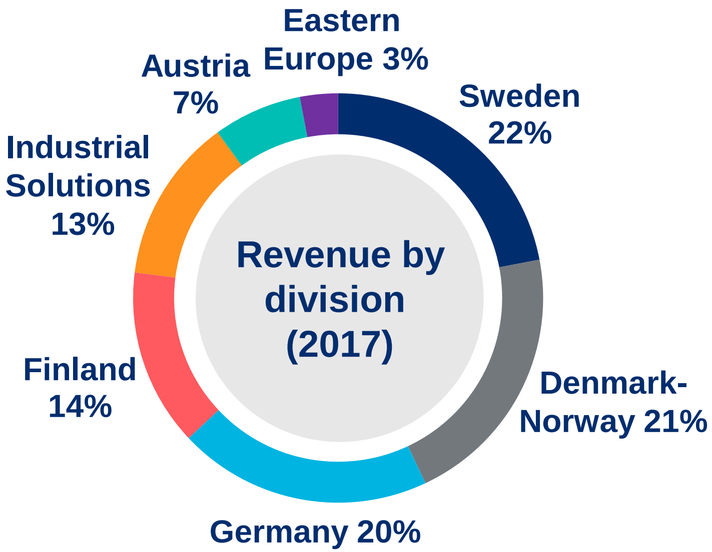
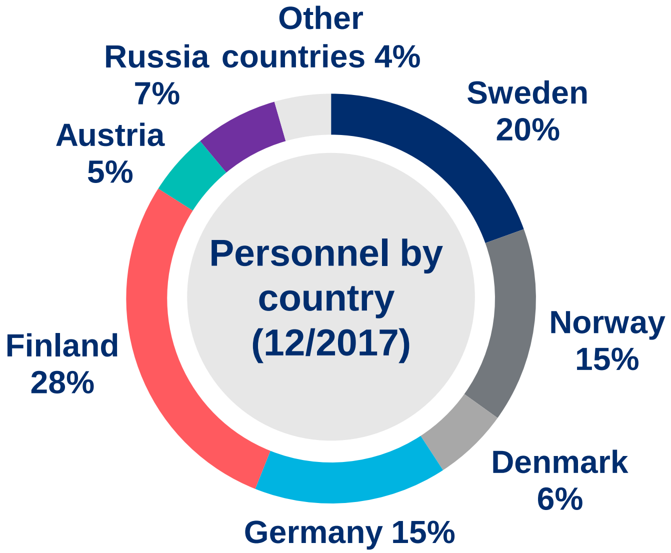
# Overview of year 2017

# Caverion - a leading European service company
## 4,540 employees in Finland at year-end 2017




We design, build, operate and maintain user-friendly and energy-efficient solutions for buildings, infrastructure and industrial plants.




**~16,200**
employees (2017)

**30,000**
spaces in service

**12**
countries

**5.7**
Work safety, LTIFR

**EUR 2.3**
billion revenue

**EUR 18.3**
million EBITDA[1]

**2.9x**
Net debt/EBITDA[2]

**92%**
ISO 14001

**DISCIPLINES**

1) Excl. restructuring costs
2) According to confirmed calculation principles with lending parties.

2017 figures, unless otherwise stated

# 2017: Year of stabilisation – Key events

## Projects business turnaround continued

- Write-downs and negative forecast changes in a number of older projects
- More selective tendering especially in Large Projects

## Further growth in Services

- Strong focus on Services with order backlog increasing by 18.5% from the previous year.
- Services revenue increased by 5.7% and accounted for 52% of Group revenue.


## New strategy was launched

- New “Fit for Growth” strategy was launched and the financial targets updated on 6 November 2017.
- Four Must-Wins selected

## Acquisitions and divestments completed

- Three small acquisitions in Austria and Finland
- Divestment of Krantz in Germany

## Clear improvement in customer loyalty

- A group-wide client satisfaction survey collected information on customer retention.
- 56% improvement in customer loyalty

# Key figures 2017

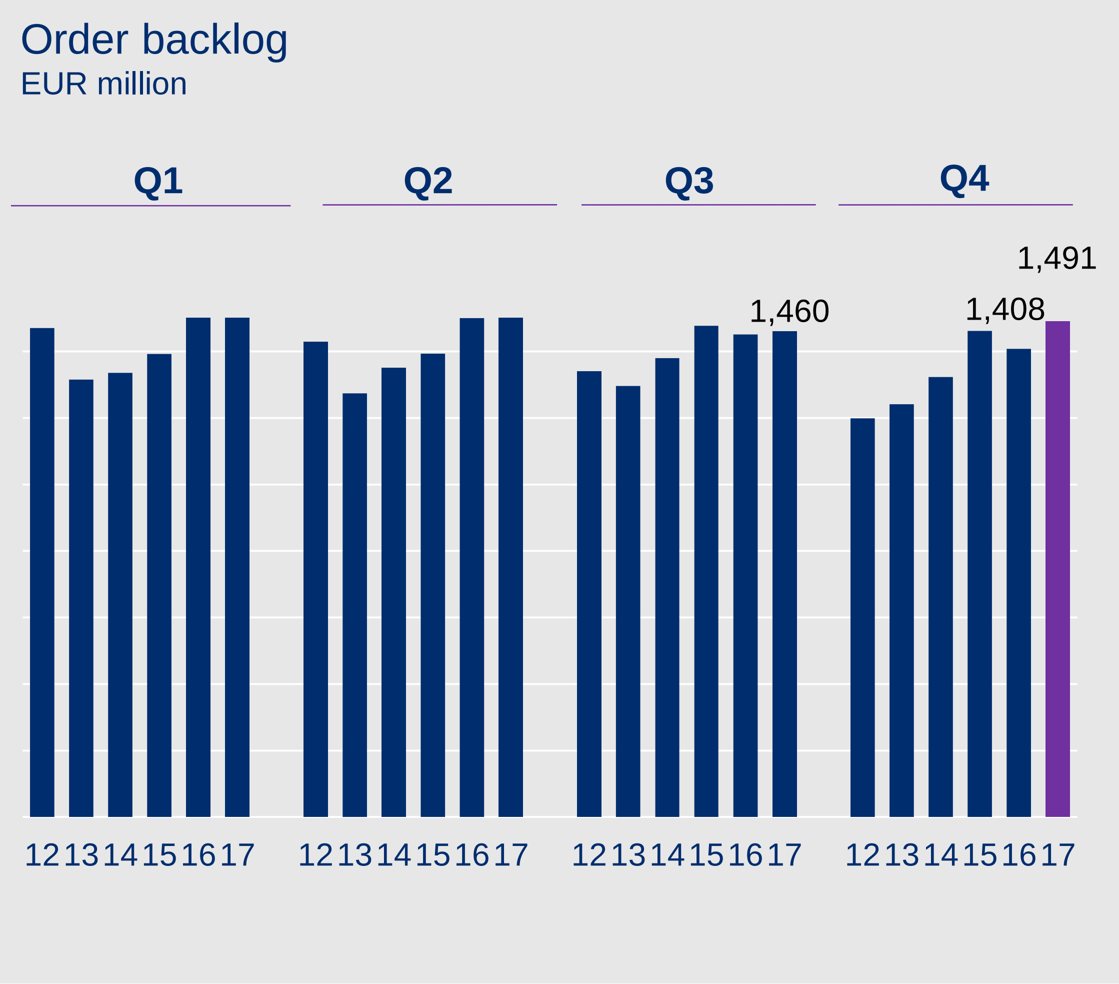
| EUR million | 1-12/17 | 1-12/16 | Change |
|---|---|---|---|
| Order backlog | 1,491.0 | 1,408.1 | 5.9% |
| Revenue | 2,282.8 | 2,364.1 | -3.4% |
| EBITDA excluding restructuring costs | 18.3 | 15.6 | 17.5% |
| EBITDA margin excluding restructuring costs, % | 0.8 | 0.7 | |
| EBITDA | 11.0 | -11.4 | |
| EBITDA margin, % | 0.5 | -0.5 | |
| Operating profit | -19.3 | -40.8 | 52.7% |
| Operating profit margin, % | -0.8 | -1.7 | |
| Earnings per share, basic, EUR | -0.19 | -0.25 | 25.3% |
| | | | |
| Free cash flow | -8.5 | -72.1 | 88.2% |
| Working capital | 6.1 | -2.6 | |
| Interest-bearing net debt | 64.0 | 145.5 | -56.0% |
| Gearing, % | 24.4 | 78.7 | |
| Personnel, end of period | 16,216 | 16,913 | -4.1% |

# Order backlog development
## Substantial growth in Services order backlog

- Order backlog amounted to EUR 1,491.0 (1,408.1) million at the end of December 2017, up by 5.9% from last year or by 7.4% at comparable exchange rates.

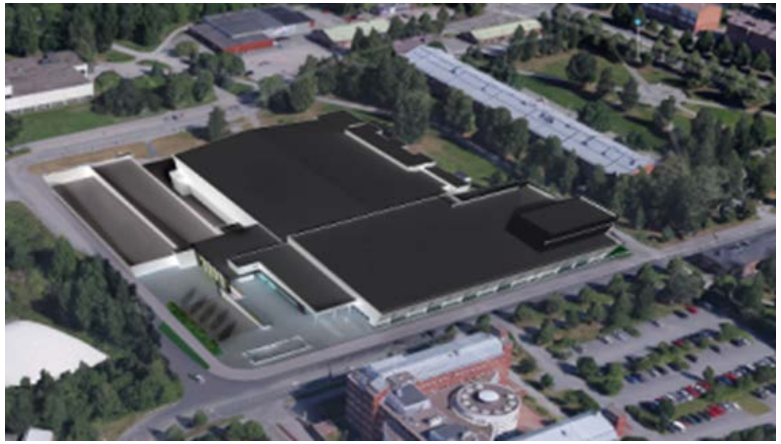
- Services order backlog up by 18.5% from the previous year

- In Projects the order backlog declined by 2.8%. Caverion continued to implement its selective approach towards the Projects business.




*Comparative figures are carve-out figures for the periods before the effective date of the partial demerger (June 30, 2013).*

# Examples of contracts received in 2017



## Large Projects

**Customer:** FIRA Oy

**Contract:** Rehabilitation of an office building (known as “the big workshop” occupied by the Finnish Broadcasting Company YLE)

**Location:** Helsinki, Finland

**Value:** EUR 11.7 million

## Managed Life Cycle

**Customer:** General contractor A. Enggaard

**Contract:** Managed Life Cycle project for a new office building, including a 15-year Managed Services contract

**Location:** Aarhus, Denmark

**Value:** EUR 31 million

## Managed Life Cycle

**Customer:** City of Kuopio

**Contract:** Life Cycle Project called Kuntolaakso for a new swimming centre, ice stadium and adjacent parking services, together with YIT

**Location:** Kuopio, Finland

**Value:** Caverion’s share approximately EUR 59 million

# Examples of contracts received in 2017

**Large Projects**

**Customer:** Kainuu social and health care local government regional authority

**Contract:** New Kainuu hospital

**Location:** Kajaani, Finland

**Value:** EUR 45 million

**Large Projects**

**Customer:** City of Helsinki

**Contract**: Technical systems and a telematic system for managing traffic in the new Teollisuuskatu tunnel in Central Pasila

**Location:** Helsinki, Finland

**Value:** approx. EUR 5.4 million

**Managed Life Cycle**

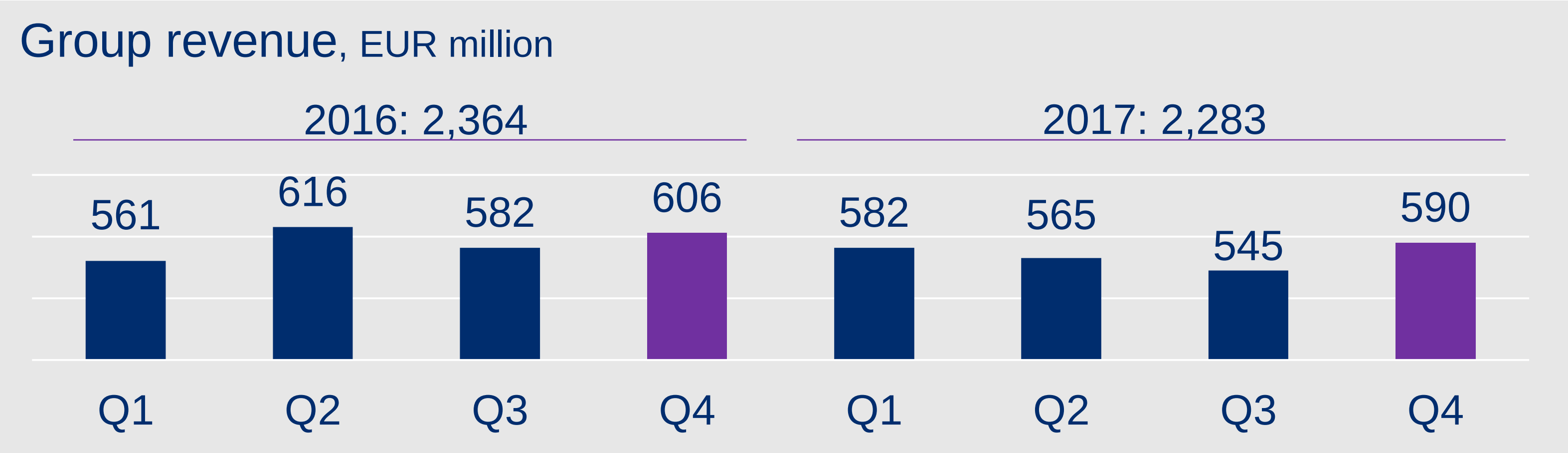
**Customer:** City of Espoo

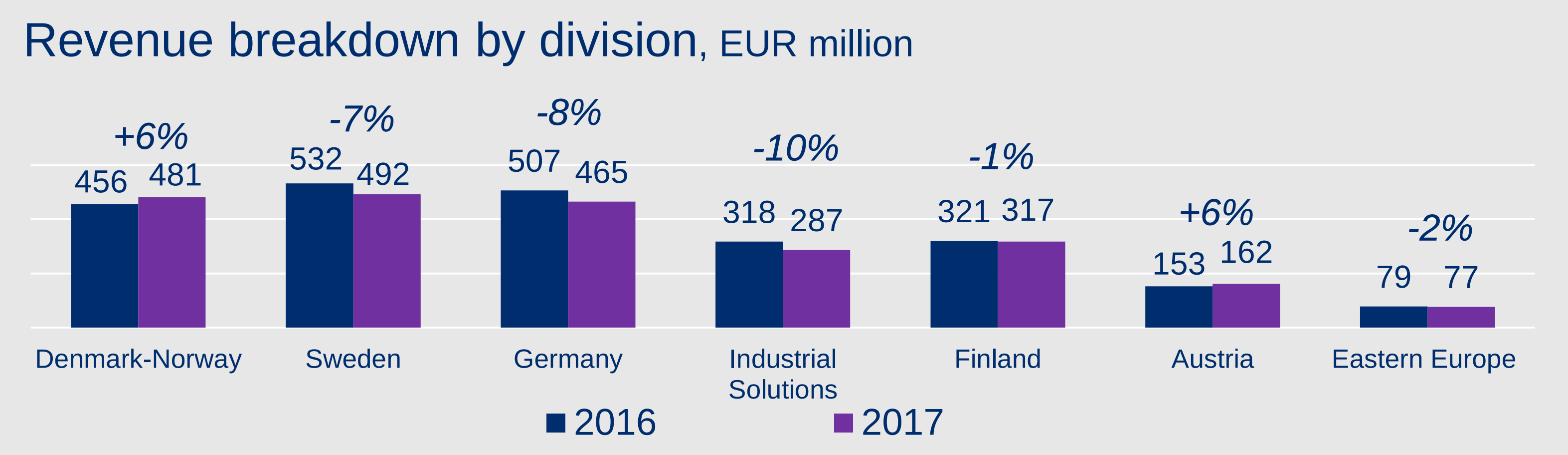
**Contract:** Two schools, high-school and day-care centre (Kirsti/Viherlaakso)

**Location:** Espoo, Finland

**Value:** approx. EUR 40 million

# Revenue development

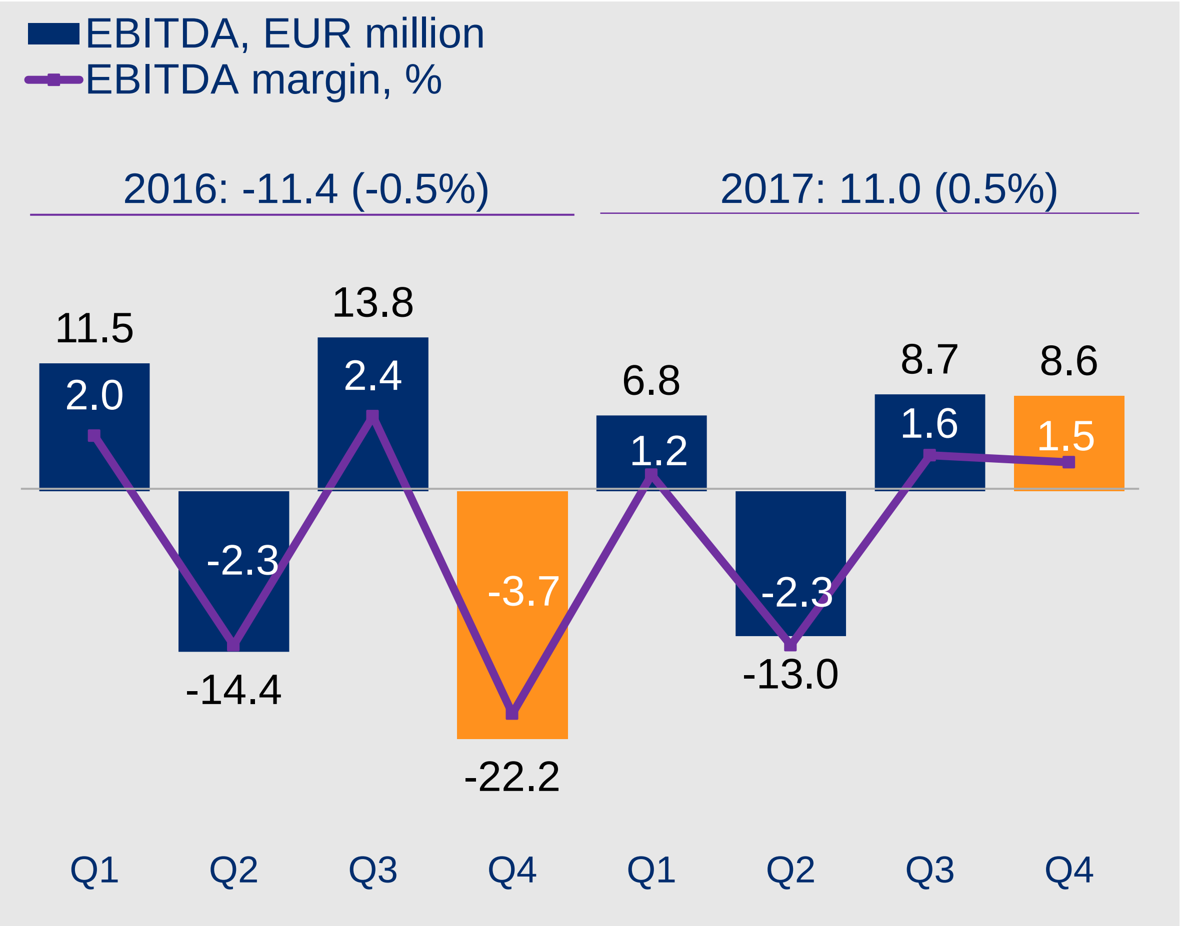



- Revenue was EUR 2,282.8 (2,364.1) million, down by 3.4%.
- Services business revenue grew by 5.7%, while Projects business revenue declined by 11.8%.
- Project write-downs also affecting
- Revenue growth was largest in Denmark-Norway and Austria compared to the previous year.

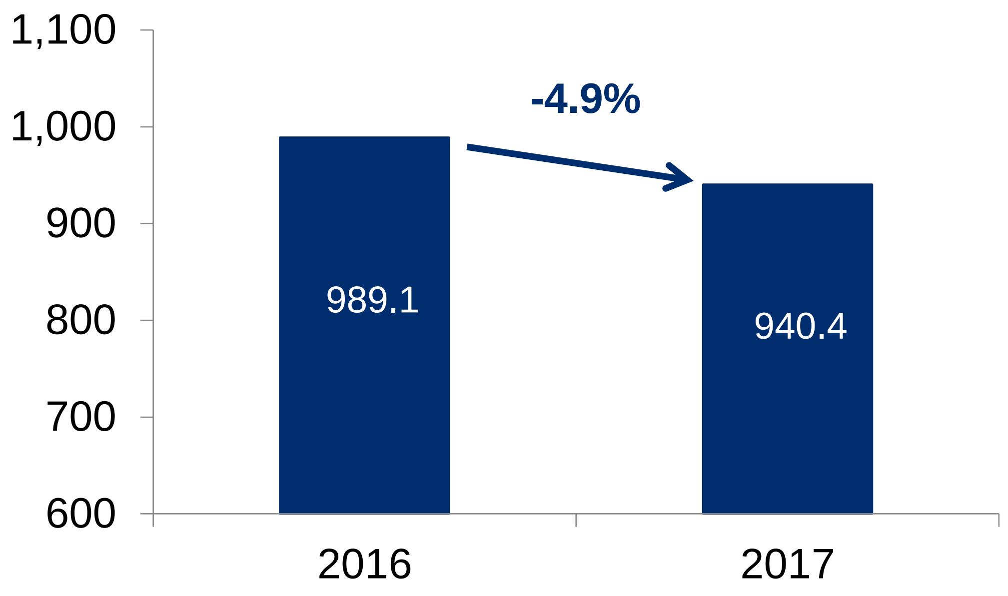
# Profitability improving but burdened by project business turnaround

- EBITDA excl. restructuring costs improved from the previous year and was EUR 18.3 (15.6) million for 2017.
- Restructuring costs were EUR 7.3 (26.9) million for 2017.
- Not included in restructuring costs but burdening EBITDA :
  - Project write-downs with a negative impact on EBITDA of EUR 31.2 (59.0) million for 2017
  - Finalisation of older low margin project business, substantial amount of other negative forecast changes
  - Other turnaround related one-off costs
- Krantz sale capital gain improved EBITDA.
- Settlement agreement in Berlin Airport project

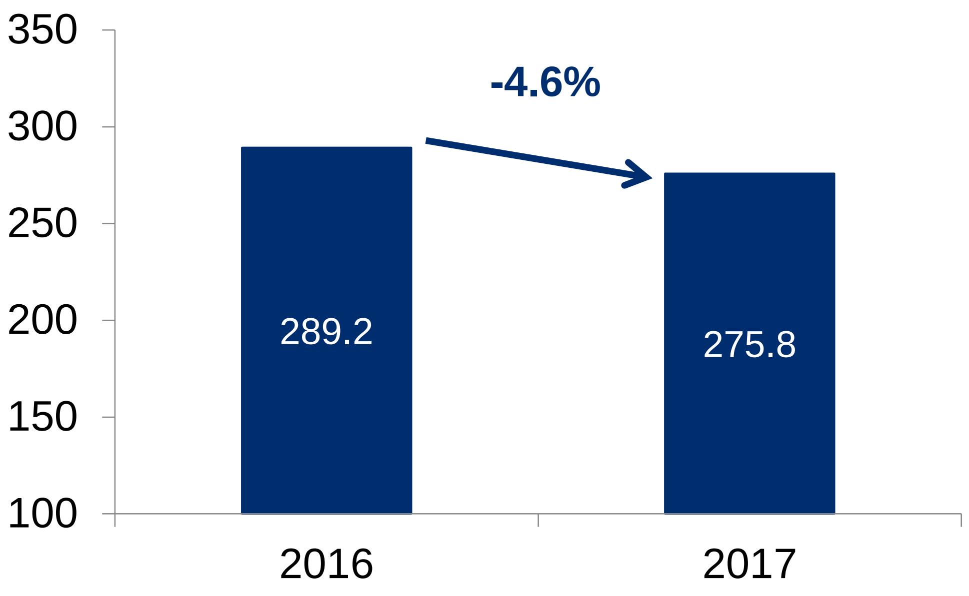


# Cost savings realised in 2017 despite substantial one-offs

**Personnel expenses**, EUR million




**Other operating expenses**, EUR million




Personnel cost savings realised as planned

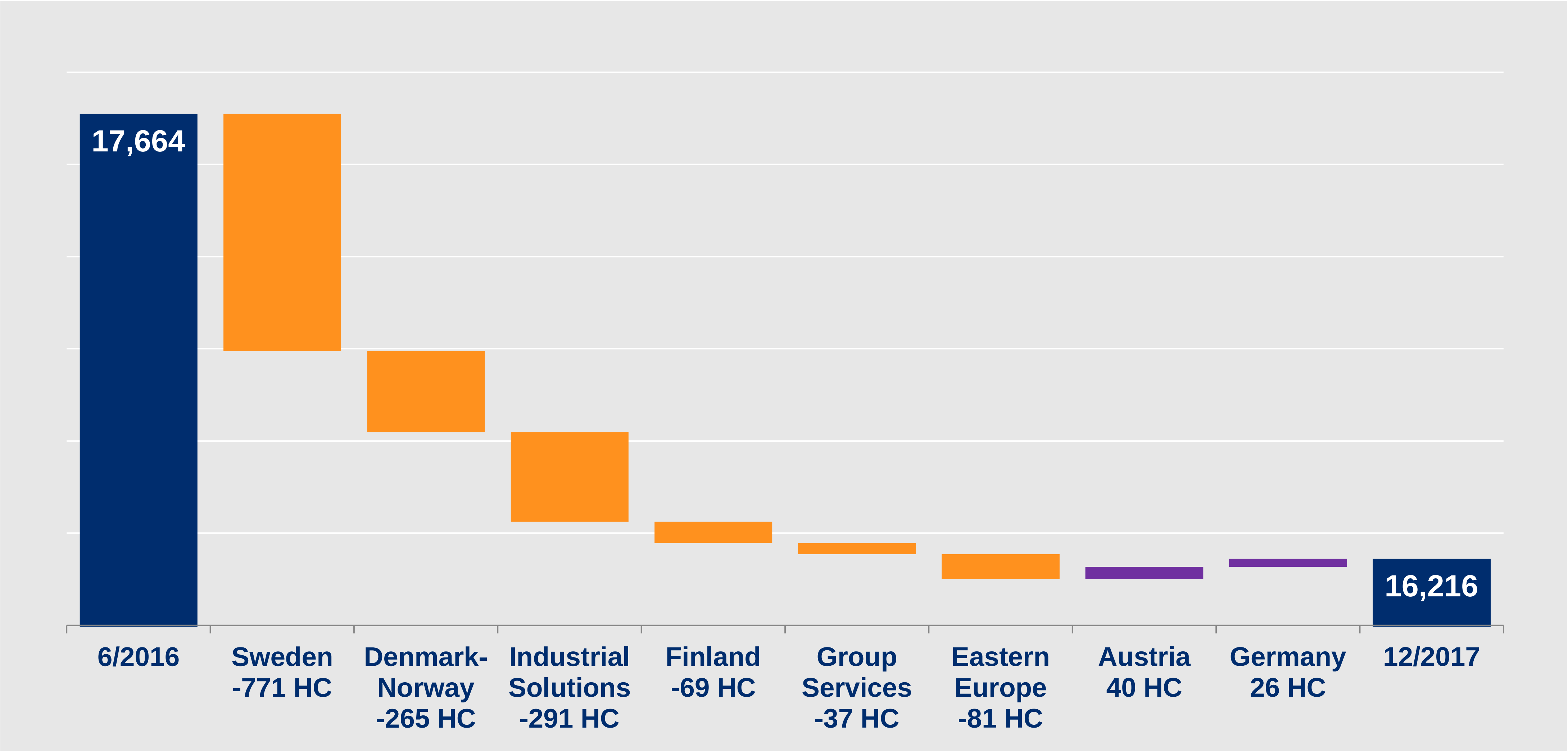
- EUR 48.7m (-4.9%)

Discretionary cost savings realised as planned

- EUR 13.4m (-4.6%)

# Headcount development during turnaround programme*

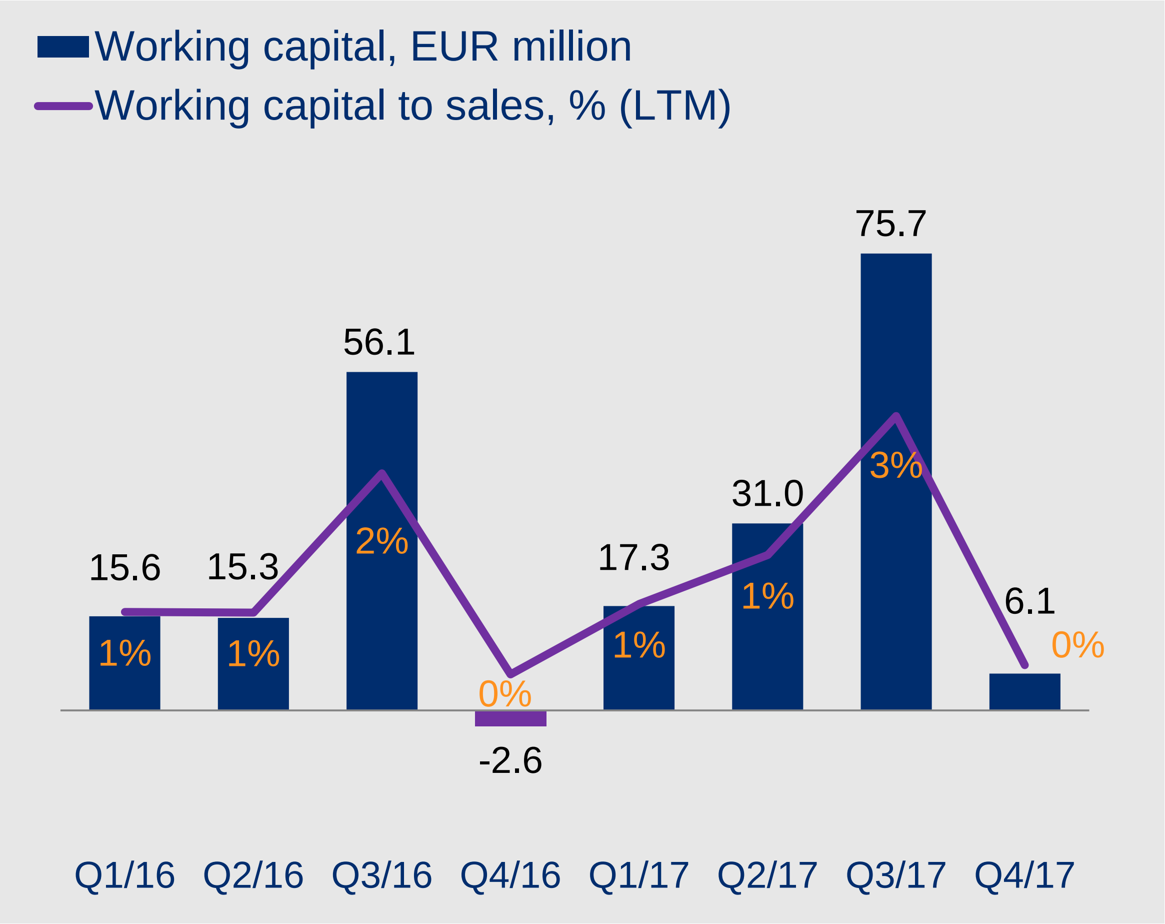
## Total reduction of 1,448 employees (-8.2%) from the end of June 2016




** 220 employees reduced through Krantz divestment in Germany in January 2018.*

# Working capital improved substantially towards the year-end

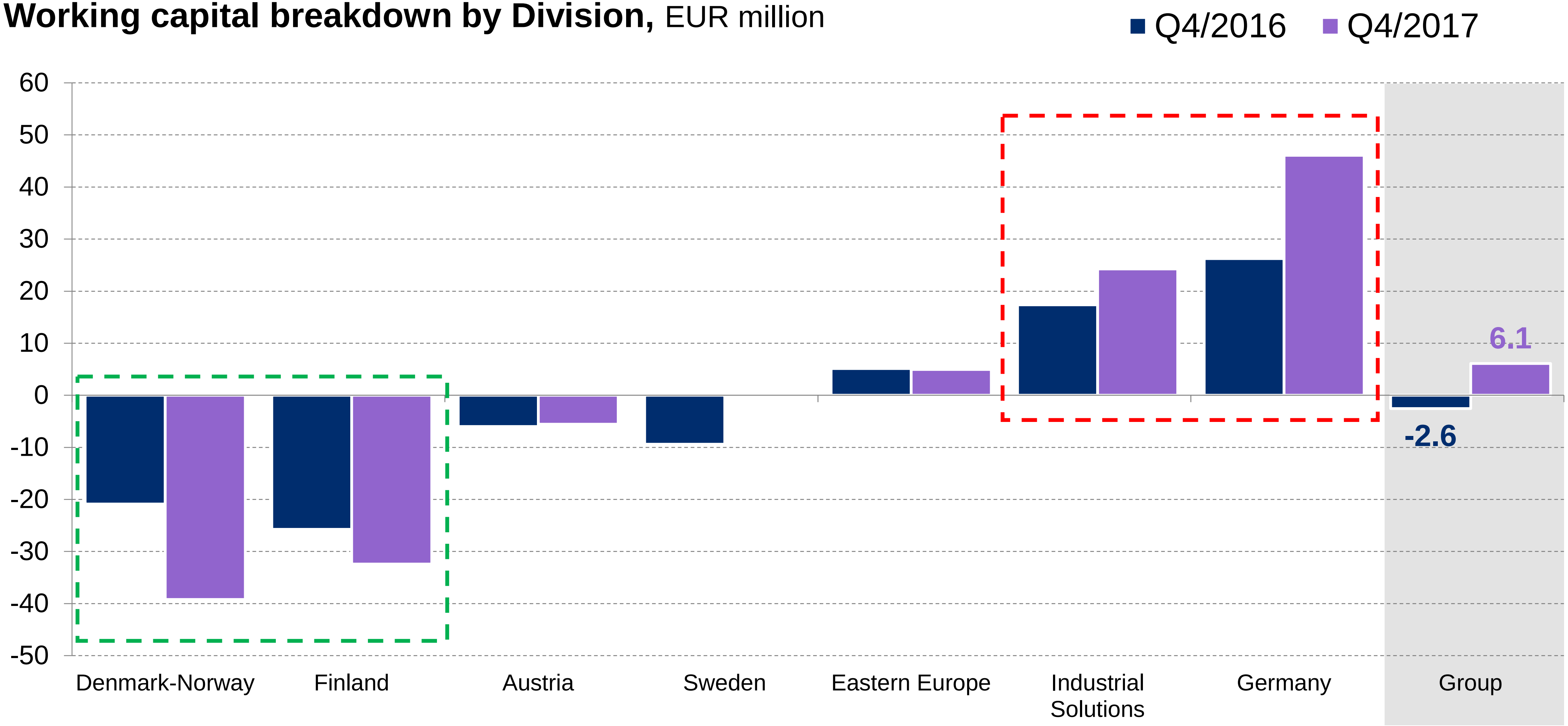
- Working capital decreased by EUR 69.6 million during Q4
  - Working capital was EUR 6.1 million at the end of December (9/2017: EUR 75.7 million).
- POC receivables decreased from EUR 321.1 million at the end of September 2017 to EUR 249.7 million at the end of December.
- Trade receivables amounted to 347.3 (378.2) million at the end of December.
- Working capital was still tied by certain risk projects mainly in divisions Industrial Solutions and Germany.



# Working capital development

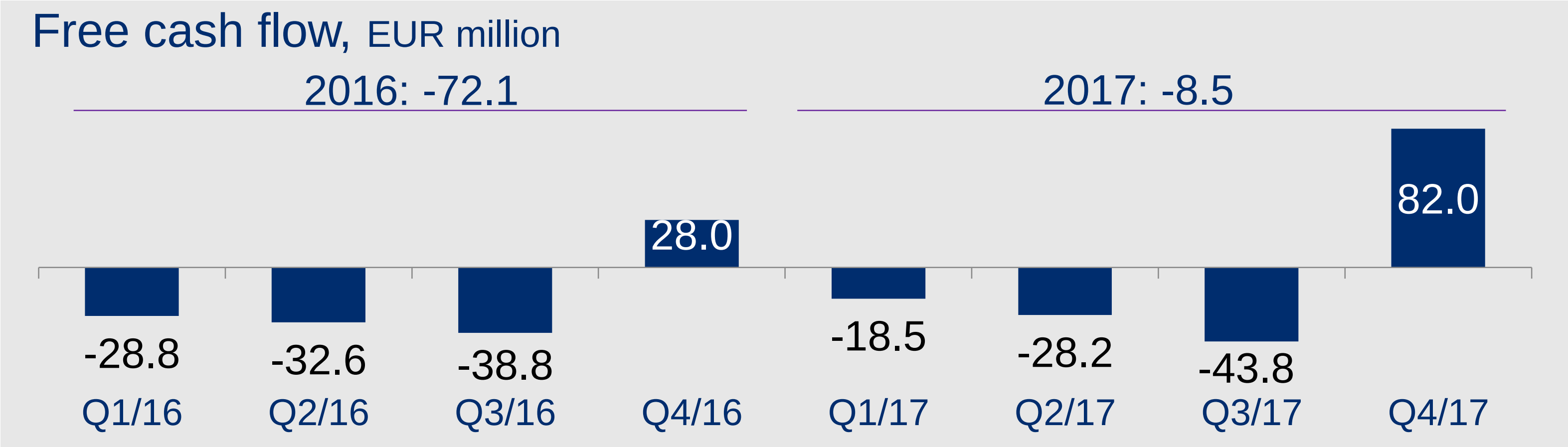
## Positive year-on-year development in Denmark-Norway and Finland
## Project business challenges reflected in development of Germany and Industrial Solutions

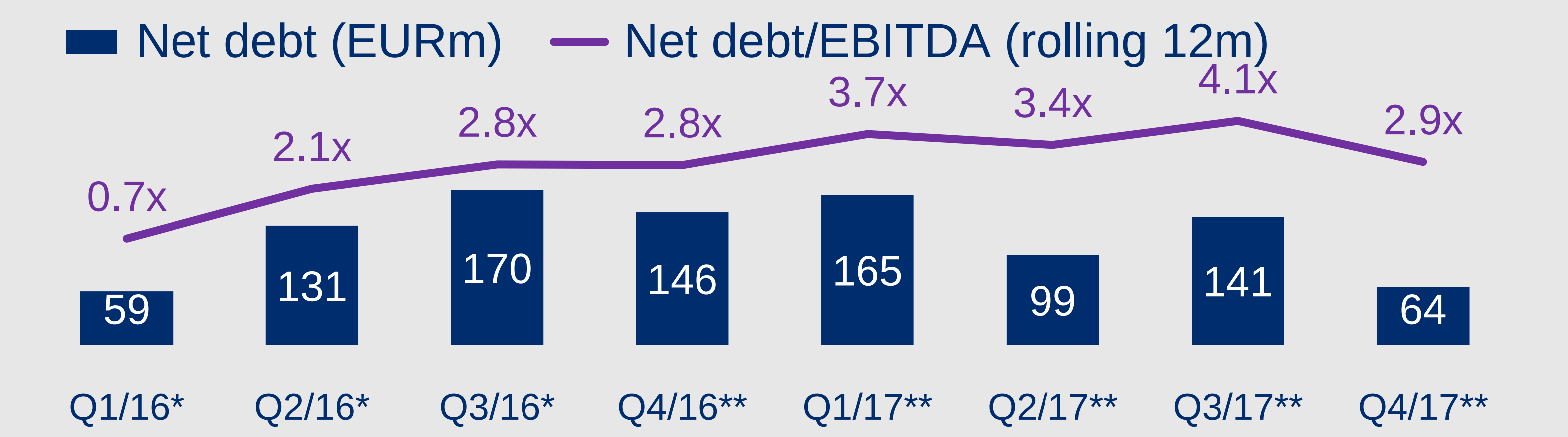
**Working capital breakdown by Division,** EUR million



# Cash flow, investments and leverage

- In 2017 free cash flow amounted to EUR -8.5 (-72.1) million, improving by EUR 63.6 million from last year.
- Free cash flow was partly improved by the lower level of investments compared to last year.
- Capex (incl. acquisitions) was EUR 20.4 (38.2) million in 2017.
- Net debt EUR 64 million at the end of Q4.
  - EUR 100m hybrid bond issued in June 2017 strengthened capital structure and financial position.




** The Net Debt/EBITDA for Q1-Q3/16 has been calculated excluding restructuring costs*
*** The Net Debt/EBITDA for Q4/16 –Q4/17 has been calculated according to confirmed calculation principles with lending parties.*

# Sustainability at Caverion in 2017
# Key measures in ESG (Environment, Social and Governance)

## Work safety

- Accident frequency rate* 5.7 (2016: 6.3)
- Fatal accidents 0 (2016: 0)

## Environment

- ISO 14001 certified operations 92% (2016: 93%)
- Fleet fuel emissions 22,999 $tCO_2$ (2016: 23,584)

## Code of conduct

- Caverion issued its fully renewed Code of Conduct in September 2017.
- CoC e-learning rate by end of 2017 was 93% (previous rate 84%)

## Employee engagement

- Employee Engagement Index 70% (2015: 70%)

** number of accidents per one million working hours*

# Going forward

# Megatrends support the demand and underpin our strategy

| | |
|---|---|
| **Increasing technology** | The share of technology in built environments' investment cost is increasing (40-60%); requires expertise in integration of multiple technologies. |
| **Energy efficiency** | Both legal and financial needs increase the demand for energy efficient solutions and renewable energy sources. |
| **Digitalisation** | The growing digitalisation of built environments creates possibility to manage data and conditions across the whole life cycle. |
| **Urbanisation** | Creating safe and reliable built environments for citizens and communities in a profitable manner. |

# Fit for Growth – Meeting the milestones for 2020

# Actions to reach our financial targets through Must-Wins

## Focus on Top performance at every level

### Top performance at every level

- Roll out performance management models with common KPIs in these areas:
- **Project performance management**
  - Be selective in projects through categorisation
  - Roll out common project review metrics
- **Service performance management**
  - Roll out meeting protocols & procedures and incentives
- **Procurement/logistics perf. management**
  - Drive cost savings and WC efficiency
  - Drive category management to leverage purchasing power
  - Improve material logistics efficiency
- **Fixed cost performance management**
  - Optimise processes and cut fixed costs
  - Harmonise organisational structures

### Other Must-Wins

**Excellent customer experience**

- Drive professional sales with harmonised operating model
- Implement long-term service culture program and increase customer loyalty continuously

**Best solutions**

- Grow in high value-added services and solutions
- Grow through digital services, new technologies and new business models

**Winning team**

- Strengthen leadership and increase engagement
- Improve competences and capabilities
- Enhance resource/competence planning
- Align incentives with targets

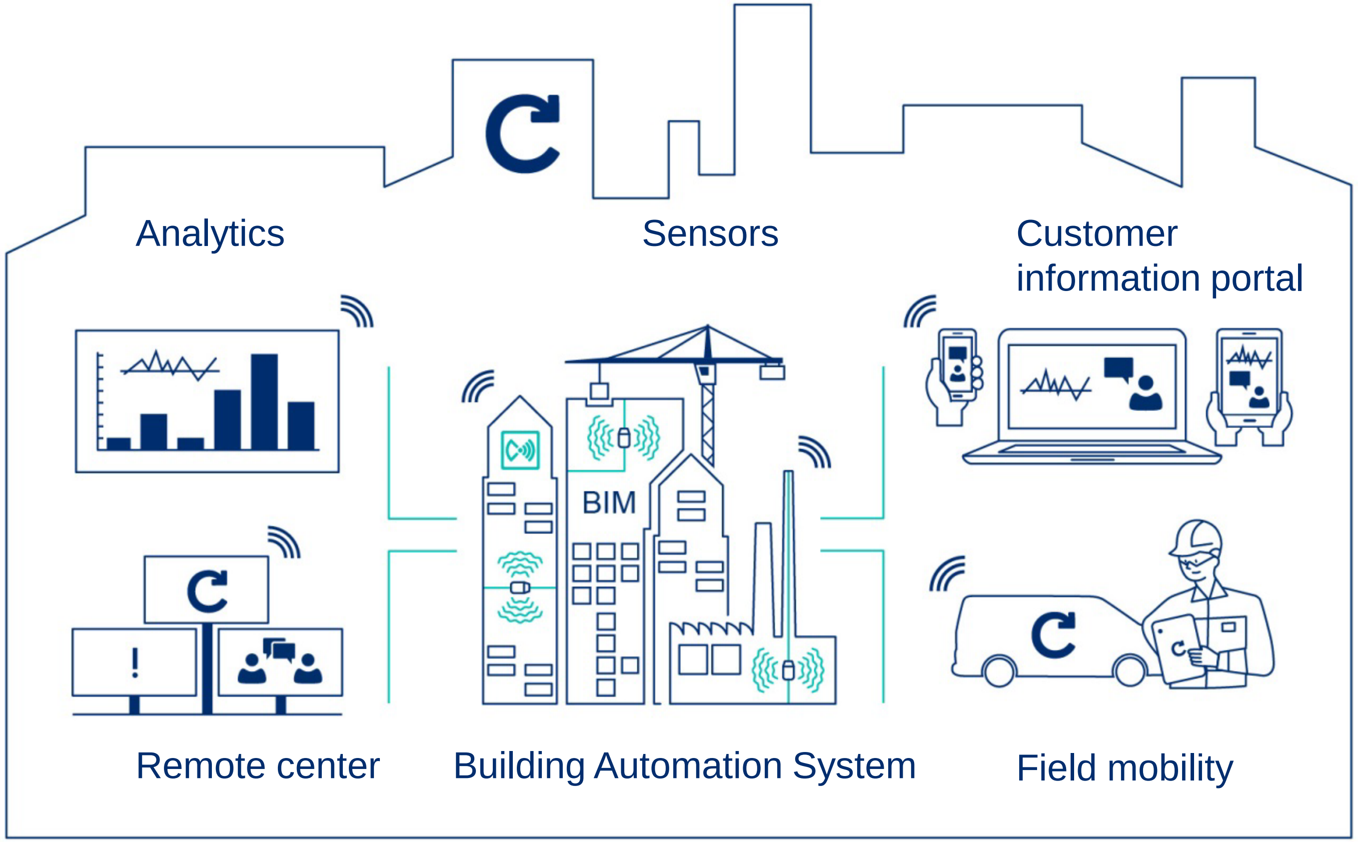
# New Digital Services add value to our customers

**Ready to roll-out:**

- IoTFlex for industrial customers
- ServiFlex+ for buildings
- Customer information portal
- Remote center services

**Development:**

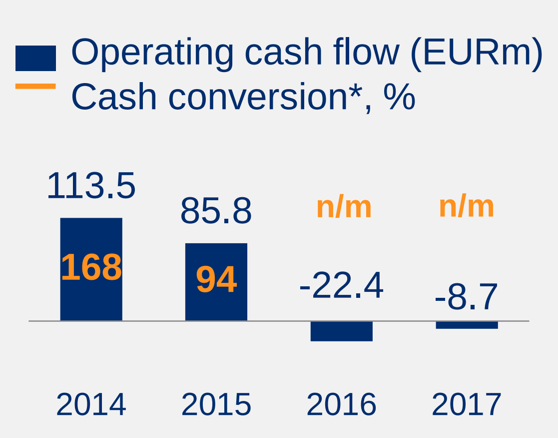
- Caverion smart solutions
- Digitalised service delivery process
- Analytics
- New business models



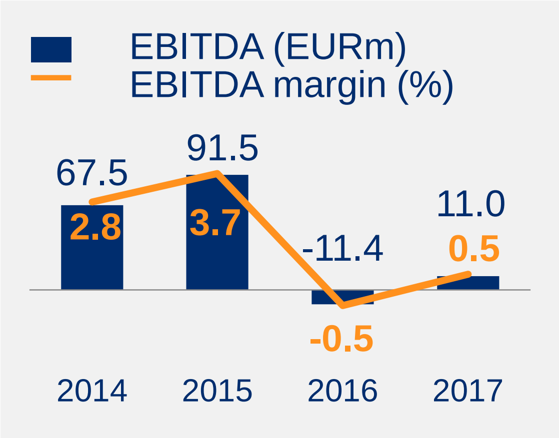
# Caverion’s updated financial targets until the end of 2020

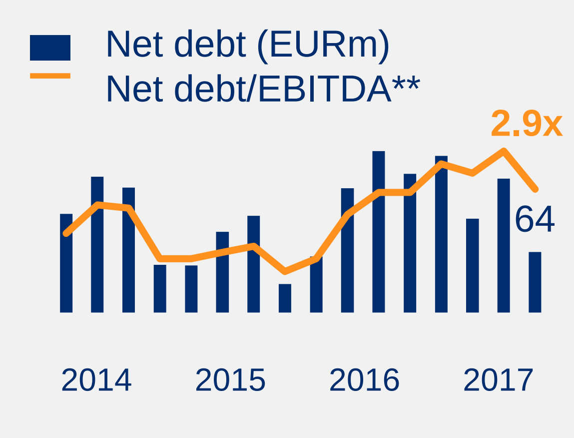
## During the “Fit” phase focus on Cash Conversion and EBITDA

| Cash conversion* | Profitability (EBITDA-%) | Leverage (Net debt/EBITDA) | Growth |
|---|---|---|---|
| > 100% | > 6% | < 2.5x | Services growth > market<br><br>Services generate > 2/3 of Group revenue (long-term target beyond 2020)<br><br>Group revenue growth target specified by the end of 2019 |

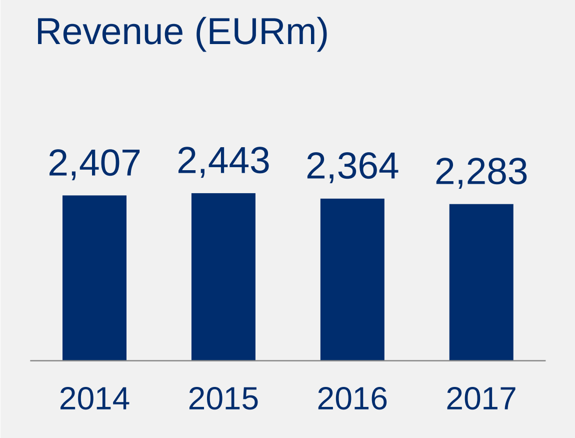



*Operating cash flow before financial and tax items / EBITDA




** According to agreed calculation principles



# Market outlook, guidance for 2018 and dividend proposal

# Favourable market outlook

## Services

- Underlying demand expected to remain strong
- Demand for Life Cycle Solutions expected to increase
- Opportunities in outsourced operations and maintenance

## Projects

- Markets expected to remain on a good level, while price competition remains tight
- Demand for Design & Build expected to develop favourably
- Energy efficiency, better indoor conditions and tightening legislation positive drivers

# Guidance for 2018 and dividend proposal

## Revenue

Caverion estimates that the Group’s revenue for 2018 will decrease compared to the previous year (2017: EUR 2,275.8 million).

## Adjusted EBITDA

Caverion estimates that the Group’s adjusted EBITDA will more than double in 2018 (2017: EUR 25.8 million).

## Dividend

- Dividend policy: Dividend pay-out at least 50% of the result for the year after taxes, however, taking profitability and leverage level into account.
- The Board of Directors proposes to the AGM that no dividend be paid for 2017.

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

# Estimated project business related risks for 2018

- About one third of projects in our project order backlog have been started in 2016 or earlier and there are some risks remaining until these projects are completed.
- The remaining project risks mainly relate to three completed Large Projects in Industrial Solutions, the impacts of which will be separately reported.
- The project business should materially improve its result in 2018.

# Directly registered shareholders on February 28, 2018

## Largest shareholders**

| | | Shares, pcs | % of share Capital | Change after Dec. 2017, pcs | Change after Dec. 2017, % |
|---|---|---|---|---|---|
| 1 | Herlin Antti | 19,070,180 | 14.74 | 170,000 | 0.90 |
| 2 | Structor S.A. (Ehrnrooth family) | 17,565,000 | 13.57 | 0 | 0.00 |
| 3 | Ilmarinen Mutual Pension Insurance Company | 5,488,946 | 4.24 | 0 | 0.00 |
| 4 | Varma Mutual Pension Insurance Company | 5,475,706 | 4.23 | 470,000 | 9.39 |
| 5 | Caverion Oyj | 4,312,328 | 3.33 | 3,800,000 | 741.71 |
| 6 | Mandatum companies | 3,896,153 | 3.01 | 50,881 | 1.32 |
| 7 | Fondita funds | 3,465,000 | 2.68 | 0 | 0.00 |
| 8 | Nordea funds | 2,273,766 | 1.76 | -151,503 | -6.25 |
| 9 | The State Pension Fund | 1,850,000 | 1.43 | 0 | 0.00 |
| 10 | Säästöpankki funds | 1,660,444 | 1.28 | 470,207 | 39.51 |
| 11 | Elo Pension Company | 1,611,089 | 1.25 | 0 | 0.00 |
| 12 | Aktia funds | 1,518,860 | 1.17 | 0 | 0.00 |
| 13 | Brotherus Ilkka | 1,048,265 | 0.81 | 0 | 0.00 |
| 14 | Evli funds | 865,839 | 0.67 | 131,826 | 17.96 |
| 15 | Odin funds | 860,359 | 0.66 | 0 | 0.00 |
| 16 | Foundation of Brita Maria Renlunds minne | 650,600 | 0.50 | 238,600 | 57.91 |
| 17 | Funds held by Ari Lehtoranta* | 561,510 | 0.43 | 0 | 0.00 |
| 18 | Kaleva Mutual Insurance Company | 482,285 | 0.37 | 0 | 0.00 |
| 19 | Alandia companies | 367,932 | 0.28 | -60,000 | -14.02 |
| 20 | OP funds | 318,322 | 0.25 | -96,885 | -23.33 |
| | **20 largest, total** | **73,342,584** | **56.68** | | |
| | **All shares** | **129,396,092** | **100** | | |

*) incl. Voluntas Investment Oy and directly held shares. Excluding the 207,221 shares acquired on 1 March 2018 as part of the share-based incentive plan for key employees.

**) Solero Luxco S.A.R.L (Triton) holding nominee registered since April 2017. Their latest directly registered holding as of March 31, 2017 was 9,716,223 shares (7.74%).

- Share price development
  - +50% since demerger since 1 July 2013 until 16 March 2018 (OMXH25 +82%)
  - -27% in 2017 (OMXH25 +5%)
- Market cap of EUR 873 million as per 16 March 2018
- 28,125 shareholders at the end of February 2018

# Key figures restatement under IFRS 15

| EUR million | 1-12/17 (Restated) | 1-12/17 (OLD) | 12/16 (Restated) |
|---|---|---|---|
| Revenue | 2,275.8 | 2,282.8 | |
| Adjusted EBITDA | 25.8 | 22.3 | |
| Adjusted EBITDA, % | 1.1 | 1.0 | |
| EBITDA | 3.8 | 11.0 | |
| EBITDA margin, % | 0.2 | 0.5 | |
| Operating profit | -26.6 | -19.3 | |
| Operating profit margin, % | -1.2 | -0.8 | |
| Result for the period | -27.0 | -20.9 | |
| Earnings per share, basic, EUR | -0.24 | -0.19 | |
| | | | |
| Working capital | -30.8 | 6.1 | -32.3 |
| Total equity | 235.6 | 262.7 | 163.9 |
| Equity ratio, % | 25.8 | 27.9 | 16.9 |
| Gearing, % | 27.2 | 24.4 | 88.8 |

*The restated figures have not been audited.*

# Committed, renewed management

# Group Management Board

**Ari Lehtoranta**
President and CEO

**Martti Ala-Härkönen**
Finance, Strategy and IT

**Juha Mennander**
Market Operations

**Minna Schrey-Hyppänen**
Human Resources

**Anne Viitala**
Legal and Governance

**Jarno Hacklin**
Projects

**Thomas Hietto**
Services

## Divisions

**Manfred Simmet**
Austria

**Werner Kühn**
Germany

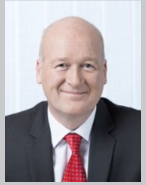
**Knut Gaaserud**
Norway

**Michael Højgaard**
Denmark

**Niclas Sacklén**
Eastern Europe

**Klas Tocklin**
Sweden

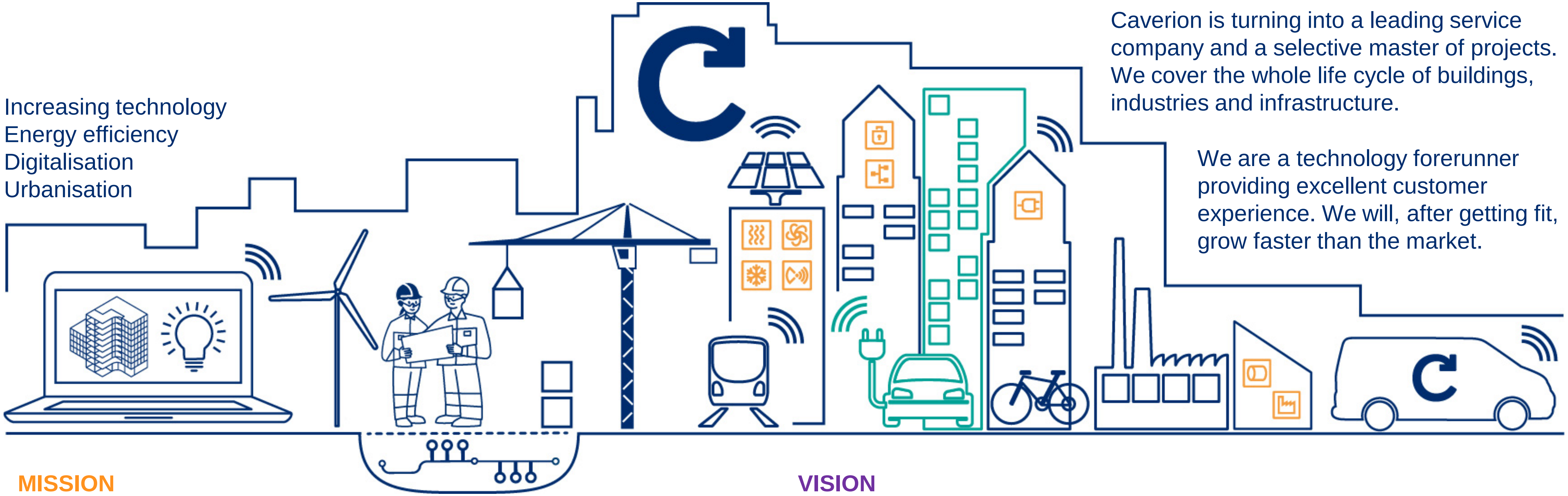
**Ville Tamminen**
Finland



**Sakari Toikkanen**
Industrial Solutions (Interim)

# Our new strategy: Fit for Growth

Increasing technology
Energy efficiency
Digitalisation
Urbanisation



Caverion is turning into a leading service company and a selective master of projects. We cover the whole life cycle of buildings, industries and infrastructure.

We are a technology forerunner providing excellent customer experience. We will, after getting fit, grow faster than the market.

**MISSION**

Smart solutions and happy customers

**VISION**

First choice in digitalising environments

**MUST-WINS**

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

**VALUES**

Step ahead | Cooperation | Responsibility | High performance

**MUST-HAVES**

Safety | Quality | Sustainability