finance personnel and management in the operating units and subsidiaries. Responsibilities in between the Group Treasury and operating units are defined in the Group's treasury policy. Operating 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 18 months for the Group's net debt (excluding cash). The Group Treasurer is authorised to deviate +/- 12 months from the target interest rate fixing period. At the reporting date the average interest rate fixing term of net debt (excluding cash) was 9.0 months

Interest rate derivatives are used to hedge the re-pricing risk of floating-rate loans. Nominal hedged amounts are EUR 20 million (EUR 45.5 million in 2012) and EUR 50 million (EUR 0 million in 2012) and their reference interest rate is 6 month Euribor. Group applies cash flow hedge accounting for these interest rate derivatives and the hedged cash flows will realise within two subsequent reporting periods (notes 28 and 29). Hedges have been effective at the reporting date. The fair value of interest rate forward agreements are based on the counterparts' quoted prices. These quoted prices for interest rate swap agreements are derived from the discounted future cash flows, and the quoted prices for other agreements are based on general market conditions and common pricing models. Fair values of derivatives are recognised in the hedging reserve in OCI according to accounting policies.

The weighted average effective interest rate of the whole loan portfolio after hedges was 2.31% in 2013 (2.559% in 2012). Interest rate derivatives increase the average effective interest rate of the loan portfolio by 0.03 percentage points in 2013 (0.03 percentage points increase in 2012). Fixed-rate loans after hedges accounted for approximately 38 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 0.7 million in 2013 (EUR 0.8 million in 2012) 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 most significant currencies of the intra-group loans of Caverion Group are Swedish and Norwegian Crowns. The parent company receives or pays the interest rate difference between foreign currencies and euro through hedging the foreign currency receivables.

A one percentage point change in interest rates at the reporting date would have affected the consolidated balance sheet by EUR 0.4 million in 2013 (EUR 0.6 million in 2012) 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 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 operating 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 30 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 0.9 million in 2013 and EUR 1.2 million in 2012. The Group's maximum exposure to credit risk at the balance sheet date (December 31, 2013) is the carrying amount of the financial assets.

Age analysis of trade December 31, 2013

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

Age analysis of trade December 31, 2012

EUR million	Carrying amount	Impaired	Gross
Not past due [1)]	312.5	-0.5	313.0
1 to 90 days	94.9	-0.2	95.1
91 to 180 days	16.6	-0.1	16.7
181 to 360 days	9.2	-2.4	11.6
Over 360 days	11.6	-10.3	21.9
Total	**444.8**	**-13.5**	**458.3**

[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 20.

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, 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**
Assets December 31, 2012			
Derivative financial assets	0.2	-0.2	0.0
Total	**0.2**	**-0.2**	**0.0**
Liabilities December 31, 2012			
Derivative financial liabilities	0.9	-0.2	0.7
Total	**0.9**	**-0.2**	**0.7**

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 semi-annual financial 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. According to the financing policy, only half of the non-current loans can mature over one calendar year. Approximately 94 percent of the loans have been raised from banks and other financial institutions and approximately 5 percent from insurance companies.

Caverion's external financing consists mainly of a credit facility with Nordic bank group. The facility was transferred to Caverion Corporation upon the registration of the partial demerger. It includes an amortising long-term loan facility of EUR 140 million falling due in June 2016, a long-term revolving credit facility of EUR 60 million falling due in June 2016 (which was undrawn at the end of December) and a short-term bridge loan facility of EUR 22 million falling due in June 2014. In addition to the credit facility, amortising loans transferred to Caverion Corporation in the demerger amounted to EUR 58 million at the end of December.

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 133.3 million at the end of December (EUR 100.8 million in 2012). 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, 2013 (December 31, 2012). 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.

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, 2013 (December 31, 2012). 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, 2013

EUR million	2014	2015	2016	2017	2018	2019-	Total	Note
Loans from financial institutions	72.6	53.0	89.5				215.0	26,29
Pension loans	2.1	2.1	2.1	2.1	2.0		10.4	26,29
Finance lease liabilities	0.5	0.6	0.4	0.1	0.1		1.7	26,29
Other financial liabilities	0.4	0.7	0.5		0.1		1.7	26,29
Trade and other payables	463.7						463.7	27,29
Interest rate derivatives								
Hedge accounting applied	0.1	0.0					0.1	27,28,29
Foreign currency derivatives	0.7						0.7	27,28,29

Contractual maturity analysis of financial liabilities and interest payments at December 31, 2012

EUR million	2013	2014	2015	2016	2017	2018-	Total	Note
Loans from financial institutions	8.3	9.3	12.0	11.8	11.5	23.3	76.2	26,29
Pension loans	8.5	2.3	2.2	2.2	2.1	2.1	19.4	26,29
Finance lease liabilities	0.4	0.4	0.1	0.0			0.9	26,29
Other financial liabilities		0.4	0.7	0.5			1.6	26,29
Trade and other payables	469.2						469.2	27,29
Interest rate derivatives								
Hedge accounting applied	0.2	0.1	0.0				0.3	27,28,29
Foreign currency derivatives	0.5						0.5	27,28,29

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. Although, 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	Net investment 2013	Net investment 2012
SEK	52.1	53.6
NOK	0.4	44.5
DKK	9.5	4.1
Other currencies	11.4	4.7

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

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 0.1 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 2013 the most significant currencies in the Caverion Group, that related to commercial agreements and their hedges were Swedish Crown and Swiss Franc. If the euro had strengthened by 5% against to the Swedish Crown and Swiss Franc at the reporting date, valuation of the foreign exchange contracts would have caused a post-tax foreign exchange loss of EUR 0.1 million (SEK) and gain EUR 0.1 million (CHF).

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.

31. OTHER LEASE AGREEMENTS

Group as lessee

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

EUR million	2013	2012
No later than 1 year	61.5	61.3
1 - 5 years	114.3	121.6
Later than 5 years	34.5	36.6
Total	**210.4**	**219.5**

The lease payments of non-cancellable operating leases charged to income statement amounted to EUR 60.6 (62.0) million.

The Group has leased the office facilities. The lease agreements of office facilities have a maximum validity period of 10 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.

32. COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2013	2012
Collateral given for own liabilities		
Corporate mortgages		0.7
Pledged assets		
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, 2013 the total amount of these guarantees was EUR 468.1 (557.1) 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 94.6 million on December 31, 2013 and they mature as follows: EUR 83.8 million in 2014, 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 389.1 million at the end of December 2013.

33. SUBSIDIARIES

Company name	Domicile	Holding, %
Shares in subsidiaries, owned by the Caverion Corporation		
Caverion Suomi Ltd	Helsinki	100.00
Caverion Central Europe GmbH	Munich	100.00
Caverion Industria Ltd	Helsinki	100.00
Caverion Sverige AB	Solna	100.00
Caverion Norge AS	Oslo	100.00
Caverion Danmark A/S	Fredericia	100.00
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 Huber East Ltd	Helsinki	100.00
Shares in subsidiaries, owned by Caverion Central Europe GmbH		
Caverion Österreich GmbH	Vienna	100.00
Caverion Deutschland GmbH	Munich	100.00
Caverion Asia PTE	Singapore	85.00
Caverion Malaysia	Butterworth	100.00
Duatec GmbH	Munich	100,00
OOO Kaverion Geboidetehnik Rus	Moscow	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
Shares in subsidiaries, owned by Caverion Sverige AB		
MISAB Sprinkler & VVS AB	Solna	100.00
Caverion Industria Sverige 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
Ltd Botnia Mill Service Ab [1)]	Kemi	49.83
Kiinteistö Ltd Leppävirran Teollisuustalotie 1	Leppävirta	60.00

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

34. RELATED PARTY TRANSACTIONS

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.

EUR million	2013	2012
Sales of goods and services to YIT Group [1]	26.0	55.6
Sales of goods and services to other related parties	1.2	
Purchases of goods and services from YIT Group [2]	12.7	38.3
Purchases of goods and services from other related parties	0.1	
Trade and other receivables from YIT Group	5.2	5.1
Trade and other receivables from other related parties	0.1	
Trade and other payables to YIT Group	3.4	3.7

[1] Sales of goods and services consist of building services offered by Caverion to YIT Group (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 (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 Management Board of Caverion Corporation. The compensation paid or payable to key management for employee services is presented below:

EUR million	2013	2012
Salaries and other short-term employee benefits	3.7	1.1
Termination benefits	2.8	0.9
Share-based payments [2]	0.7	0.2

[1] Key management compensation for financial year 2012 and 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 and the group management and the Board of Directors.

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

Information on share-incentive schemes has been presented in note 23. Share-based payments.

Compensation paid or payable for the members of the Board of Directors and President and CEO [1]

EUR million	2013
Pitkäkoski Juhani, President and CEO	0.4
Ehrnrooth Henrik, Chairman of the Board	0.0
Rosenlew Michael, Vice Chairman of the Board	0.0
Hyvönen Anna	0.0

Lehtoranta Ari	0.0
Lindqvist Eva	0.0

[1)] For the period July-December, 2013

Retirement age

The statutory retirement age applies to the CEO as well as to other members of the Management Board.

Termination compensation

The notice period of the CEO is 6 months. If the company terminates his contract, the CEO shall be paid separate compensation amounting to 12 months salary.

Loans to related parties

Loans to any related parties do not exist.

Lease commitments to related parties

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

EUR million	31.12.2013	31.12.2012
Total lease guarantees	0.0	68.3

Caverion has leased the office facilities used in Finland from YIT, and the period of the lease agreements are based on external contracts made by YIT. The lease agreements of the office facilities have a period of validity up to 10 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. On June 30, 2013 these lease agreements amounted to EUR 53.1 million (31.12.2012: EUR 68.3 million).

Equity transactions

Equity transactions made with the YIT Group has been presented in the statement of changes in equity.

35. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of Caverion Corporation decided on 27 January, 2014 that Caverion’s external reporting structure will be changed 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) are replaced by one single operative segment, that will also include the Group services and other items. Since Caverion’s establishment, both service and maintenance and project businesses have been developed strongly across all countries. Therefore, replacing reporting segments that are purely based on geographical areas was an evident decision. The first interim report based on the new reporting structure will be published on April 24, 2014 (interim report for January–March 2014). The change in reporting structure will have no effect on the Group’s strategic targets.

Caverion announced on January 20, 2014 that its Board of Directors had chosen Fredrik Strand as Caverion's new President and Chief Executive Officer. He will take up the new position during Q2, 2014. Currently, Fredrik Strand works as President and CEO at Sodexo, being responsible for the company’s Nordic businesses. Swedish citizen Fredrik Strand has worked in his current position since 2009. Between 1989 and 2009 he worked at Ericsson in several leadership positions. During this period he led e.g. Ericsson’s global service delivery operations and its development. He has also been responsible for the company’s service business in Latin America and the United States. Caverion’s current President and CEO Juhani Pitkäkoski will continue in his position until Fredrik Strand will take up the position. After that Pitkäkoski will support onboarding of the new CEO and will enhance development of Caverion’s strategic growth process, reporting to Fredrik Strand.

36. CHANGES IN ACCOUNTING POLICIES

Adoption of new and amended standards January 1, 2013

Changes in International accounting standard IAS 19 Employee benefits and the restated comparative numbers

The Group adopted the revised IAS 19 Employee benefits standard on January 1, 2013. The standard includes changes to accounting principles of defined benefit plans. The amendment eliminates the possibility to use the corridor approach and all the actuarial gains and losses are recognised immediately in the statement of other comprehensive income. The full net liability or net asset is recorded in the statement of financial position. The expected interest income on assets is calculated using the same discount rate as calculating the present value of the pension obligation. The changes in fair value of pension obligation are recorded in the statement of other comprehensive income where previously those were included in the personnel expenses in the income statement.

The revised IAS 19 standard requires that the amendments are applied retrospectively to all periods presented. The impact of the revised standard on Caverion's figures for the financial year 2012 is presented in the tables below.

Combined income statement

EUR million	Reported Group, 2012	IAS 19 restatement	Restated Group, 2012
Revenue	**2,803.2**		**2,803.2**
Other operating income	12.3		12.3
Change in inventories of finished goods and in work in progress	-0.6		-0.6
Production for own use	0.3		0.3
Materials and supplies	-799.8		-799.8
External services	-468.8		-468.8
Employee benefit expenses	-1,127.3	-0.1	-1,127.4
Other operating expenses	-333.9		-333.9
Share of results in associated companies	0.0		0.0
Depreciation, amortisation and impairment	-24.2		-24.2
Operating profit	**61.2**	**-0.1**	**61.1**
Financial income	1.9		1.9
Exchange rate differences (net)	-0.3		-0.3
Financial expenses	-5.2		-5.2
Financial income and expenses	-3.6		-3.6
Profit before taxes	**57.6**	**-0.1**	**57.5**
Income taxes	-16.7	0.1	-16.7
Net profit for the financial year	**40.9**	**-0.1**	**40.8**

Attributable to:			
Owners of the parent	40.8	-0.1	40.7
Non-controlling interests	0.1		0.1
Earnings per share for profit attributable to owners of the parent:			
Earnings per share, EUR *	0.32		0.32

* Earnings per share for the financial year 2012 has been computed using the number of shares issued at the partial demerger.

Combined statement of comprehensive income

EUR million	Reported Group, 2012	IAS 19 restatement	Restated Group, 2012
Profit for the period	**40.9**	**-0.1**	**40.8**
Other comprehensive income			
Change in fair value of defined benefit pension		16.6	16.6
- Deferred tax		-5.5	-5.5
Cash flow hedges	-0.1		-0.1
- Deferred tax	0.0		0.0
Change in fair value of for available for sale investments	-0.4		-0.4
- Deferred tax	0.1		0.1
Translation differences	3.9		3.9
Other comprehensive income, total	**3.5**	**11.1**	**14.6**
Total comprehensive income	**44.5**	**10.9**	**55.3**
Attributable to:			
Owners of the parent	44.5	10.9	55.2
Non-controlling interests	0.1		0.1

Combined statement of financial position

EUR million	Reported Group, December 31, 2012	IAS 19 restatement	Restated Group, December 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment	31.8		31.8
Goodwill	335.7		335.7
Other intangible assets	39.0		39.0
Investments in associated companies	0.1		0.1
Available-for-sale financial assets	2.5		2.5
Receivables	15.6	-10.3	5.3
Deferred tax assets	5.5		5.5
Total non-current assets	**430.2**	**-10.3**	**419.9**
Current assets			
Inventories	39.0		39.0
Trade and other receivables	774.7		774.7
Income tax receivables	4.7		4.7
Cash and cash equivalents	100.8		100.8
Total current assets	**919.2**		**919.2**
TOTAL ASSETS	**1,349.4**	**-10.3**	**1,339.0**
INVESTED EQUITY AND LIABILITIES			
Total invested equity	**413.7**	**-26.2**	**387.4**
Non-current liabilities			
Deferred tax liabilities	78.0	-9.3	68.7
Pension obligations	26.7	25.1	51.8
Provisions	6.9		6.9
Borrowings	75.6		75.6
Other liabilities	4.6		4.6
Total non-current liabilities	**191.8**	**15.8**	**207.6**
Current liabilities			
Trade and other payables	697.8		697.8
Income tax liabilities	7.4		7.4
Provisions	23.3		23.3
Borrowings	15.4		15.4
Total current liabilities	**743.9**		**743.9**

Total liabilities	**935.7**	**15.8**	**951.5**
TOTAL INVESTED EQUITY AND LIABILITIES	**1,349.4**	**-10.3**	**1,339.0**

Combined statement of financial position

EUR million	Reported Group, January 1, 2012	IAS 19 restatement	Restated Group, January 1, 2012
ASSETS			
Non-current assets			
Property, plant and equipment	34.7		34.7
Goodwill	336.6		336.6
Other intangible assets	32.8		32.8
Investments in associated companies	0.1		0.1
Available-for-sale financial assets	2.9		2.9
Receivables	18.2	-11.8	6.4
Deferred tax assets	8.7		8.7
Total non-current assets	**434.0**	**-11.8**	**422.2**
Current assets			
Inventories	37.5		37.5
Trade and other receivables	794.2		794.2
Income tax receivables	2.8		2.8
Cash and cash equivalents	155.4		155.4
Total current assets	**989.9**		**989.9**
TOTAL ASSETS	**1,423.8**	**-11.8**	**1,412.0**
INVESTED EQUITY AND LIABILITIES			
Total invested equity	**450.0**	**-37.0**	**413.0**
Non-current liabilities			
Deferred tax liabilities	70.0	-14.7	55.3
Pension obligations	26.2	39.9	66.1
Provisions	9.9		9.9
Borrowings	90.3		90.3
Other liabilities	6.1		6.1
Total non-current liabilities	**202.5**	**25.2**	**227.7**
Current liabilities			
Trade and other payables	715.6		715.6
Income tax liabilities	13.4		13.4
Provisions	25.8		25.8
Borrowings	16.5		16.5
Total current liabilities	**771.3**		**771.3**

Total liabilities	**973.8**	**25.2**	**999.0**
TOTAL INVESTED EQUITY AND LIABILITIES	**1,423.8**	**-11.8**	**1,412.0**

Income statement, Parent company, FAS

EUR million	Note	30.6.-31.12.2013
REVENUE		0.0
Other operating income	1	10.2
Personnel expenses	2	-4.9
Depreciations and reductions in value	3	-0.8
Other operating expenses		-8.9
OPERATING LOSS		**-4.4**
Financial income and expenses	4	-0.9
LOSS BEFORE EXTRAORDINARY ITEMS		**-5.3**
Extraordinary items	5	10.3
PROFIT BEFORE APPROPRIATIONS AND TAXES		**5.0**
Appropriations	6	0.0
Income taxes	7	-1.2
NET PROFIT FOR THE FINANCIAL PERIOD		**3.8**

Balance sheet, Parent company, FAS

EUR million	Note	31.12.2013
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	8	4.6
Tangible assets	8	3.7
Investments	9	341.7
TOTAL NON-CURRENT ASSETS		**350.0**
CURRENT ASSETS		
Long-term receivables	10	80.0
Short-term receivables	10	55.8
Cash and cash equivalents		117.1
TOTAL CURRENT ASSETS		**252.9**
TOTAL ASSETS		**602.9**
EQUITY AND LIABILITIES		
EQUITY	11	
Share capital		1.0
Retained earnings		154.1
Net profit for the financial year		3.8
TOTAL EQUITY		**158.9**
APPROPRIATIONS	12	**0.0**
LIABILITIES		
Non-current liabilities	14	146.7
Current liabilities	15	297.3
TOTAL LIABILITIES		**444.0**
TOTAL EQUITY AND LIABILITIES		**602.9**

Cash flow statement, Parent company, FAS

EUR million	30.6.-31.12.2013
Cash flow from operating activities	
Profit/loss before extraordinary items	-5.3
Adjustments for:	
Depreciations	0.8
Financial income and expenses	0.9
Cash flow before change in working capital	**-3.6**
Change in working capital	
Change in trade and other receivables	11.7
Change in short-term interest-bearing receivables	-11.3
Change in long-term receivables	0.0
Change in trade and other payables	-10.3
Cash flow before financial items and taxes	**-13.6**
Interest paid and financial expenses	-9.7
Interest received and financial income	8.4
Cash flow from operating activities	**-14.9**
Cash flow from investing activities	
Purchases of tangible and intangible assets	-1.7
Cash flow from investing activities	**-1.7**
Cash flow from financing activities	
Change in current loans	111.6
Repayment of borrowings	-15.0
Cash flow from financing activities	**96.6**
Net change in cash and cash equivalents	**80.0**
Cash and cash equivalents at the beginning of the financial year	0.0
Increases, demerger	37.1
Increases, merger	0.0
Cash and cash equivalents at the end of the financial year	117.1

Notes to 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. Interest rate and currency derivatives are measured at fair value.

Interest rate derivatives

Interest rate derivatives are used to hedge the re-pricing risk of floating-rate loans. Nominal hedged amounts are EUR 20 million and EUR 50 million and their reference interest rate is 6 month Euribor. Caverion applies cash flow hedge accounting for these interest rate derivatives and the hedged cash flows will realise within two subsequent reporting periods. Hedges have been effective at the reporting date.

Foreign exchange derivatives

Caverion operates internationally and is exposed to foreign exchange risks arising from the currencies of the countries in which it operates. Foreign exchange forward contracts are mainly designated as hedges of financial items and have been charged to P/L in finance income/expenses. All firm commitments over EUR 0,1 million must be hedged. Foreign exchange forward contracts maturity dates are within 2014.

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 income statement, Parent company

EUR million	30.6.-31.12.2013

1. OTHER OPERATING INCOME

Service income	10.2

2. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

Personnel expenses	
Wages, salaries and fees	4.0
Pension expenses	0.8
Other indirect personnel costs	0.1
Total	**4.9**

Salaries and fees to the management	
CEO	0.4
Members of the Board of Directors	0.2
Total	**0.6**
Average personnel	85

The fees for the auditors	
PriceWaterhouseCoopers Oy, Authorised Public Accountants	
Audit fee	0.1
Other services	0.0
Total	**0.1**

3. DEPRECIATIONS AND REDUCTIONS IN VALUE

Depreciations on intangible assets	0.8
Depreciations on buildings and structures	0.0
Depreciations on machinery and equipment	0.0
Total	**0.8**

4. FINANCIAL INCOME AND EXPENSES

Interest income from non-current receivables	
From group companies	2.0

Other interest and financial income	
From group companies	1.3
From others	0.1
Total	**1.4**

Other interest and financial expenses	
To group companies	-0.4
To others	-3.7
Total	-4.2

Exchange rate gains	4.7
Fair value change in derivatives	0.1
Exchange rate losses	-4.9
Total	**-0.1**

Total financial income and expenses	**-0.9**

5. EXTRAORDINARY ITEMS

Extraordinary income	
Group contributions	10.3

6. APPROPRIATIONS

Cumulative accelerated depreciation	0.0

7. INCOME TAXES

Income taxes on operating activities	1.2

Notes to balance sheet, Parent company

EUR million	31.12.2013

8. CHANGES IN FIXED ASSETS

Intangible assets

Intangible rights	
Historical cost at Jun 30	0.0
Increases, demerger	3.5
Increases	1.8
Historical cost at Dec 31	5.3

Accumulated depreciations and value adjustments Jun 30	0.0
Depreciations for the period	-0.7
Accumulated depreciations and value adjustments Dec 31	-0.7

Book value at December 31	**4.6**

Total intangible assets	**4.6**

Tangible assets

Land and water areas	
Historical cost at Jun 30	0.0
Increases, demerger	0.1
Historical cost at Dec 31	0.1
Book value at December 31	**0.1**

Buildings	
Historical cost at Jun 30	0.0
Increases, demerger	0.2
Historical cost at Dec 31	0.2
Accumulated depreciations and value adjustments Jun 30	0.0
Depreciations for the period	0.0
Accumulated depreciations and value adjustments Dec 31	0.0
Book value at December 31	**0.2**

Machinery and equipment	
Historical cost at Jun 30	0.0
Increases, demerger	0.0
Increases	0.1
Historical cost at Dec 31	0.1
Accumulated depreciations and value adjustments Jun 30	0.0
Depreciations for the period	0.0
Accumulated depreciations and value adjustments Dec 31	0.0
Book value at December 31	**0.1**

Advance payments and acquisitions in progress	
Historical cost at Jun 30	0.0
Increases, demerger	4.6
Increases	7.9
Decreases	-9.2
Historical cost at Dec 31	3.3
Book value at December 31	**3.3**

Total tangible assets	**3.7**

9. INVESTMENTS

Shares in Group companies	
Historical cost at Jun 30	0.0
Increases, demerger	133.6
Increases, merger	289.4
Decreases, merger	-81.3
Historical cost at Dec 31	341.7

Total investments	**341.7**

10. RECEIVABLES

Non-current receivables	
Receivables from group companies	
Loan receivables	80.0
Receivables from others	0.0
Total	80.0

Current receivables	
Receivables from group companies	
Trade receivables	7.2
Loan receivables	29.2
Other receivables	13.8
Receivables from others	
Other receivables	1.8
Accrued income	3.8
Total	55.8

Accrued income	
Accrued financial expenses	0.8
Other receivables	3.0
Total	3.8

11. EQUITY

Share capital Jun 30	0.0
Increases, demerger	1.0
Share capital Dec 31	**1.0**

Retained earnings Jun 30	0.0
Increases, demerger	140.3
Increases, merger	13.8
Return of treasury shares	0.0
Retained earnings Dec 31	**154.1**

Net profit for the financial period	3.8

Total equity	**158.9**

Distributable funds at Dec 31	
Retained earnings	154.1
Net profit for the financial period	3.8
Distributable fund from shareholders`equity	**157.9**

Treasury shares of Caverion Oyj

December 31, 2013 parent company had treasury shares as follows:

	Number	Total number of shares	% of voting rights
	4,080	125,596,092	0.0%

12. CHANGE IN DEPRECIATION DIFFERENCE

Change in cumulative accelerated depreciation Jun 30	0.0
Increases	0.0
Change in cumulative accelerated depreciation Dec 31	0.0

13. DEFERRED TAX RECEIVABLES AND LIABILITIES

Deferred tax receivables	
Postponed depreciation	0.0
Other temporary differences	0.4
Pension liabilities	0.0
Total	0.4

Deferred tax liabilities	
Cumulative accelerated depreciation	0.0
Other temporary differences	0.1
Total	0.1

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

14. NON-CURRENT LIABILITIES

Non-current liabilities	
Liabilities to group companies	
Other liabilities	8.0
Liabilities to others	
Loans from credit institutions	138.5
Pension liabilities	0.2
Total	146.7

15. CURRENT LIABILITIES

Current liabilities	
Liabilities to group companies	
Trade payables	0.3
Other liabilities	222.4

Accrued expenses	0.8
Liabilities to others	
Loans from credit institutions	68.5
Trade payables	1.0
Other liabilities	0.3
Accrued expenses	4.1
Total	297.3

Accrued expenses	
Personnel expenses	1.7
Interest expenses	0.4
Accrued taxes	1.2
Exchange rate forward agreements	0.8
Other expenses	0.0
Total	4.1

16. COMMITMENTS AND CONTINGENT LIABILITIES

Operating leasing commitments	
Payable during the current financial year	0.2
Payable in subsequent years	0.2
Total	0.4

Guarantees	
On behalf of group companies	
Contractual work guarantees	468.1
Leasing commitment guarantees	10.7

Derivative contracts	
External foreign currency forward contracts	
Fair value	-0.7
Value of underlying instruments	32.9

Internal foreign currency forward contracts	
Fair value	0.0
Value of underlying instruments	6.5

Interest rate swaps and future contracts	
Fair value	-0.1
Value of underlying instruments	70.0

17. SALARIES AND FEES TO MANAGEMENT

Decision-making regarding remuneration

Caverion Corporation’s Annual General Meeting decides on the fees for the Board of Directors. The Board of Directors decides on the salary and fees and other terms of employment of the CEO and other key Group employees, such as members of the Group’s Management Board.

The Personnel Committee of the Board of Directors prepares matters related to the appointment and remuneration of the Board members and the Group’s key personnel as well as the Group’s HR policy. Among other things, the Committee prepares proposals for the appointment of the Board members, President and CEO and other Group key personnel as well as their remuneration and other terms of employment. In addition, its tasks include preparing the Group’s bonus schemes and other issues related to pay policy.

Remuneration of board members

The Extraordinary General Meeting June 17, 2013 decided that the Board of Directors’ shall be paid remuneration as follows in 2013:

- 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).

In addition, a meeting fee of EUR 550 is paid for each Board and committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the State’s travelling compensation regulations.

Remuneration of the board

EUR	Board membership	Board meetings	Audit Committee meetings	Personnel Committee meetings	Total 2013
Ehrnrooth Henrik	39,600	3,850		550	44,000
Hyvönen Anna	23,400	4,400	1,100		28,900
Lehtoranta Ari	23,400	4,400		550	28,350
Lindqvist Eva	23,400	4,400	1,100		28,900
Rosenlew Michael	30,000	4,400	1,100	550	36,050
Board of Directors total	**139,800**	**21,450**	**3,300**	**1,650**	**166,200**

Management remuneration

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

- Fixed salary
- Fringe benefits, such as company car and meal benefit
- Annual performance bonus, and
- Long-term incentive schemes.

Performance bonuses

The basis of remuneration is a fixed salary, in addition to which most of the Group’s salaried employees are included in a performance bonus scheme. The Board of Directors confirms the criteria for the payment of performance bonuses every year.

The bonuses paid are determined on the basis of the fulfilment of personal profit objectives, the Group's financial result and fulfilment of profitability, growth and development objectives, such as occupational safety objectives. Performance and development discussions are an essential part of the management by key results system. In these discussions, employees and their superiors agree on the key objectives and their relative weighting and review the realization of the previously agreed objectives. The key principles and objectives for the result period influencing the personal performance bonuses are specified at the business group and unit level.

The maximum annual performance bonus paid to the CEO and the Management Board may equal 40%–60% of their annual taxable pay excluding the performance bonus.

Other monetary rewards in use at Caverion include new-initiative bonuses and years-of-service bonuses.

Pension, retirement age and termination compensation

The contractual retirement age of the CEO is statutory. The statutory retirement ages also apply to the other members of the Management Board. The CEO's contractual period of notice for is six months. If the company terminates the contract, the CEO shall also be paid separate compensation amounting to 12 months' salary.

Remuneration paid to the CEO and Management Board in 2013

In addition to salary, the fringe benefits for CEO Juhani Pitkäkoski included a company car and meal benefit. The bonuses paid to the CEO in 2013 totalled EUR 130,000. The bonuses paid to other members of the Group Management Board in 2013 totalled EUR 194,316. The performance bonus paid is based on the Group's financial performance and personal key results set by the Board of Directors.

Remuneration paid to CEO and Management Board

EUR	Fixed salary	Fringe benefits	Bonuses paid	Total 2013
President and CEO	283,685	7,439	130,000	421,123
GMB Members at Oyj, total	409,883	26,265	76,335	512,484

Includes the members' total remuneration from the period they were members of the Group Management Board.

Statutory pension costs of the CEO in 2013

EUR	Total 2013
Accrued statutory pension costs	72,391

Loans to associated parties

The President and CEO and the members of the Board of Directors did not have cash loans from the company or its subsidiaries on December 2013.

Board's proposal for the use of distributable equity

The distributable equity of Caverion Corporation on December 31, 2013 is:	
Retained earnings	154,145,083.77
Profit for the period	3,787,653.81
Retained earnings, total	157,932,737.58

The Board of Directors proposes to the Annual General Meeting that the distributable equity be disposed of as follows:	
Payment of a dividend from retained earnings EUR 0.22 per share to shareholders	27,630,242.64
To remain in distributable equity	130,302,494.94

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.

Helsinki, January 27, 2014

Caverion Corporation
Board of Directors

Henrik Ehrnrooth
Chairman

Michael Rosenlew
Vice Chairman

Anna Hyvönen

Ari Lehtoranta

Eva Lindqvist

Juhani Pitkäkoski
President and CEO

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 company's first financial period ended 31 December 2013. The financial statements comprise the consolidated statement of financial position as per 31 December 2013, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements for the period of 1 January 2013 - 31 December 2013, as well as the parent company's balance sheet as per 31 December 2013, income statement, cash flow statement and notes to the financial statements for the accounting period of 30 June 2013 - 31 December 2013.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO 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 President and CEO 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 President and CEO 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, 28 January 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Key figures

Financial key figures	2013	2012 [1)]	2011
Revenue, EUR million	2,543.6	2,803.2	2,875.7
EBITDA, EUR million	70.9	85.3	125.3
EBITDA margin, %	2.8	3.0	4.4
Operating profit, EUR million	49.4	61.1	105.0
Operating profit margin, %	1.9	2.2	3.7
Profit before taxes, EUR million	42.8	57.5	102.0
Net profit for the period, EUR million	35.5	40.8	73.0
Attributable to			
Equity holders of the parent company, EUR million	35.5	40.7	72.9
Non-controlling interest, EUR million	0.0	0.1	0.1
Equity ratio, %	22.2	32.4	–
Gearing ratio, % [2)]	34.6	-2.5	–
Number of personnel at Dec 31	17,673	18,618	19,481
Number of personnel on average during the year	18,071	19,132	19,701
Share-related key figures	**2013**	**2012 [1)]**	**2011**
Earnings/share, EUR [3)]	0.28	0.32	–
Earnings /share, diluted EUR	0.28	0.32	–
Equity/share, EUR	2.0	3.1	–
Dividend/share, EUR	0.22*)	–	–
Dividend per earnings, %	77.8*)	–	–
Effective dividend yield, %	2.5*)		
Price/Earnings ratio (P/E ratio)	31.5		
Share price trend	**2013**	**2012 [1)]**	**2011**
Share price at Dec 31, EUR	8.90	–	–
Low, EUR	3.00	–	–
High, EUR	8.94	–	–
Average, EUR	5.54	–	–
Market capitalization at Dec 31, EUR million	1,117.7	–	–
Share turnover trend			
Share turnover, thousands	46,168	–	–
Share turnover of shares outstanding, %	85.0	–	–
Average number of shares outstanding (thousands)	125,595	–	–
Number of outstanding shares at the end of the period (thousands)	125,592	–	–

The historical carve-out financial statements for 2011-2012 do not necessarily reflect what the combined results of operations, financial position and cash flows of would have been, had Caverion with its subsidiaries operated as an independent group and had it presented stand-alone financial statements during the periods presented.

*) Board of Directors' proposal

1) The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-12/2012: personnel expenses increased by EUR 0.1 million and EBITDA, operating profit and profit before taxes decreased correspondingly by EUR 0.1 million.

2) Interest-bearing net debt and gearing for 2012 are not comparable to the figures in 2013 due to the new credit facility transferred to Caverion Corporation as a result of the partial demerger as per June 30, 2013.
3) Excluding the financial cost effect for January–June 2013 of the new financing arrangements transferred to Caverion Corporation as a result of the partial demerger. If the refinancing under the new loan agreement would have been drawn down at the beginning of the financial year, the net financing expenses in January-December would have amounted to approximately EUR 8.4 million.

Calculation of key figures

EBITDA	=	Operating profit (EBIT) + depreciation, amortisation and impairment
Equity ratio (%)	=	Equity + non-controlling interest x 100
		Total assets - advances received
Gearing ratio (%)	=	Interest-bearing liabilities - cash and cash equivalents x 100
		Shareholder’s equity + non-controlling interest
Share-issue adjusted earnings per share (EUR)	=	Net profit for the period (attributable for equity holders)
		Share issue-adjusted average number of outstanding shares during period
Equity / share (EUR)	=	Shareholders’ equity
		Share issue-adjusted number of outstanding shares at the end of period
Share-issue adjusted dividend per share (EUR)	=	Dividend per share for the period
		Adjustment ratios of share issues during the period and afterwards
Dividend per earnings (%)	=	Dividend per share x 100
		Earnings per share
Effective dividend yield (%)	=	Share issue-adjusted dividend per share x 100
		Share issue-adjusted share price on December 31
Price/earnings ratio (P/E ratio)	=	Share issue-adjusted share price on December 31
		Share issue-adjusted earnings per share
Market capitalisation	=	(Number of shares – treasury shares) x share price on the closing date by share series
Share turnover (%)	=	Number of shares traded x 100
		Average number of outstanding shares