Caverion

Q3

Interim Report 1-9/2017

Caverion Corporation Interim Report October 27, 2017 at 9.00 a.m. EEST

Caverion Corporation's Interim Report for January 1 – September 30, 2017

First signs of improved performance

July 1 – September 30, 2017

- **Order backlog:** EUR 1,460.4 (1,450.9) million
- **Revenue:** EUR 545.1 (582.0) million
- **EBITDA excluding restructuring costs:** EUR 13.8 (19.5) million, or 2.5 (3.3) percent of revenue
- **EBITDA:** EUR 8.7 (13.8) million, or 1.6 (2.4) percent of revenue
- **Working capital:** EUR 75.7 (56.1) million
- **Free cash flow:** EUR -43.8 (-38.8) million
- **Earnings per share, undiluted:** EUR -0.01 (0.02) per share

January 1 – September 30, 2017

- **Revenue:** EUR 1,692.5 (1,758.1) million
- **EBITDA excluding restructuring costs:** EUR 14.6 (26.1) million, or 0.9 (1.5) percent of revenue
- **EBITDA:** EUR 2.5 (10.9) million, or 0.1 (0.6) percent of revenue
- **Free cash flow:** EUR -90.5 (-100.1) million

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.

KEY FIGURES

EUR million	7–9/17	7–9/16	Change	1–9/17	1–9/16	Change	1–12/16
Order backlog	1,460.4	1,450.9	0.7%	1,460.4	1,450.9	0.7%	1,408.1
Revenue	545.1	582.0	-6.3%	1,692.5	1,758.1	-3.7%	2,364.1
EBITDA excluding restructuring costs	13.8	19.5	-29.0%	14.6	26.1	-44.1%	15.6
EBITDA margin excluding restructuring costs, %	2.5	3.3		0.9	1.5		0.7
EBITDA	8.7	13.8	-37.0%	2.5	10.9	-77.2%	-11.4
EBITDA margin, %	1.6	2.4		0.1	0.6		-0.5
Operating profit	1.2	5.0	-75.5%	-20.1	-11.6	-73.1%	-40.8
Operating profit margin, %	0.2	0.9		-1.2	-0.7		-1.7
Net profit for the period	0.1	2.9	-97.1%	-18.3	-9.9	-84.2%	-31.7
Earnings per share, undiluted, EUR	-0.01	0.02		-0.16	-0.08	-102.6%	-0.25
Working capital	75.7	56.1	35.0%	75.7	56.1	35.0%	-2.6
Free cash flow	-43.8	-38.8	-12.8%	-90.5	-100.1	9.6%	-72.1
Interest-bearing net debt	141.3	169.7	-16.8%	141.3	169.7	-16.8%	145.5
Gearing, %	53.2	81.5		53.2	81.5		78.7
Personnel, end of period	16,483	17,281	-4.6%	16,483	17,281	-4.6%	16,913

Word from the President and CEO Ari Lehtoranta

"We started to see the first signs of improved performance related to our turnaround programme in the third quarter. While we are still getting negative impact from older poor-performing projects, our ongoing new business in Projects and particularly Services is showing improving results. Our EBITDA excluding restructuring costs improved clearly from the first half of the year. In the third quarter, EBITDA excluding restructuring costs was EUR 13.8 (19.5) million. The result was still burdened by project write-downs of EUR 7.1 (4.1) million, trade receivable write-downs of EUR 0.9 million and restructuring costs of EUR 5.2 (5.7) million. Our risk project challenges also impacted negatively on our working capital and cash flow. Overall, we continued implementing our corrective actions to improve particularly our project business performance. Looking forward into the fourth quarter, I expect improved cash flow and our risk for write-downs is lower than last year.

Caverion's revenue for the third quarter of 2017 was EUR 545.1 (582.0) million. There was a negative impact for the period especially from our more selective project business tendering. In accordance with our target, the Services business grew by 4.7 percent in the third quarter. The revenue of the total Projects business decreased by 15.7 percent, while the revenue of Large Projects by as much as 23.2 percent. Our focus in Services boosted up Services order backlog by 5.5 percent from the previous year, while in Projects the order backlog declined by 2.7 percent. Besides selectivity in tendering, we have closed down several poor-performing project units. This is part of our strategic transformation.

Our market environment remains favourable. Divisions Finland and Austria improved their solid performance in the third quarter. Division Denmark-Norway delivered a good result. In Sweden our quarterly results were burdened by further restructuring costs of EUR 4.9 million affecting about 190 employees and productivity challenges. We started a rigorous performance management programme in Sweden during the period, the target of which is to materially improve our long-term performance. The result in Industrial Solutions and Germany remained negative due to write-downs in previously identified risk projects. By business unit, the Services business unit continued to improve its performance. Performance in the Projects business unit was still poor, burdened by write-downs.

We continued to realise savings from the completed restructuring actions and discretionary fixed cost savings. Our personnel expenses decreased by about 3.9 percent and our other operating expenses by about 5.5 percent from the previous year in January-September. This is satisfying, while taking into account that we have also had turnaround related one-off costs at the same time, for example, our external legal costs relating to project business amounted to EUR 2.2 million in division Industrial Solutions. In January–September, the total performance and utilisation actions amounted to restructuring costs of approximately EUR 12.1 million. Their estimated total savings impact is approximately EUR 2.8 million in 2017 and EUR 8.6 million in 2018.

We have made write-downs totalling EUR 25.4 (19.1) million related to our risk projects in divisions Industrial Solutions and Germany in January–September. Following our latest assessment in October, the remaining project performance risks of our risk list are estimated to be about EUR 18 million. It is possible that the settlement of certain technically completed projects in 2017 may move into 2018.

With respect to old overdue trade receivables, the estimated full-year write-down risk in 2017 is below the earlier anticipated maximum level of EUR 10 million. After the completed restructurings, the impacts of the utilisation risk estimated earlier (up to EUR 10 million) have by and large already materialised in our results.

Caverion's financial performance in 2017 is negatively impacted mainly by our project business performance. At the same time we have started to build a new stronger Caverion for the future. We will tell more about our new strategy at our Capital Markets Day in Helsinki on November 7, 2017."

OUTLOOK FOR 2017

Market outlook for Caverion's services and solutions

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

Services

The underlying demand for Technical Maintenance and Managed Services is expected to remain strong. As technology in buildings increases, the need for new services and the demand for Life Cycle Solutions are expected to increase. Clients' tendency towards focusing on their core operations continues to open opportunities for Caverion in terms of outsourced operations and maintenance especially for public authorities, industries and utilities.

Projects

The Technical Installation and Large Projects markets are expected to remain on a good level. Good demand is expected to continue from both the private and public sectors. However, price competition is expected to remain tight. Low interest rates and availability of financing are expected to support investments. The demand for Design & Build of Total Technical Solutions is expected to develop favourably in large and technically demanding projects. Requirements for increased energy efficiency, better indoor conditions and tightening environmental legislation will be significant factors supporting the positive market development.

Turnaround programme – Items affecting EBITDA and operating profit*

EUR million	7–9/17	7–9/16	1–9/17	1–9/16	1–12/16
EBITDA	8.7	13.8	2.5	10.9	-11.4
EBITDA margin, %	1.6	2.4	0.1	0.6	-0.5
Items affecting EBITDA and operating profit					
- Project write-downs**	7.1	4.1	25.4	19.1	59.0
- Restructuring costs	5.2	5.7	12.1	15.2	26.9

** The effect of the risk from overdue trade receivables and the utilisation risk excluded for 2017.*
*** Including cost estimate adjustments, cost overruns and provision increases from the risk project list for 2017.*

Guidance for 2017

Caverion's guidance for 2017 is unchanged. Caverion's guidance for 2017 is: "Caverion estimates that the Group's revenue will remain at the previous year's level in 2017 (2016: EUR 2,364 million). Caverion estimates that the Group's EBITDA excluding restructuring costs will more than double in 2017 (2016: EUR 15.6 million)."

In its guidance Caverion applies the following guidance terminology, with a +/- 2pp (percentage point) threshold to the said limits.

Positive change	Lower limit %	Upper limit %
At last year's level	-5%	5%
Grows	5%	15%
Grows clearly	15%	30%
Grows significantly	30%	100%
Doubles	100%	
Negative change	**Lower limit %**	**Upper limit %**
Decreases	-15%	-5%
Decreases clearly	-30%	-15%
Decreases significantly		-30%

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference and webcast on the Interim Report on Friday, October 27, 2017, at 11:00 a.m. (Finnish Time, EEST) at the Glo Hotel Kluuvi (Videowall meeting room), Kluuvikatu 4, 2nd floor, Helsinki, Finland. The news conference can also be viewed live on Caverion's website at www.caverion.com/investors. It is also possible to participate in the event through a conference call by calling the assigned number +44 (0)330 336 9411 at 10:55 a.m. (Finnish time, EEST) at the latest. Participant code for the conference call is "7876164/ Caverion". More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information and IR events

Caverion will arrange a Capital Markets Day in Helsinki, Finland on November 7, 2017 at 9:00 a.m. (EET). Further information on the programme is available on Caverion's website, www.caverion.com/investors.

Financial Statements Bulletin for January - December 2017 will be published on February 7, 2018 at 8:00 a.m. (Finnish Time, EET). Financial reports and other investor information are available on Caverion's website, www.caverion.com/investors, and IR App. The materials may also be ordered by sending an e-mail to IR@caverion.com.

CAVERION CORPORATION

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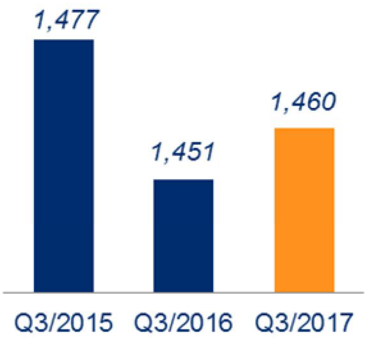
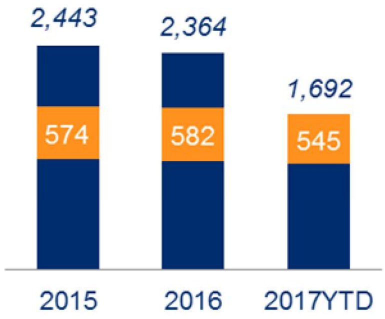
GROUP FINANCIAL DEVELOPMENT

Key Figures

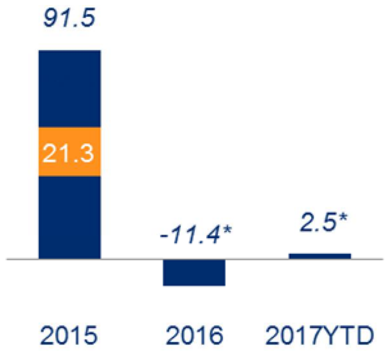
Order backlog (EUR million)



Revenue (EUR million)

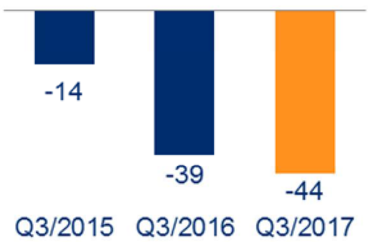


EBITDA (EUR million)

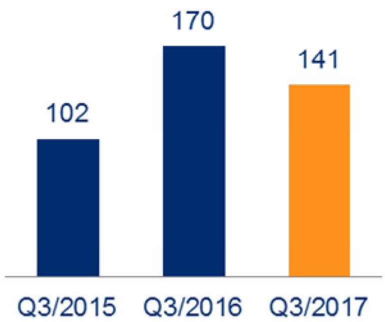


*Q3/2016: 13.8. *Q3/2017: 8.7.

Free cash flow (EUR million)

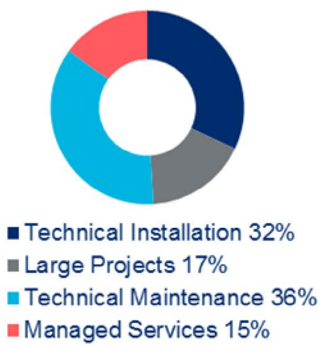


Net debt (EUR million)

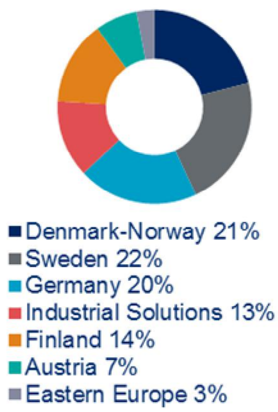


Working capital (EUR million)

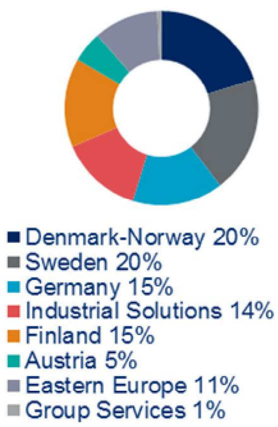
Revenue by business area
% of revenue 1-9/2017



Revenue by division
% of revenue 1-9/2017



Personnel by division
at the end of 9/2017



Operating environment in the third quarter and during the first nine months of 2017

The overall market situation was relatively positive and stable throughout the period. Demand developed favourably in Finnish, Swedish and German markets. In Denmark-Norway, the general economy and demand situation are recovering from the previous year, supported by public demand. In Industrial Solutions division the market was stable in industrial maintenance. The markets for the divisions Eastern Europe and Austria also remained stable.

Services

Demand for Technical Maintenance and Managed Services remained strong. Opportunities for Caverion in terms of outsourced operations and maintenance increased. Interest in private public partnerships and other Life Cycle Solutions was good in the Nordic countries while these kind of commercial models still represent only a marginal part of the entire market.

Projects

The market for Technical Installation and Large Projects business was positive throughout the period. However, price competition remained tight. In the Large Projects market, tendering activity remained on a good level, while Caverion continued its selective approach. Low interest rates and availability of financing supported investments. Requirements for increased energy efficiency, better indoor climate and tightening environmental legislation supported demand. In certain technical disciplines there were signs of resource shortage.

Turnaround programme and estimated key risk areas for 2017

Caverion continued to realise savings from the completed restructuring actions and discretionary fixed cost savings. Personnel expenses decreased by about 3.9 percent and the other operating expenses by about 5.5 percent from the previous year in January-September. In the third quarter, Caverion completed further restructuring actions in Sweden and Denmark-Norway. The total restructuring costs of these actions amounted to EUR 5.2 million, of which EUR 4.9 million related to Sweden. In January–September, the total performance and utilisation actions amounted to restructuring costs of approximately EUR 12.1 million. Their estimated total savings impact is approximately EUR 2.8 million in 2017 and EUR 8.6 million in 2018.

The turnaround programme has caused also other one-off costs. As an example, the Group's external legal costs relating to project business amounted to EUR 2.2 million in division Industrial Solutions in January-September.

Caverion still has significant risk areas potentially affecting its performance this year. Caverion has made write-downs totalling EUR 25.4 (19.1) related to the risk projects in divisions Industrial Solutions and Germany in January–September. Following the latest assessment in October, the remaining project performance risks of the risk list are estimated to be about EUR 18 million. It is possible that the settlement of certain technically completed projects in 2017 may move into 2018.

With respect to old overdue trade receivables, the estimated full-year write-down risk in 2017 is below the earlier anticipated maximum level of EUR 10 million. After the completed restructurings, Caverion estimates that the impacts of the utilisation risk estimated earlier (up to EUR 10 million) have by and large already materialised in the results.

Turnaround programme – Items affecting EBITDA and operating profit*

EUR million	7–9/17	7–9/16	1–9/17	1–9/16	1–12/16
EBITDA	8.7	13.8	2.5	10.9	-11.4
EBITDA margin, %	1.6	2.4	0.1	0.6	-0.5
Items affecting EBITDA and operating profit					
- Project write-downs**	7.1	4.1	25.4	19.1	59.0
- Restructuring costs	5.2	5.7	12.1	15.2	26.9

** The effect of the risk from overdue trade receivables and the utilisation risk excluded for 2017.*
*** Including cost estimate adjustments, cost overruns and provision increases from the risk project list for 2017.*

Order backlog

Order backlog amounted to EUR 1,460.4 million at the end of September, up by 0.7 percent from the end of September 2016 (EUR 1,450.9 million). At comparable exchange rates the order backlog increased by 1.2 percent. The Group's focus in Services boosted up Services order backlog by 5.5 percent from the previous year. In Projects the order backlog declined by 2.7 percent. This was largely due to due to the Group's more selective approach towards the Projects business. Caverion has implemented a stricter project tendering process since the second quarter of 2016 as well as closed down several poor-performing project units. In the third quarter of 2017, Caverion continued to focus on the tendering process with a target to uplift the project margin in new project business orders.

Revenue

July–September

Revenue for July–September was EUR 545.1 (582.0) million. Revenue decreased by 6.3 percent compared to the previous year. There was a negative impact for the period especially from the Group's more selective approach towards the Projects business. Revenue increased from the previous year in Denmark-Norway and Austria, while it decreased in other divisions. Project write-downs affected revenue for the period in Germany.

At previous year's exchange rates revenue was EUR 545.6 million and decreased by 6.3 percent compared to the previous year. Changes in the Swedish crown accounted for EUR -0.1 million, the Norwegian crown for EUR -0.8 million and the Russian rouble for EUR 0.2 million.

Revenue of the Services business was EUR 279.8 (267.2) million in July–September, an increase of 4.7 percent from the corresponding period last year. Services business revenue consisted of the Technical Maintenance revenue of EUR 197.0 (189.5) million and the Managed Services revenue of EUR 82.8 (77.6) million. Revenue decreased in the Projects business by 15.7 percent from the corresponding period last year due to more selective tendering especially in Large Projects. Revenue of the Projects business was EUR 265.3 (314.8) million in July–September, consisting of the Technical Installation revenue of EUR 177.3 (200.2) million and Large Projects revenue of EUR 88.0 (114.6) million.

Services business accounted for 51.3 (45.9) percent of Group revenue and Projects business for 48.7 (54.1) percent of Group revenue in July–September.

January–September

Revenue for January–September was EUR 1,692.5 (1,758.1) million. Revenue decreased by 3.7 percent compared to the previous year. Revenue growth was largest in Denmark-Norway and Austria. Project write-downs affected revenue for the period.

At previous year's exchange rates revenue was EUR 1,692.4 million and decreased also by 3.7 percent compared to the previous year. Changes in the Swedish crown accounted for EUR -8.3 million, compensated by changes in the Norwegian crown of EUR 4.1 million and the Russian rouble of EUR 3.9 million.

Revenue of the Services business was EUR 861.8 (810.3) million in January–September, an increase of 6.4 percent from the corresponding period last year. Services business revenue consisted of Technical Maintenance revenue of EUR 614.0 (582.0) million and Managed Services revenue of EUR 247.8 (228.3) million. Revenue decreased in the Projects business by 12.4 percent from the corresponding period last year due to more selective tendering especially in Large Projects. Revenue of the Projects business was EUR 830.7 (947.8) million in January–September, consisting of Technical Installation revenue of EUR 538.9 (583.3) million and Large Projects revenue of EUR 291.8 (364.5) million. The Projects business was impacted by project write-downs in January–September.

The Services business accounted for 50.9 (46.1) percent of Group revenue and the Projects business for 49.1 (53.9) percent of Group revenue in January–September.

Distribution of revenue

Revenue, EUR million	7–9/ 2017	%	7–9/ 2016	%	Change	1–9/ 2017	%	1–9/ 2016	%	Change	1–12/ 2016
Denmark-Norway	111.7	21%	104.6	18%	7%	354.7	21%	331.3	19%	7%	455.8
Sweden	107.5	20%	120.9	21%	-11%	364.2	22%	396.8	23%	-8%	531.8
Germany	120.1	22%	133.2	23%	-10%	345.6	20%	389.9	22%	-11%	506.6
Industrial Solutions	64.8	12%	82.7	14%	-22%	219.4	13%	237.2	13%	-7%	317.7
Finland	78.2	14%	79.9	14%	-2%	236.6	14%	235.5	13%	0%	320.7
Austria	43.9	8%	39.8	7%	10%	116.6	7%	110.9	6%	5%	153.0
Eastern Europe	19.0	3%	20.9	4%	-9%	56.0	3%	56.6	3%	-1%	78.7
Group, total	545.1	100%	582.0	100%	-6%	1,692.5	100%	1,758.1	100%	-4%	2,364.1
Projects business	265.3	49%	314.8	54%	-16%	830.7	49%	947.8	54%	-12%	1,233.6
- Technical Installation	177.3	33%	200.2	34%	-11%	538.9	32%	583.3	33%	-8%	782.3
- Large Projects	88.0	16%	114.6	20%	-23%	291.8	17%	364.5	21%	-20%	451.3
Services business	279.8	51%	267.2	46%	5%	861.8	51%	810.3	46%	6%	1,130.6
- Technical Maintenance	197.0	36%	189.5	33%	4%	614.0	36%	582.0	33%	5%	817.8
- Managed Services	82.8	15%	77.6	13%	7%	247.8	15%	228.3	13%	9%	312.8

Profitability

EBITDA

July–September

EBITDA excluding restructuring costs was EUR 13.8 (19.5) million, or 2.5 (3.3) percent of revenue in July–September. EBITDA for July–September was EUR 8.7 (13.8) million, or 1.6 (2.4) percent of revenue.

Divisions Finland and Austria improved their solid performance in the third quarter. Division Denmark-Norway delivered a good result. In Sweden the quarterly results were burdened by restructuring costs of EUR 4.9 million and productivity challenges. The result in Industrial Solutions and Germany remained negative due to write-downs in previously identified risk projects. Profitability was burdened by project business write-downs, trade receivable write-downs and restructuring costs. Caverion made write-downs totalling EUR 7.1 (4.1) related to risk projects in divisions Industrial Solutions and Germany. These write-downs were negative forecast changes and cost overruns related to earlier identified risk projects. Trade receivable write-downs, also related to the Projects business, amounted to EUR 0.9 million.

By business unit, the Services business unit continued to improve its performance. Performance in the Projects business unit was still poor, burdened by write-downs.

Costs related to materials and supplies decreased to EUR 153.5 (159.3) million and external services to EUR 106.9 (115.7) million in July–September. Personnel expenses decreased by 4.3 percent and other operating expenses by 7.4 percent from the previous year. Personnel expenses for July–September amounted to a total of EUR 211.7 (221.1) million. Other operating expenses decreased to EUR 67.3 (72.7) million. Other operating income was EUR 3.0 (0.5) million.

January–September

EBITDA excluding restructuring costs was EUR 14.6 (26.1) million, or 0.9 (1.5) percent of revenue in January–September. EBITDA for January–September was EUR 2.5 (10.9) million, or 0.1 (0.6) percent of revenue.

Profitability was burdened by project business write-downs and restructuring costs. Caverion made write-downs totalling EUR 25.4 (19.1) related to risk projects in divisions Industrial Solutions and Germany in July–September. These write-downs were negative forecast changes and cost overruns related to earlier identified risk projects.

Profitability was specifically burdened by cost overruns and write-downs in a set of Industrial Solutions projects related to a new bioproduct plant in Finland, totalling EUR 13.4 million. These projects were finalised during the summer.

Costs related to materials and supplies decreased to EUR 475.3 (479.3) million and external services to EUR 316.6 (327.7) million in January–September. The effect of the restructuring actions completed in 2016 were clearly visible in January–September. Personnel expenses decreased by 3.9 percent and other operating expenses by 5.5 percent from the previous year. Personnel expenses amounted to a total of EUR 701.0 (729.5) million. Other operating expenses decreased to EUR 200.5 (212.0) million. Other operating income was EUR 3.3 (1.3) million.

EBITDA is defined as Operating profit + Depreciation, amortisation and impairment. EBITDA excluding restructuring costs is defined as Operating profit + Depreciation, amortisation and impairment + restructuring costs.

Operating profit

July–September

Operating profit for July–September was EUR 1.2 (5.0) million, or 0.2 (0.9) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 7.4 (8.7) million in July–September, of which EUR 5.5 million were allocated intangibles related to acquisitions and EUR 2.0 million were other depreciations, amortisation and impairments, the majority of which related to IT.

January–September

Operating profit for January–September was EUR -20.1 (-11.6) million, or -1.2 (-0.7) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 22.6 (22.5) million in January–September, of which EUR 16.7 million were allocated intangibles related to acquisitions and EUR 5.9 million were other depreciations, amortisation and impairments, the majority of which related to IT.

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

Profit before taxes, net profit and earnings per share

Profit before taxes amounted to EUR -24.3 (-13.3) million, net profit to EUR -18.3 (-9.9) million and earnings per share to EUR -0.16 (-0.08) in January–September. Net financing expenses in January–September were EUR -4.2 (-1.7) million. Net financing expenses increased due to the extended debt maturity structure, higher interest costs and loan amendment fees.

The Group's effective tax rate was 24.7 (25.2) percent in January–September.

Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets included in the balance sheet totalled EUR 13.1 (32.0) million during January–September, representing 0.8 (1.8) percent of revenue. Investments in information technology totalled EUR 8.2 (20.0) million during January–September. IT investments were focused on building a harmonised IT infra and common platforms, datacenter consolidation as well as implementing a common ERP template. IT systems and mobile tools were also developed to improve the Group's internal processes and efficiency going forward. Other investments, including acquisitions, amounted to EUR 5.0 (12.0) million.

During the period, Caverion completed two small acquisitions in Austria. In July, Caverion signed an asset transfer agreement with AE Ausserwöger Elektrotechnik GmbH on the acquisition of its electrical business. The business transferred had a revenue of approximately EUR 2 million and 19 employees in 2016. In August Caverion acquired all shares in Weiss Anlagen Technik GmbH, a cleanroom technology company with revenue of approximately EUR 3 million and 15 employees in 2016. The transaction prices were not published.

Cash flow, working capital and financing

In January-September, the Group's free cash flow was negative although improving from the corresponding period last year. Free cash flow amounted to EUR -90.5 (-100.1) million. Free cash flow was impacted by the increase in working capital in the risk projects. Free cash flow was improved by the lower level of investments compared to last year.

The Group's operating cash flow before financial and tax items amounted to EUR -75.6 (-57.6) million in January–September.

The Group’s working capital was 75.7 (56.1) million at the end of September. There was a positive development in working capital in divisions Finland, Sweden and Denmark-Norway. Working capital was tied by risk projects mainly in divisions Industrial Solutions and Germany.

The amount of POC receivables amounted to EUR 321.1 (331.0) million at the end of September. Trade receivables amounted to EUR 331.3 (323.6) million at the end of September.

Caverion’s cash and cash equivalents amounted to EUR 18.4 (37.0) million at the end of September. In addition, Caverion has undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

The Group’s interest-bearing loans and borrowings amounted to EUR 159.6 (206.8) million at the end of September and the average interest rate after hedges was 1.76 percent. Approximately 50 percent of the loans have been raised from banks and other financial institutions, approximately 38 percent directly from the money markets and approximately 10 percent from insurance companies. A total of EUR 89.7 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group’s net debt amounted to EUR 141.3 (169.7) million at the end of September.

On June 9, 2017 Caverion Corporation issued a EUR 100 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of current shareholders. The coupon of the hybrid bond is 4.625 per cent per annum until June 16, 2020. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on June 16, 2020, and subsequently, on each coupon interest payment date. If the hybrid bond is not redeemed on June 16, 2020, there will be a step-up of 500 basis points in the coupon. The hybrid bond strengthened Caverion Group’s capital structure and financial position. At the end of September, the Group’s gearing was 53.2 (81.5) percent and equity ratio 27.0 (20.5) percent.

Caverion’s external loans are subject to a financial covenant based on the ratio of the Group’s net debt to EBITDA. Caverion and its core banks agreed on changes in the loan documentation in connection with the hybrid transaction in June. Financial covenant shall not exceed 5.0:1 by the end of September 2017 and thereafter the ratio shall not exceed 3.5:1. EBITDA calculation principles related to the Group’s financial covenant were amended in September related to the third quarter of 2017. At the end of September, the Group’s Net debt to EBITDA was 4.1x according to the confirmed calculation principles.

Changes in external financial reporting in 2017

Caverion announced in an investor news release on May 29, 2017 that it is launching further actions to address the remaining utilisation and performance challenges in Sweden. These actions included reductions in workforce, combining of existing units, better usage of shared resources and the integration of Caverion’s Swedish industrial and building systems operations. In the integration approximately 350 employees from the Swedish industrial operations will be transferred to Division Sweden.

The integration also resulted in changes in Caverion’s external financial reporting. Caverion reports the figures for its Swedish industrial operations under Division Sweden as of July 1, 2017.

PERSONNEL

Personnel by division, end of period	9/17	6/17	Change	9/17	9/16	Change	12/16
Denmark-Norway	3,325	3,297	1%	3,325	3,393	-2%	3,330
Sweden	3,216	3,049	5%	3,216	3,321	-3%	3,172
Germany	2,490	2,443	2%	2,490	2,498	0%	2,452
Industrial Solutions	2,265	2,661	-15%	2,265	2,825	-20%	2,742
Finland	2,448	2,568	-5%	2,448	2,440	0%	2,439
Austria	841	803	5%	841	806	4%	811
Eastern Europe	1,787	1,817	-2%	1,787	1,868	-4%	1,841
Group Services	111	112	-1%	111	130	-15%	126
Group, total	16,483	16,750	-2%	16,483	17,281	-5%	16,913

Caverion Group employed 16,690 (17,477) people on average in January–September 2017. At the end of September, the Group employed 16,483 (17,281) people. Personnel expenses for January–September 2017 amounted to EUR 701.0 (729.5) million.

The effects of the restructuring actions completed in 2016 and 2017 are clearly visible. In the third quarter, new resources were needed to fulfil critical competence gaps. Caverion continued to hire trainees and apprentices to grow as experts. Special attention continued to be paid to project management and the strengthening of managerial capabilities. Development activities were continued in divisions to better match business demand with the supply of resources.

Several Group-wide projects were continued in the third quarter such as the implementation of project management capabilities and a common leadership development program. A performance management program was initiated in Sweden. Talent and succession planning as well as the implementation of harmonised job structures and people processes continued. The well-being of employees was a focus area and group-wide safety programme was taken forward.

Changes in Caverion's Group Management

Ari Lehtoranta started as the President and CEO of Caverion Corporation on January 1, 2017.

Caverion announced the following changes in Caverion's Group Management Board and organisation structure on January 9, 2017. The role of the Group level functions Services and Projects was strengthened by increasing their areas of responsibility and they will be called business units going forward. Thomas Hietto (born 1967, M.Sc.,Tech.) was appointed as the head of business unit Services and Jarno Hacklin (born 1978, B. Eng.) was appointed as the head of business unit Projects. Ville Tamminen (born 1974, LL.M, trained on the bench) was appointed as the head of Division Finland. A new Group function Legal & Governance was also established in the company. Anne Viitala (born 1959, LL.M, trained on the bench, eMBA) was appointed as the head of new Group function Legal & Governance. All of the appointed are also members of the Group Management Board of Caverion Corporation. The appointments took effect as of January 9, 2017, apart from the appointment of Thomas Hietto. He started in his position on July 1, 2017. The business unit Services was headed until June 30, 2017 by Matti Malmberg who continues his service at Caverion.

Caverion announced on January 19, 2017 that Erkki Huusko (born 1957, B. Eng., eMBA) was appointed as Head of Division Industrial Solutions and a member of the Group Management Board of Caverion Corporation as of January 19, 2017. Erkki Huusko had previously worked as Chief Operative Officer in the Division Industrial Solutions, meanwhile Juhani Pitkäkoski had had total responsibility of the division. Juhani Pitkäkoski continued to work in the division until July 16, 2017.

Caverion announced on April 3, 2017 that Minna Schrey-Hyppänen, (born 1966, M.Sc. (Eng.), M.Sc (Econ), has been appointed as Head of Human Resources and a member of the Group Management Board of Caverion Corporation as of June 26, 2017. Merja Eskola, her predecessor, continues her service at Caverion being responsible of strategic resourcing and talent development.

Caverion announced on June 21, 2017 that Sakari Toikkanen (born 1967, Lic (Tech.) has been appointed as Head of Division Industrial Solutions of Caverion Corporation as of June 21, 2017. He will assume the position until a new permanent head of division is hired. Sakari Toikkanen also continues in his role as the Head of IT &

Communications & Sales development of Caverion Corporation and as a member of the Group Management Board. Erkki Huusko continues in specific tasks in the company over the next few months and reports to Sakari Toikkanen.

The responsibility area of Strategy and M&A was transferred to Group function Finance under CFO Martti Ala-Härkönen on June 22, 2017.

SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTIES

Caverion's typical operational risks relate to its services and project business. These include risks related to tendering (e.g. calculation and pricing), contractual terms and conditions, partnering, subcontracting, procurement and price of materials, availability of qualified personnel and project management. To manage these risks, risk assessment and review processes for both the sales and execution phase have been introduced, and risk reservations have been increased. Given the specific risks related to project business, the Group Project Business Unit was established in the beginning of 2017 and is dedicated to the overall improvement of project risk management, to steering the project portfolio and to improve project management capabilities. Despite all actions taken there is a risk that some project risks materialise, which could have a negative impact on Caverion's financial performance and position. Project risk assessment is an ongoing process in the company, and it is possible that risks may be identified in the other currently running and new projects.

Caverion completed a thorough project risk assessment during 2016, which resulted in significant project write-downs and provisions during 2016. There is also remaining risk in these projects. Although improved project controls have been implemented, it is possible that some of the identified remaining risks may materialise, which could lead to further project write-downs and provisions, in addition to the ones already made in January–September, and to disputes and litigations. It is also possible that new risks may emerge in these projects.

According to Group policy, write-offs or provisions are booked on receivables when it is evident that no payment can be expected. Caverion Group follows a policy in valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collection, customer-specific collaterals and analyses as well as the general economic situation of the review period. Caverion completed several risk assessments related to POC and trade receivables in its project portfolio during 2016, which led to write-downs on receivables during 2016. Most of these write-downs related to POC receivables. A further review and risk assessment will be continued during 2017. There are certain individual larger receivables where the company is taking significant actions to negotiate and collect the receivables. There is remaining risk in the identified receivables, and it cannot be excluded that there is also risk associated with other receivables.

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

The investigation of violations of competition law related regulations in the technical services industry in Germany continues. As part of the investigation German authorities have searched information from various technical services providers, including Caverion. Caverion co-operates with the local authorities. Based on the currently available information, it is still not possible to evaluate the magnitude of the potential risk for Caverion related to these issues. The timing of the closing of the investigations is also unknown. It is possible that the costs, sanctions and indemnities can be material.

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

Caverion is implementing a robust compliance programme. As part of the programme all employees must complete an annual e-learning module and further training is given across the organisation. All employees are required to comply with Caverion's Code of Conduct, which sets zero tolerance on bribery and corruption. In addition, Caverion has restructured and updated its Group-level policies and guidelines ("Caverion Guidelines") and re-launched them in September 2017.

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

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Breaching this covenant would give the lending parties the right to declare the loans to be immediately due and payable. Caverion and its lending parties confirmed the EBITDA calculation principles related to the Group's financial covenant (net debt to EBITDA) in December 2016. Furthermore, Caverion concluded an amendment with its lending parties related to the maximum level of the financial covenant in the Q1/2017 testing in March 2017. On June 9, 2017 Caverion issued a EUR 100 million hybrid bond which is treated as equity under IFRS. The hybrid bond issue improved the Group's liquidity and capital structure, hence also the financial covenant level. At the same time the company agreed on a maximum level of the financial covenant for the Q2/2017 and Q3/2017 testings. In September Caverion concluded a further amendment with its lending parties related to the calculation principles in the Q3/2017 testing. The project write-downs made in 2017 have burdened the company's financial covenant level in January–September and the remaining project risks may result in further project write-downs during the rest of the year. The level of the financial covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

Caverion's business typically involves granting of guarantees in favour of customers or other stakeholders, especially in large projects, e.g. for advance payments received, for performance of contractual obligations, and for defects during the warranty period. Such guarantees are typically granted by financial intermediaries on behalf of Caverion. There is no assurance that the company would have continuous access to sufficient guarantees from financial intermediaries at competitive terms or at all, and the absence of such guarantees could have an adverse effect on Caverion's business and financial condition. To manage this risk, Caverion's target is to maintain several guarantee facilities in the different countries where it operates.

Financial risks are described in more detail in the Financial Statements note 30 and in the financial tables to this Interim Report under note 5.

Caverion has made significant investments in IT and system development. There is a risk that the expected functionalities and pay-back are not fully materialised.

Caverion's website and financial statemens bulletin for 2016 published on February 7, 2017 describes the most significant business risks.

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Caverion, held on March 17, 2017, adopted the Financial Statements for the year 2016 and discharged the members of the Board of Directors and the President and CEO from liability. In addition, the Annual General Meeting resolved on the use of the profit shown on the balance sheet and the payment of dividend, the amendment of the Articles of Association, the composition of members of the Board of Directors and their remuneration, the election of the auditor and its remuneration as well as authorised the Board of Directors to decide on the repurchase of the company's own shares and share issues.

The Annual General Meeting elected a Chairman, Vice Chairman and six ordinary members to the Board of Directors. Michael Rosenlew was elected as the Chairman of the Board of Directors, Markus Ehrnrooth as the Vice Chairman and Jussi Aho, Joachim Hallengren, Thomas Hinnerskov, Antti Herlin, Anna Hyvönen and Eva Lindqvist as members of the Board of Directors for a term continuing until the end of the next Annual General Meeting. The term of Antti Herlin began upon the registration of the amendment of the Articles of Association in the Trade Register on March 29, 2017.

The stock exchange release on the resolutions passed at the Annual General Meeting is available on Caverion's website at http://www.caverion.com/about-us/media/releases.

The Board of Directors held its organisational meeting on March 17, 2017. At the meeting the Board decided on the composition of the Human Resources Committee and the Audit Committee. A description of the committees' tasks and charters are available on Caverion's website at www.caverion.com/investors - Corporate Governance.

DIVIDENDS AND DIVIDEND POLICY

The Annual General Meeting, held on March 17, 2017, decided according to the proposal of the Board of Directors that no dividend will be paid for the financial year 2016.

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. Even though there are no plans to amend this dividend policy, there is no guarantee that a dividend or capital redemption will actually be paid in the future, and also there is no guarantee of the amount of the dividend or return of capital to be paid for any given year.

SHARES AND SHAREHOLDERS

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

Share capital and number of shares

At the beginning of January 1, 2017, the number of shares was 125,596,092 and the share capital was EUR 1,000,000. Caverion held 512,328 treasury shares throughout the whole reporting period January–September 2017. The number of shares outstanding was thus 125,083,764 at the end of September 2017. Own shares held by Caverion Corporation represent 0.41% of the total number of shares and voting rights.

Caverion's Board of Directors approved a long-term share-based incentive plan for the Group's senior management in December 2015 and continued the said plan in December 2016. The share based incentive plan consists of a Performance Share Plan (PSP) as the main structure supported by a Restricted Share Plan as a complementary structure for specific situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board. The first plans commenced at the beginning of 2016. The targets set for the first Performance Share Plan 2016–2018 were not met. No reward will therefore be paid to participants in the Performance Share Plan 2016–2018. The second plans commenced at the beginning of 2017 and any potential share rewards thereof will be delivered in the spring of 2020. If all targets will be met, the share rewards based on Performance Share Plan 2017-2019 will comprise a maximum of approximately 850,000 Caverion shares (gross before the deduction of applicable payroll tax). More information on the incentive plan was released in stock exchange releases on December 18, 2015 and December 21, 2016. Furthermore, more information on the earlier long-term share-based incentive plan 2014−2016 for the company's key senior executives has been released in a stock exchange release on May 26, 2014. The targets set for this plan were not met.

Caverion has not made any decision regarding the issue of option rights or other special rights entitling to shares. Caverion or its subsidiaries do not have any Caverion Corporation shares as a pledge.

Authorisations of the Board of Directors

Authorising Caverion's Board of Directors to decide on the repurchase of own shares of the company

The Annual General Meeting of Caverion Corporation, held on March 17, 2017, authorised the Board of Directors to decide on the repurchase of own shares. The authorisation covers the repurchase of a maximum of 12,000,000 company´s own shares using the company's unrestricted equity, at fair value at the date of repurchase, which shall be the prevailing market price in the trading at the regulated market organised by Nasdaq Helsinki Ltd. The shares may be repurchased other than pro rata to the shareholders' existing holdings. The share purchase will decrease the company's distributable unrestricted equity. The authorisation is valid for eighteen months from the date of the resolution of the Annual General Meeting. The Board of Directors has not used the authorisation during 2017.

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

The Annual General Meeting authorised the Board of Directors to decide on share issues. The authorisation may be used in full or in part by issuing a maximum of 25,000,000 Caverion shares in one or more issues. The Board of Directors may decide on a directed share issue in deviation from the shareholders' pre-emptive rights. The Board of Directors would be authorized to decide to whom and in which order the shares will be issued. The authorisation can be used e.g. in order to strengthen the Company's capital structure, to broaden the Company's ownership, to be used as payment in corporate acquisitions or when the Company acquires assets relating to its business and as part of the Company's incentive programmes. In the share issues shares may be issued for subscription against payment or without charge. The Board of Directors is also authorised to decide on a share issue without payment directed to the company itself, within the limitations laid down in the Companies Act. The authorization empowers the Board of Directors to decide on the terms and conditions of and measures related to the share issues in accordance with the Companies Act, including the right to decide whether the subscription price will be recognized in full or in part in the invested unrestricted equity reserve or as an increase to the share capital.

The share issue authorisation also includes the authorisation to transfer own shares that are in the possession of company or may be acquired. This authorisation applies to a maximum of 12,500,000 company's own shares. The Board of Directors was authorised to decide on the purpose and the terms and conditions for such transfer. The authorisation is valid until March 31, 2018. The Board of Directors has not used the authorisation during 2017.

Trading in shares

The opening price of Caverion's share was EUR 7.94 at the beginning of the year 2017. The closing rate on the last trading day of the review period on September 30 was EUR 7.77. The share price decreased by 2 percent during January–September. The highest price of the share during the review period January–September was EUR 8.28, the lowest was EUR 6.64 and the average price was EUR 7.40. Share turnover on Nasdaq Helsinki in January–September amounted to 39.8 million shares. The value of share turnover was EUR 293.7 million (source: Nasdaq Helsinki).

Caverion's shares are also traded in other market places, such as BATS Chi-X Europe, Turquoise, Aquis and Frankfurt Stock Exchange (Open Market). During January–September, 8.8 million Caverion Corporation shares changed hands in alternative public market places, corresponding to approximately 13.5 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X Europe. Furthermore, during January–September, 16.4 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 25.1 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 970.9 million. Market capitalisation has been calculated excluding the 512,328 shares held by the company as per September 30, 2017.

Number of shareholders and flagging notifications

At the end of September 2017, the number of registered shareholders in Caverion was 28,660 (6/2017: 29,250). At the end of September 2017, a total of 34.9 percent of the shares were owned by nominee-registered and non-Finnish investors (6/2017: 35.6%).

Updated lists of Caverion's largest shareholders and ownership structure by sector as per September 30, 2017, are available on Caverion's website at www.caverion.com/investors.

INTERIM REPORT JANUARY 1–SEPTEMBER 30, 2017: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Revenue	**545.1**	**582.0**	**1,692.5**	**1,758.1**	**2,364.1**
Other operating income	3.0	0.5	3.3	1.3	1.9
Materials and supplies	-153.5	-159.3	-475.3	-479.3	-648.2
External services	-106.9	-115.7	-316.6	-327.7	-450.8
Employee benefit expenses	-211.7	-221.1	-701.0	-729.5	-989.1
Other operating expenses	-67.3	-72.7	-200.5	-212.0	-289.2
Share of results of associated companies	0.0	0.0	0.0	-0.1	-0.1
Depreciation and impairments	-7.4	-8.7	-22.6	-22.5	-29.5
Operating profit	**1.2**	**5.0**	**-20.1**	**-11.6**	**-40.8**
% of revenue	0.2	0.9	-1.2	-0.7	-1.7
Financial income and expense, net	-1.4	-0.9	-4.2	-1.7	-2.6
Profit before taxes	**-0.2**	**4.1**	**-24.3**	**-13.3**	**-43.5**
% of revenue	0.0	0.7	-1.4	-0.8	-1.8
Income taxes	0.2	-1.2	6.0	3.3	11.8
Profit for the review period	**0.1**	**2.9**	**-18.3**	**-9.9**	**-31.7**
% of revenue	0.0	0.5	-1.1	-0.6	-1.3
Attributable to					
Equity holders of the parent company	0.1	2.9	-18.3	-10.0	-31.7
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company					
Earnings per share, EUR	-0.01	0.02	-0.16	-0.08	-0.25
Diluted earnings per share, EUR	-0.01	0.02	-0.16	-0.08	-0.25

Consolidated statement of comprehensive income

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Profit for the review period	**0.1**	**2.9**	**-18.3**	**-9.9**	**-31.7**
Other comprehensive income					
Items that will not be reclassified to profit/loss					
Change in fair value of defined benefit pension	-0.4	-0.8	0.9	-1.5	-4.2
-Deferred tax	0.0	0.0	0.0	0.0	1.3
Items that may be reclassified subsequently to profit/loss					
Cash flow hedges	0.0	0.4	0.0	0.0	0.0
-Deferred tax					
Change in fair value of for available for sale investments	0.1	0.0	0.1	0.0	0.0
-Deferred tax					
Translation differences	0.9	0.2	-1.2	0.5	1.0
Other comprehensive income, total	**0.6**	**-0.2**	**-0.2**	**-1.0**	**-1.9**
Total comprehensive result	**0.7**	**2.7**	**-18.5**	**-11.0**	**-33.6**
Attributable to					
Equity holders of the parent company	0.7	2.7	-18.5	-11.0	-33.6
Non-controlling interests	0.0	0.0	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	30.9.2017	30.9.2016	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	23.9	29.9	28.3
Goodwill	339.8	339.8	339.8
Other intangible assets	46.6	52.5	53.0
Shares in associated companies	0.1	0.1	0.1
Other investments	1.2	1.4	1.2
Other receivables	3.2	2.4	3.3
Deferred tax assets	22.2	8.7	10.6
Current assets			
Inventories	20.5	36.1	30.7
Trade receivables	331.3	323.6	378.2
POC receivables	321.1	331.0	244.4
Other receivables	40.1	45.1	40.4
Income tax receivables	8.4	8.3	6.4
Cash and cash equivalents	18.4	37.0	47.7
Total assets	**1,176.8**	**1,216.0**	**1,184.3**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1.0	1.0	1.0
Hybrid capital	100.0	0.0	0.0
Other equity	164.4	206.8	183.6
Non-controlling interest	0.4	0.4	0.4
Equity	**265.8**	**208.2**	**185.0**
Non-current liabilities			
Deferred tax liabilities	52.6	59.1	51.1
Pension liabilities	45.5	43.1	45.4
Provisions	6.9	9.1	7.1
Interest-bearing debts	70.0	77.6	127.6
Other liabilities	0.4	0.9	0.6
Current liabilities			
Advances received	192.4	201.4	192.5
Trade payables	201.8	227.0	214.1
Other payables	213.5	230.9	258.7
Income tax liabilities	8.2	9.0	6.5
Provisions	30.1	20.5	30.1
Interest-bearing debts	89.7	129.2	65.7
Total equity and liabilities	**1,176.8**	**1,216.0**	**1,184.3**

Working capital

EUR million	30.9.2017	30.9.2016	31.12.2016
Inventories	20.5	36.1	30.7
Trade and POC receivables	652.4	654.6	622.7
Other current receivables	39.4	44.6	38.9
Trade and POC payables	-220.5	-251.2	-239.7
Other current liabilities	-223.6	-226.6	-262.5
Advances received	-192.4	-201.4	-192.5
Working capital	**75.7**	**56.1**	**-2.6**

Consolidated statement of changes in equity

	Equity attributable to owners of the parent								
EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Hybrid capital	Total	Non-controlling interest	Total equity
Equity on January 1, 2017	**1.0**	**193.1**	**-5.5**	**-0.7**	**-3.2**		**184.7**	**0.4**	**185.0**
Comprehensive income									
Profit for the period		-18.3					-18.3	0.0	-18.3
Other comprehensive income:									
Change in fair value of defined benefit pension		0.9					0.9		0.9
-Deferred tax									
Cash flow hedges									
Change in fair value of available for sale assets				0.1			0.1		0.1
Translation differences			-1.2				-1.2		-1.2
Comprehensive income, total		**-17.4**	**-1.2**	**0.1**			**-18.5**	**0.0**	**-18.5**
Transactions with owners									
Dividend distribution								0.0	0.0
Share-based payments									
Hybrid capital						100.0	100.0		100.0
Hybrid capital interests after taxes									
Hybrid capital transaction costs after taxes		-0.8					-0.8		-0.8
Transactions with owners, total		**-0.8**				**100.0**	**99.2**	**0.0**	**99.2**
Equity on September 30, 2017	**1.0**	**174.9**	**-6.7**	**-0.7**	**-3.2**	**100.0**	**265.4**	**0.4**	**265.8**

EUR million	Equity attributable to owners of the parent Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interest	Total equity
Equity on January 1, 2016	**1.0**	**262.8**	**-6.5**	**-0.7**	**-3.2**	**253.4**	**0.4**	**253.7**
Comprehensive income								
Profit for the period		-10.0				-10.0	0.0	-9.9
Other comprehensive income:								
Change in fair value of defined benefit pension		-1.5				-1.5		-1.5
-Deferred tax		0.0				0.0		0.0
Cash flow hedges				0.0		0.0		0.0
Change in fair value of available for sale assets				0.0		0.0		0.0
Translation differences			0.5			0.5		0.5
Comprehensive income, total		**-11.5**	**0.5**	**0.0**		**-11.0**	**0.0**	**-11.0**
Transactions with owners								
Dividend distribution		-35.1				-35.1		-35.1
Share-based payments		0.6			0.0	0.6		0.6
Transactions with owners, total		**-34.5**			**0.0**	**-34.5**		**-34.5**
Equity on September 30, 2016	**1.0**	**216.8**	**-6.1**	**-0.7**	**-3.2**	**207.8**	**0.4**	**208.2**

EUR million	Equity attributable to owners of the parent Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interest	Total equity
Equity on January 1, 2016	**1.0**	**262.8**	**-6.5**	**-0.7**	**-3.2**	**253.4**	**0.4**	**253.7**
Comprehensive income								
Profit for the period		-31.7				-31.7	0.0	-31.7
Other comprehensive income:								
Change in fair value of defined benefit pension		-4.2				-4.2		-4.2
-Deferred tax		1.3				1.3		1.3
Cash flow hedges								
Change in fair value of available for sale assets				0.0		0.0		0.0
Translation differences			1.0			1.0		1.0
Comprehensive income, total		**-34.6**	**1.0**	**0.0**		**-33.6**	**0.0**	**-33.6**
Transactions with owners								
Dividend distribution		-35.1				-35.1		-35.1
Share-based payments					0.0	0.0		0.0
Transactions with owners, total		**-35.1**			**0.0**	**-35.1**		**-35.1**
Equity on December 31, 2016	**1.0**	**193.1**	**-5.5**	**-0.7**	**-3.2**	**184.7**	**0.4**	**185.0**

Condensed consolidated statement of cash flows

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Cash flows from operating activities					
Net profit for the period	0.1	2.9	-18.3	-9.9	-31.7
Adjustments to net profit	10.2	16.2	21.6	28.2	32.8
Change in working capital	-47.7	-45.7	-78.8	-76.0	-23.5
Operating cash flow before financial and tax items	**-37.5**	**-26.6**	**-75.6**	**-57.6**	**-22.4**
Financial items, net	-0.4	-0.2	-3.3	-1.0	-2.2
Taxes paid	-1.9	-4.7	-4.3	-10.8	-12.4
Net cash from operating activities	**-39.8**	**-31.4**	**-83.2**	**-69.4**	**-37.0**
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash	-1.5	-2.1	-1.5	-4.3	-4.2
Capital expenditure and other investments, net	-2.8	-5.5	-9.1	-27.4	-33.1
Net cash used in investing activities	**-4.4**	**-7.5**	**-10.6**	**-31.6**	**-37.4**
Cash flow from financing activities					
Change in current liabilities, net	45.7	36.7	26.4	96.7	34.6
Proceeds from borrowings	0.0	20.0	0.0	20.0	80.0
Repayments of borrowings	-3.3	-1.0	-57.7	-11.0	-24.9
Proceeds from financial leasing debts	0.0	0.0	0.0	0.0	2.8
Payments of financial leasing debts	-0.5	-0.2	-1.7	-0.6	-3.7
Hybrid capital	0.0	0.0	100.0	0.0	0.0
Hybrid capital costs and interests	0.0	0.0	-1.0	0.0	0.0
Dividends paid and other distribution of assets	0.0	0.0	0.0	-35.1	-35.1
Net cash used in financing activities	**41.8**	**55.5**	**66.0**	**70.0**	**53.8**
Change in cash and cash equivalents	**-2.4**	**16.6**	**-27.8**	**-31.1**	**-20.6**
Cash and cash equivalents at the beginning of the period	19.8	20.4	47.7	68.1	68.1
Change in the foreign exchange rates	0.9	0.1	-1.5	0.0	0.2
Cash and cash equivalents at the end of the period	**18.4**	**37.0**	**18.4**	**37.0**	**47.7**

Free cash flow

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Operating cash flow before financial and tax items	-37.5	-26.6	-75.6	-57.6	-22.4
Taxes paid	-1.9	-4.7	-4.3	-10.8	-12.4
Net cash used in investing activities	-4.4	-7.5	-10.6	-31.6	-37.4
Free cash flow	**-43.8**	**-38.8**	**-90.5**	**-100.1**	**-72.1**

Notes to the Half Yearly Report

1 Accounting principles

Caverion Corporation’s Interim Report for January 1 – September 30, 2017 has been prepared in accordance with IAS 34, ‘Interim Financial Reporting’. Caverion has applied the same accounting principles in the preparation of the Interim Report as in its Financial Statements for 2016. In the Interim Report the figures are presented in million euros subject to rounding, which may cause some rounding inaccuracies in column and total sums. ESMA (European Securities and Markets Authority) has issued new guidelines regarding Alternative Performance Measures (“APM”) to be implemented at the latest during second quarter of 2016. Caverion presents APMs to improve the analysis of business and financial performance and enhance the comparability between reporting periods. APMs presented in this report should not be considered as a substitute for measures of performance in accordance with the IFRS. Calculation of key figures is presented on page 25.

Group management has performed an initial assessment of the impacts of IFRS 15 standard. The estimate can to a certain extent change during 2017 when a more detailed analysis is completed. Based on the current analysis, management’s initial view is that the IFRS 15 standard does not have a significant impact on the company’s revenue recognition or profitability, but instead there will be only limited changes into the current revenue recognition based on the percentage of completion method. Significant impacts are neither awaited to the Group’s balance sheet after the adoption of the new standard.

On June 9, 2017 Caverion Corporation issued a EUR 100 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on June 16, 2020, and subsequently, on each coupon interest payment date.

The interest from the hybrid bond must be paid to the investors if Caverion Corporation pays dividends. If dividends are not paid, a separate decision regarding interest payment on the hybrid bond will be made.

The hybrid bond is initially recognised at fair value less transaction costs and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is debited directly to equity, net of any related income tax benefit.

According to IAS 33, interest accrued in local books has been taken into account as an expense in earnings per share calculation as described in Calculation of key figures.

2 Key figures

	9/2017	9/2016	12/2016
Revenue, EUR million	1,692.5	1,758.1	2,364.1
EBITDA, EUR million	2.5	10.9	-11.4
EBITDA margin, %	0.1	0.6	-0.5
EBITDA excluding restructuring costs, EUR million	14.6	26.1	15.6
EBITDA margin excluding restructuring costs, %	0.9	1.5	0.7
Operating profit, EUR million	-20.1	-11.6	-40.8
Operating profit margin, %	-1.2	-0.7	-1.7
Profit before taxes, EUR million	-24.3	-13.3	-43.5
% of revenue	-1.4	-0.8	-1.8
Profit for the review period, EUR million	-18.3	-9.9	-31.7
% of revenue	-1.1	-0.6	-1.3
Earnings per share, basic, EUR	-0.16	-0.08	-0.25
Earnings per share, diluted, EUR	-0.16	-0.08	-0.25
Equity per share, EUR	2.1	1.7	1.5
Financial income and expenses, net, EUR million	-4.2	-1.7	-2.6
Equity ratio, %	27.0	20.5	18.7
Interest-bearing net debt, EUR million	141.3	169.7	145.5
Gearing ratio, %	53.2	81.5	78.7
Total assets, EUR million	1,176.8	1,216.0	1,184.3
Free cash flow	-90.5	-100.1	-72.1
Working capital, EUR million	75.7	56.1	-2.6
Gross capital expenditures, EUR million	13.1	32.0	38.2
% of revenue	0.8	1.8	1.6
Order backlog, EUR million	1,460.4	1,450.9	1,408.1
Personnel, average for the period	16,690	17,477	17,381
Number of outstanding shares at the end of the period (thousands)	125,084	125,084	125,084
Average number of shares (thousands)	125,084	125,084	125,084

3 Financial development by quarter

EUR million	7-9/ 2017	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Revenue	545.1	565.1	582.3	606.0	582.0	615.5	560.6
EBITDA	8.7	-13.0	6.8	-22.2	13.8	-14.4	11.5
EBITDA margin, %	1.6	-2.3	1.2	-3.7	2.4	-2.3	2.0
EBITDA excluding restructuring costs	13.8	-6.0	6.8	-10.5	19.5	-6.8	-
EBITDA margin excluding restructuring costs, %	2.5	-1.1	1.2	-1.7	3.3	-1.1	-
Operating profit	1.2	-20.5	-0.8	-29.2	5.0	-21.5	4.8
Operating profit margin, %	0.2	-3.6	-0.1	-4.8	0.9	-3.5	0.9

	7-9/ 2017	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Earnings per share, basic, EUR	-0.01	-0.13	-0.02	-0.17	0.02	-0.13	0.03
Earnings per share, diluted, EUR	-0.01	-0.13	-0.02	-0.17	0.02	-0.13	0.03
Equity per share, EUR	2.1	2.1	1.5	1.5	1.7	1.6	1.8
Financial income and expenses, net, EUR million	-1.4	-1.6	-1.2	-1.0	-0.9	-0.2	-0.6
Equity ratio, %	27.0	28.1	19.2	18.7	20.5	21.1	23.5
Interest-bearing net debt, EUR million	141.3	98.6	164.9	145.5	169.7	130.6	59.2
Gearing ratio, %	53.2	37.2	90.1	78.7	81.5	63.6	26.7
Total assets, EUR million	1,176.8	1,133.0	1,137.3	1,184.3	1,216.0	1,169.7	1,130.6
Free cash flow	-43.8	-28.2	-18.5	28.0	-38.8	-32.6	-28.8
Working capital, EUR million	75.7	31.0	17.3	-2.6	56.1	15.3	15.6
Gross capital expenditures, EUR million	5.2	2.9	5.0	6.1	7.6	17.3	7.1
% of revenue	1.0	0.5	0.9	1.0	1.3	2.8	1.3
Order backlog, EUR million	1,460.4	1,512.7	1,543.5	1,408.1	1,450.9	1,554.2	1,589.4
Personnel at the end of the period	16,483	16,750	16,679	16,913	17,281	17,664	17,499
Number of outstanding shares at end of period (thousands)	125,084	125,084	125,084	125,084	125,084	125,084	125,084
Average number of shares (thousands)	125,084	125,084	125,084	125,084	125,084	125,084	125,084

4 Calculation of key figures

Key figures on financial performance

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
Interest-bearing net debt =	Interest-bearing liabilities - cash and cash equivalents
Working capital =	Inventories + trade and POC receivables + other current receivables - trade and POC payables - other current payables - advances received - current provisions
Free cash flow =	Operating cash flow before financial and tax items – taxes paid – net cash used in investing activities

Share-related key figures

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

Alternative performance measures (APMs) reported by Caverion

EBITDA =	Operating profit (EBIT) + depreciation, amortisation and impairment
EBITDA excluding restructuring costs =	Operating profit (EBIT) + depreciation, amortisation and impairment + restructuring costs

5 Financial risk management

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

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

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

The table below presents the maturity structure of interest-bearing liabilities. The amounts are undiscounted. Cash flows of foreign-denominated liabilities are translated into euro at the reporting date.

EUR million	2017	2018	2019	2020	Total
Interest-bearing liabilities	71.0	29.7	28.5	30.5	159.6

6 Financial assets and liabilities

Those financial assets and liabilities whose carrying amounts do not correspond to their fair values are presented in the table below.

EUR million	Sep. 30, 2017 Carrying amount	Sep. 30, 2017 Fair value	Dec. 31, 2016 Carrying amount	Dec. 31, 2016 Fair value
Non-current liabilities				
Loans from financial institutions	59.9	60.7	109.6	111.0
Pension loans	7.7	7.6	15.3	15.2
Other financial loans	0.5	0.5	0.5	0.5
Finance lease liabilities	1.9	2.0	2.1	2.2

Fair values for non-current loans are based on discounted cash flows. The discount rate used is the rate at which the Group could draw a similar external loan at the balance sheet date and it consists of a risk-free market rate and a company-specific risk premium in accordance with the maturity of the loan.

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

Derivative instruments

Nominal amounts EUR million	Sep. 30, 2017	Dec. 31, 2016
--Interest rate derivatives	60.0	70.0
--Foreign exchange forwards	61.6	26.9

Fair values EUR million	Sep. 30, 2017	Dec. 31, 2016
--Interest rate derivatives		
positive fair value		
negative fair value	-0.3	-0.5
--Foreign exchange forwards		
positive fair value	0.2	0.2
negative fair value	-0.5	-0.3

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

Hedge accounting for interest rate swaps ceased to meet the hedge effectiveness criteria and hedge accounting was discontinued during the financial year 2016.

7 Commitments and contingent liabilities

EUR million	Sep. 30, 2017	Dec. 31, 2016
Guarantees given on behalf of associated companies	0.2	0.2
Parent company's guarantees on behalf of its subsidiaries	514.5	533.0
Other commitments		
- Operating leases	159.0	177.5
- Other contingent liabilities	0.2	0.2
Accrued interest on hybrid bond	1.4	

Entities participating in the demerger are jointly and severally responsible for the liabilities of the demerging entity which have been generated before the registration of the demerger. As a consequence, a secondary liability up to the allocated net asset value was generated to Caverion Corporation, incorporated due to the partial demerger of YIT Corporation, for those liabilities that were generated before the registration of the demerger and remain with YIT Corporation after the demerger. Creditors of YIT Corporation's major financial liabilities have waived their right to claim for settlement from Caverion Corporation on the basis of the secondary liability. Caverion Corporation has a secondary liability relating to the Group guarantees which remain with YIT Corporation after the demerger. These Group guarantees amounted to EUR 198.6 million at the end of September 2017.

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