Caverion

Q1

Interim Report 1-3/2017

Caverion Corporation Interim Report April 28, 2017 at 9.00 a.m. EEST

Caverion Corporation's Interim Report for January 1 – March 31, 2017

Stabilisation of operations progressing, earlier identified risks burden performance

January 1 – March 31, 2017

- **Order backlog:** EUR 1,543.5 (12/2016: 1,408.1) million.
- **Revenue:** EUR 582.3 (560.6) million.
- **EBITDA excluding restructuring costs:** EUR 6.8 million, or 1.2 percent of revenue.
- **EBITDA:** EUR 6.8 (11.5) million, or 1.2 (2.0) percent of revenue.
- **Working capital:** EUR 17.3 (15.6) million.
- **Free cash flow:** EUR -18.5 (-28.8) million.
- **Earnings per share, undiluted:** EUR -0.02 (0.03) per share.

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

KEY FIGURES

EUR million	1–3/17	1–3/16	Change	1–12/16
Order backlog	1,543.5	1,589.4	-2.9%	1,408.1
Revenue	582.3	560.6	3.9%	2,364.1
EBITDA excluding restructuring costs	6.8	-	-	15.6
EBITDA margin excluding restructuring costs, %	1.2	-	-	0.7
EBITDA	6.8	11.5	-41.0%	-11.4
EBITDA margin, %	1.2	2.0		-0.5
Operating profit	-0.8	4.8		-40.8
Operating profit margin, %	-0.1	0.9		-1.7
Net profit for the period	-2.5	3.3		-31.7
Earnings per share, undiluted, EUR	-0.02	0.03		-0.25
Working capital	17.3	15.6	10.8%	-2.6
Free cash flow	-18.5	-28.8	35.6%	-72.1
Interest-bearing net debt	164.9	59.2	178.4%	145.5
Gearing, %	90.1	26.7		78.7
Personnel, end of period	16,679	17,499		16,913

Word from the President and CEO Ari Lehtoranta

"We have kicked off the year 2017 with a focus on stabilising our operations. This work is progressing according to plan. We continued to implement our corrective actions and to improve our project business performance towards an acceptable level in the first quarter of 2017. However, we still have some earlier identified risk projects in our orderbook which will burden our performance until the projects have been executed and closed.

The market environment remains favourable. Divisions Finland and Austria performed well during the first quarter. Division Denmark-Norway continues making a turnaround. In Services business, Technical Maintenance and Managed Services continued to perform well. It was also positive that our order backlog increased to EUR 1,543.5 million at the end of March, up by 9.6 percent compared to the end of 2016 (EUR 1,408.1 million), despite our more selective tendering especially in Large Projects.

Caverion's revenue for the first quarter of 2017 was EUR 582.3 (560.6) million and EBITDA EUR 6.8 (11.5) million. In a seasonally slow quarter, we managed to grow our revenue by 3.9 percent in comparison to the previous year. I am specifically delighted about the revenue growth of 11.5 percent in our Services business. We also turned our EBITDA positive, despite EUR 5.7 million of project write-downs during the period. However, the performance is yet far from our targeted level. Our free cash flow was negative although improving from the corresponding period last year. Overall, the first quarter represented only the first step in the stabilisation of our operations.

Our project business performance was still poor in Sweden, Germany and Industrial Solutions. In addition to many well-performing projects inside these divisions there are some projects which overshadow the good work in other projects. In February we estimated that our remaining identified performance risks in projects amount to approximately EUR 20 million for 2017. In the first quarter, we made project write-downs totalling EUR 5.7 million related to our project portfolio mainly in divisions Industrial Solutions and Germany. These write-downs were negative forecast changes to the earlier identified risk projects. After these write-downs, the total project performance risks for the full year may unfortunately be over EUR 5 million higher than earlier anticipated. In addition, we estimated in February that there are risks related to old overdue trade receivables of up to EUR 10 million in 2017. The full-year maximum risk is slightly lower than earlier anticipated. There were no write-downs related to overdue trade receivables in the first quarter.

We expect to realise savings this year from the restructuring actions completed last year and from discretionary fixed cost reductions. In the first quarter, our personnel expenses decreased by about 3 percent and our other operating expenses by about 2 percent from the previous year, when adjusting the variable costs for revenue growth. The utilisation challenge we typically have at the beginning of the year was still visible but the situation was clearly better than last year. If necessary, we are ready to implement further cost savings during 2017. However, I see that the risk related to utilisation should not exceed the level identified in February.

We are in the middle of a turnaround and I see several good signs of our culture developing positively. Well performing units keep on improving and the ones with challenges are gradually turning around. Our performance in 2017 will not yet reflect the Group's full earnings potential. We are currently preparing our strategy towards 2020. We will tell more about it 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 and stable level, however price competition is expected to remain tight in Technical Installation projects. In the Large Projects market, new tenders for buildings and industry are expected to remain on a good level and even to somewhat increase. 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. Good demand from both the public and private sector is expected to continue. Requirements for increased energy efficiency, better indoor conditions and tightening environmental legislation will be significant factors supporting the positive market development.

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, April 28, 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 “3470942/ Caverion”. More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information and IR events in 2017

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 will be published closer to the date.

Interim Reports will be published on July 20 and October 27, 2017. 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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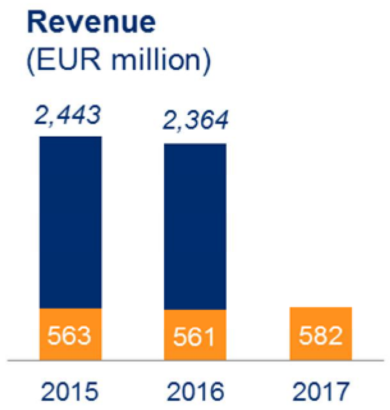
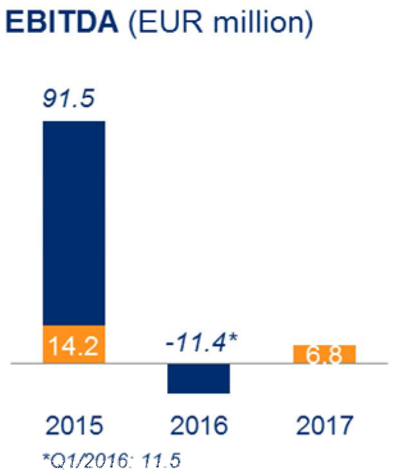
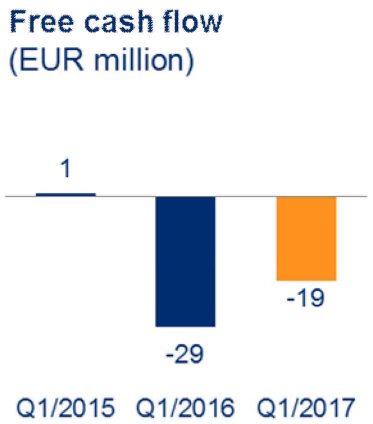
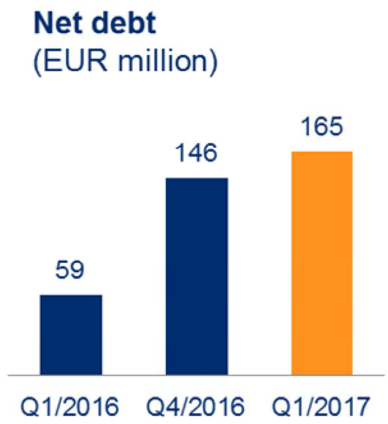
GROUP FINANCIAL DEVELOPMENT

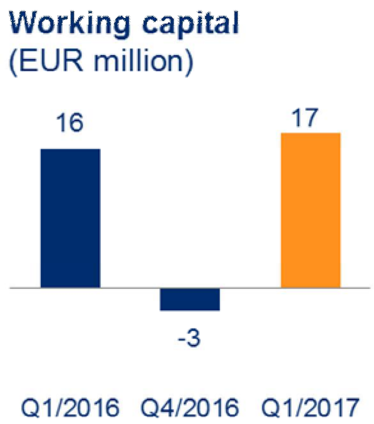
Key Figures

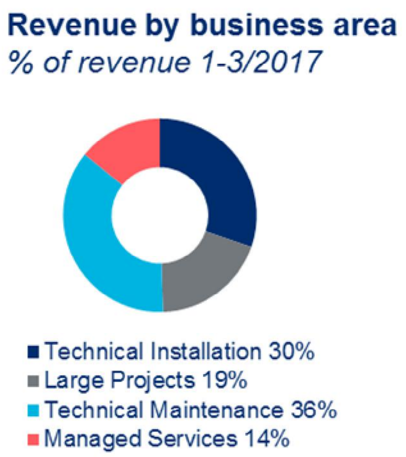


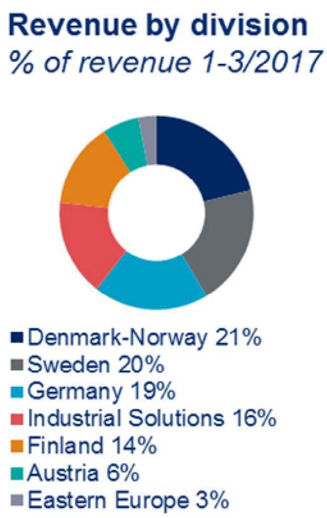


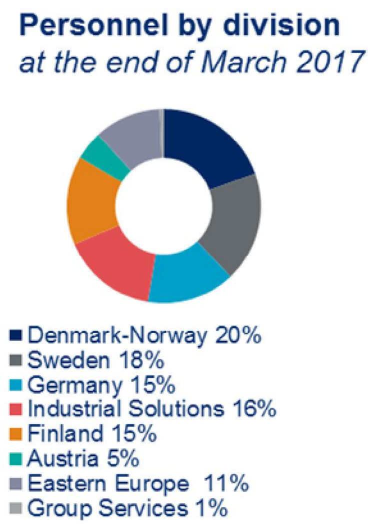












Operating environment in the first quarter in 2017

The overall market situation was relatively positive and stable throughout the first quarter. Demand developed favourably in German, Finnish and Swedish markets. In Industrial Solutions division the market stayed on a normal level in industrial maintenance. Divisions Eastern Europe and Austria remained stable. In Denmark-Norway, the general economy and demand situation are recovering from the previous year, supported by public demand.

Services

Demand for Technical Maintenance and Managed Services remained strong. Clients' willingness to focus on their core operations opened new opportunities for Caverion in terms of outsourced operations and maintenance mainly for public authorities, industries and utilities. Interest in private public partnerships and other Life Cycle Solutions was good in the Nordic countries while these kinds 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. The price competition remained tight in Technical Installation projects. In the market for Large Projects, tendering activity increased, especially in the public, infrastructure and industrial sectors. The demand for Design & Build of Total Technical Solutions developed favourably within large and technically demanding projects. Low interest rates and availability of financing supported investments. Requirements for increased energy efficiency, better indoor climate and tightening environmental legislation supported demand.

Restructuring actions and estimated key risk areas going into 2017

Caverion expects to realise savings this year from the restructuring actions completed last year and from discretionary fixed cost reductions. The full effect of Caverion's restructuring actions in 2016 will be visible in 2017. The estimated total savings impact of the restructuring actions made last year is approximately EUR 40 million in 2017, the additional savings for 2017 vs. 2016 being thus approximately EUR 22 million. In the first quarter, the personnel expenses decreased by about 3 percent and the other operating expenses by about 2 percent from the previous year, when adjusting the variable costs for revenue growth. If necessary, Caverion is ready to implement further cost savings during 2017. The risk related to utilisation should not exceed the level identified in February.

In February Caverion estimated that the remaining identified performance risks in projects amount to approximately EUR 20 million for 2017. In the first quarter Caverion made project write-downs totalling EUR 5.7 million related to its project portfolio mainly relating to divisions Industrial Solutions and Germany. After these write-downs, the total project performance risks for the full year may be over EUR 5 million higher than earlier anticipated. The remaining project performance risks for the rest of the year are thus still around EUR 20 million.

In addition, Caverion estimated in February that there are risks related to old overdue trade receivables of up to EUR 10 million in 2017. The full-year maximum risk is slightly lower than earlier anticipated. There were no write-downs related to overdue trade receivables in the first quarter of 2017.

Order backlog

Caverion implemented a stricter project tendering process in the Group since the second quarter of 2016 and in line with this, continued to focus on the tendering process with a target to uplift the project margin in new orders. It was positive that the order backlog increased to EUR 1,543.5 million at the end of March, up by 9.6 percent compared to the end of 2016 (EUR 1,408.1 million), despite the more selective approach especially in the area of Large Projects. The order backlog decreased by 2.9 percent from the end of March 2016 (EUR 1,589.4 million). At comparable exchange rates the order backlog increased by 9.4 percent from the end of 2016 and decreased by 3.1 percent from the end of March 2016.

Revenue

The revenue for January–March was EUR 582.3 (560.6) million. In a seasonally a slow quarter, Caverion managed to grow its revenue by 3.9 percent in comparison to the previous year. Revenue growth was largest in Industrial Solutions, Finland and Denmark-Norway compared to the previous year. There was positive development also in Austria and Eastern Europe. Project write-downs were still affecting revenue for the period in Germany.

Changes in foreign exchange rates increased the Group's total revenue for January–March by EUR 5.5 million compared to the previous year, of which the Swedish crown accounted for EUR -2.6 million, the Norwegian crown for EUR 5.7 million and the Russian rouble for EUR 2.3 million. Revenue increased by 2.9 percent at previous year's exchange rates for January–March.

Growth in the Services business met the Group's strategic financial target of over 10 percent revenue growth. The revenue of the Services business was EUR 292.8 million in January–March, an increase of 11.5 percent from the corresponding period in the previous year. Services business revenue consisted of the Technical Maintenance revenue of EUR 208.8 million and the Managed Services revenue of EUR 84.1 million. Revenue declined in the Projects business by 2.8 percent from the corresponding period in the previous year. The revenue of the Projects business was EUR 289.6 million in January–March, consisting of the Technical Installation revenue of EUR 177.3 million and Large Projects revenue of EUR 112.3 million. Projects business was impacted by project write-downs in the first quarter. The Services business thus accounted for over 50 percent of Group revenue and the Projects business for slightly below 50 percent of Group revenue in January–March.

Distribution of revenue

Revenue, EUR million	1–3/ 2017	%	1–3/ 2016	%	Change	1–12/ 2016	%
Denmark-Norway	124.6	21%	109.0	20%	14%	455.8	19%
Sweden	117.9	20%	124.3	22%	-5%	474.8	20%
Germany	110.9	19%	125.1	22%	-11%	506.6	21%
Industrial Solutions	94.5	16%	81.7	14%	16%	374.9	16%
Finland	82.6	14%	71.6	13%	15%	320.7	14%
Austria	34.3	6%	32.4	6%	6%	153.0	6%
Eastern Europe	17.8	3%	16.5	3%	8%	78.7	3%
Group, total	582.3	100%	560.6	100%	4%	2,364.1	100%
Projects business	*289.6*	*50%*	*298.1*	*53%*	*-3%*	*1,233.6*	*52%*
- Technical Installation	177.3	30%	185.2	33%	-4%	782.3	33%
- Large Projects	112.3	19%	112.9	20%	-1%	451.3	19%
Services business	*292.7*	*50%*	*262.5*	*47%*	*12%*	*1,130.6*	*48%*
- Technical Maintenance	208.7	36%	187.6	33%	11%	817.8	35%
- Managed Services	84.1	14%	74.9	13%	12%	312.8	13%

Profitability

EBITDA

The EBITDA excluding restructuring costs amounted to EUR 6.8 million, or 1.2 percent of revenue in January–March. The EBITDA for January–March was EUR 6.8 (11.5) million, or 1.2 (2.0) percent of revenue.

In the first quarter of 2017 Caverion made project write-downs totalling EUR 5.7 (0.0) million related to the project portfolio mainly in divisions Industrial Solutions and Germany. These write-downs were negative forecast changes to those earlier identified risk projects. The total amount of cost estimate adjustments, write-downs and provision increases during January–March was EUR 5.7 million.

Costs related to materials and supplies increased to EUR 164.4 (142.9) million and the external services to EUR 101.2 (97.8) million in January–March. In the first quarter, personnel expenses decreased by about 3 percent and other operating expenses by about 2 percent from the previous year, when adjusting the variable costs for revenue growth. Personnel expenses for January–March amounted to a total of EUR 245.4 (243.9) million. Other operating expenses came at EUR 64.9 (64.8) million. Several development projects and investments in common processes were reflected in operational expenses for January–March 2016. Other operating income amounted to EUR 0.3 (0.3) 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

The operating profit for January–March was EUR -0.8 (4.8) million, or -0.1 (0.9) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 7.6 (6.6) million in January–March, of which EUR 0.7 million were allocated intangibles related to acquisitions and EUR 6.9 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 -2.0 (4.3) million, net profit to EUR -2.5 (3.3) million and earnings per share to EUR -0.02 (0.03) in January–March. Net financing expenses in January–March were EUR 1.2 (0.6) million.

The effective tax rate of the Group was -22.3 (23.3) percent in January–March.

Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets included in the balance sheet totalled EUR 5.0 (7.1) million during January–March, representing 0.9 (1.3) percent of revenue. Investments in information technology totalled EUR 4.2 (5.1) million during January–March. 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 0.8 (2.0) million. Caverion made no acquisions or disposals during the period in 2017.

Cash flow, working capital and financing

The Group's free cash flow was negative although improving from the corresponding period last year. Free cash flow amounted to EUR -18.5 (-28.8) million in January–March. Free cash flow was partly 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 -12.1 (-18.8) million in January–March.

Working capital was EUR 17.3 (15.6) million at the end of March. The amount of POC receivables amounted to EUR 291.0 million (3/2016: 284.0) at the end of March. Trade receivables increased by EUR 8.6 million from the corresponding period in the previous year, impacted by revenue growth. Trade receivables amounted to EUR 313.4 million (3/2016: 304.8) at the end of March.

Caverion's cash and cash equivalents amounted to EUR 24.7 million at the end of March (12/2016: EUR 47.7 million). 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 189.6 million at the end of March (12/2016: EUR 193.3 million), and the average interest rate after hedges was 2.1 percent. Approximately 68 percent of the loans have been raised from banks and other financial institutions, approximately 19 percent directly from the money markets and approximately 11 percent from insurance companies. A total of EUR 65.4 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 164.9 million at the end of March (12/2016: EUR 145.5 million).

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 a change in the loan documentation during the period. Financial covenant shall not exceed 5.0:1 at the end of March and thereafter the ratio shall not exceed 3.5:1. In connection with the financing arrangement agreed on December 22, 2016, Caverion and its lending parties confirmed the EBITDA calculation principles related to the Group's financial covenant. At the end of March, the Group's Net debt to EBITDA was 3.7 according to the confirmed calculation principles.

PERSONNEL

Personnel by division, end of period	3/17	3/16	Change	12/16
Denmark-Norway	3,254	3,677	-12%	3,330
Sweden	3,075	3,468	-11%	3,172
Germany	2,451	2,460	0%	2,452
Industrial Solutions	2,664	2,747	-3%	2,742
Finland	2,470	2,382	4%	2,439
Austria	794	769	3%	811
Eastern Europe	1,858	1,859	0%	1,841
Group Services	113	137	-18%	126
Group, total	16,679	17,499	-5%	16,913

Caverion Group employed 16,792 (17,479) people on average in January–March 2017. At the end of March, the Group employed 16,679 (17,499) people. The personnel expenses for January–March 2017 amounted to a total of EUR 245.4 (243.9) million.

Different activities continued to match business demand and supply of right resources in all divisions. The effect of the personnel reduction actions in 2016 were clearly visible in the first quarter. At the same time some new resources were needed to fulfil critical competence gaps and to grow trainees and apprenticeships. Special attention has been paid to project management and strengthening of managerial capabilities.

Several Group-wide projects were continued such as the implementation of project management capabilities and the common leadership development program. Also different activities related to develop service and performance excellence culture continued. The well-being of employees was a focus area and the group-wide safety actions progressed also well ahead.

Changes in Caverion's Group Management

Ari Lehtoranta started as the President and CEO of Caverion Corporation as of 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 will start in his position on July 1, 2017. The business unit Services will be headed by Matti Malmberg until June 30, 2017.

Caverion announced on January 19, 2017 that Erkki Huusko (born 1957, B. Eng., eMBA) has been 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 has previously worked as Chief Operative Officer in the Division Industrial Solutions, meanwhile Juhani Pitkäkoski has had total responsibility of the division. Pitkäkoski will continue to work in the division during upcoming months and to support the completion of ongoing projects.

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.

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, and to disputes and litigations. It is also possible that new risks may emerge in these projects. 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.

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 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 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.

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. The level of the financial covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

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–March 2017. The number of shares outstanding was thus 125,083,764 on March 31, 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 March 31 was EUR 7.38. The share price decreased by 7 percent during January–March. The highest price of the share during the review period January–March was EUR 8.28, the lowest was EUR 6.64 and the average price was EUR 7.35. Share turnover on Nasdaq Helsinki in January–March amounted to 19.7 million shares. The value of share turnover was EUR 144.6 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–March, 5.2 million Caverion Corporation shares changed hands in alternative public market places, corresponding to approximately 16.6 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X Europe. Furthermore, during January–March, 6.6 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 21.0 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation’s market capitalisation at the end of the review period was EUR 923.1 million. Market capitalisation has been calculated excluding the 512,328 shares held by the company as per March 31, 2017.

Number of shareholders and flagging notifications

At the end of March 2017, the number of registered shareholders in Caverion was 29,778 (12/2016: 30,539). At the end of March 2017, a total of 34.7 percent of the shares were owned by nominee-registered and non-Finnish investors (12/2016: 35.1%).

Updated lists of Caverion’s largest shareholders and ownership structure by sector as per March 31, 2017, are available on Caverion’s website at www.caverion.com/investors.

INTERIM REPORT JANUARY 1–MARCH 31, 2017: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	1-3/2017	1-3/2016	1-12/2016
Revenue	**582.3**	**560.6**	**2,364.1**
Other operating income	0.3	0.3	1.9
Materials and supplies	-164.4	-142.9	-648.2
External services	-101.2	-97.8	-450.8
Employee benefit expenses	-245.4	-243.9	-989.1
Other operating expenses	-64.9	-64.8	-289.2
Share of results of associated companies	0.0	0.0	-0.1
Depreciation and impairments	-7.6	-6.6	-29.5
Operating profit	**-0.8**	**4.8**	**-40.8**
% of revenue	-0.1	0.9	-1.7
Financial income and expense, net	-1.2	-0.6	-2.6
Profit before taxes	**-2.0**	**4.3**	**-43.5**
% of revenue	-0.3	0.8	-1.8
Income taxes	-0.5	-1.0	11.8
Profit for the review period	**-2.5**	**3.3**	**-31.7**
% of revenue	-0.4	0.6	-1.3
Attributable to			
Equity holders of the parent company	-2.5	3.2	-31.7
Non-controlling interests	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company			
Earnings per share, EUR	-0.02	0.03	-0.25
Diluted earnings per share, EUR	-0.02	0.03	-0.25

Consolidated statement of comprehensive income

EUR million	1-3/2017	1-3/2016	1-12/2016
Profit for the review period	**-2.5**	**3.3**	**-31.7**
Other comprehensive income			
Items that will not be reclassified to prof-it/loss			
Change in fair value of defined benefit pension	-0.2	-0.4	-4.2
-Deferrred tax		0.0	1.3
Items that may be reclassified subsequent-ly to profit/loss			
Cash flow hedges		-0.3	
-Deferrred tax			
Change in fair value of for available for sale investments	0.0	0.0	0.0
-Deferrred tax			
Translation differences	0.2	0.5	1.0
Other comprehensive income, total	**0.4**	**-0.3**	**-1.9**
Total comprehensive result	**-2.1**	**3.0**	**-33.6**
Attributable to			
Equity holders of the parent company	-2.1	3.0	-33.6
Non-controlling interests	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	31.3.2017	31.3.2016	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	25.8	28.1	28.3
Goodwill	339.8	335.7	339.8
Other intangible assets	51.9	47.5	53.0
Shares in associated companies	0.1	0.1	0.1
Other investments	1.2	1.4	1.2
Other receivables	3.4	2.5	3.3
Deferred tax assets	11.8	4.2	10.6
Current assets			
Inventories	20.8	27.8	30.7
Trade receivables	313.4	304.8	378.2
POC receivables	291.0	284.0	244.4
Other receivables	44.6	52.2	40.4
Income tax receivables	8.9	3.5	6.4
Cash and cash equivalents	24.7	38.6	47.7
Total assets	**1,137.3**	**1,130.6**	**1,184.3**
Equity and liabilities			
Equity	**183.0**	**221.7**	**185.0**
Non-current liabilities			
Deferred tax liabilities	52.4	63.6	51.1
Pension liabilities	46.1	42.7	45.4
Provisions	6.8	8.5	7.1
Interest-bearing debts	124.2	75.3	127.6
Other liabilities	0.5	0.8	0.6
Current liabilities			
Advances received	183.1	187.1	192.5
Trade payables	191.9	200.9	214.1
Other payables	250.9	283.0	258.7
Income tax liabilities	6.6	7.3	6.5
Provisions	26.5	17.2	30.1
Interest-bearing debts	65.4	22.6	65.7
Total equity and liabilities	**1,137.3**	**1,130.6**	**1,184.3**

Working capital

EUR million	31.3.2017	31.3.2016	31.12.2016
Inventories	20.8	27.8	30.7
Trade and POC receivables	604.4	588.8	622.7
Other current receivables	43.4	51.6	38.9
Trade and POC payables	-211.9	-223.7	-239.7
Other current liabilities	-256.2	-241.8	-262.5
Advances received	-183.1	-187.1	-192.5
Working capital	**17.3**	**15.6**	**-2.6**

Consolidated statement of comprehensive income

	Equity attributable to owners of the parent							
EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	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**	**185.1**
Comprehensive income								
Profit for the period		-2.5				-2.5	0.0	-2.5
Other comprehensive income:								
Change in fair value of defined benefit pension		0.2				0.2		0.2
-Deferred tax								
Cash flow hedges								
Change in fair value of available for sale assets				0.0		0.0		0.0
Translation differences		1.3	0.2			0.2		0.2
Comprehensive income, total		-2.3	0.2	0.0		-2.1	0.0	-2.1
Transactions with owners								
Dividend distribution							0.0	0.0
Share-based payments		0.1				0.1		0.1
Transactions with owners, total		0.1				0.1		0.1
Equity on March 31, 2017	**1.0**	**191.0**	**-5.4**	**-0.8**	**-3.2**	**182.6**	**0.4**	**183.0**

	Equity attributable to owners of the parent							
EUR million	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		3.2				3.2	0.0	3.3
Other comprehensive income:								
Change in fair value of defined benefit pension		-0.4				-0.4		-0.4
-Deferred tax								
Cash flow hedges				-0.3		-0.3		-0.3
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		2.8	0.5	-0.4		2.9	0.0	3.0
Transactions with owners								
Dividend distribution		-35.1				-35.1		-35.1
Share-based payments		0.1				0.1		0.1
Transactions with owners, total		-34.9				-34.9		-34.9
Equity on March 31, 2016	**1.0**	**230.7**	**-6.1**	**-1.1**	**-3.2**	**221.3**	**0.4**	**221.7**

	Equity attributable to owners of the parent							
EUR million	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								
Transactions with owners, total		-35.1				-35.1		-35.1
Equity on December 31, 2016	**1.0**	**193.1**	**-5.5**	**-0.7**	**-3.2**	**184.7**	**0.4**	**185.1**

Condensed consolidated statement of cash flows

EUR million	1-3/2017	1-3/2016	1-12/2016
Cash flows from operating activities			
Net profit for the period	-2.5	3.3	-31.7
Adjustments to net profit	5.6	7.4	32.8
Change in working capital	-15.2	-29.5	-23.5
Operating cash flow before financial and tax items	**-12.1**	**-18.8**	**-22.4**
Financial items, net	-0.4	-0.5	-2.2
Taxes paid	-2.6	-2.1	-12.4
Net cash from operating activities	**-15.1**	**-21.3**	**-37.0**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash	0.0	-0.1	-4.2
Capital expenditure and other investments, net	-3.8	-7.9	-33.1
Disposal of subsidiaries, net of cash	0.0	0.0	0.0
Disposal of associated companies			
Net cash used in investing activities	**-3.9**	**-7.9**	**-37.4**
Cash flow from financing activities			
Change in current liabilities, net	0.0	0.0	34.6
Proceeds from borrowings	0.0	0.0	80.0
Repayments of borrowings	-3.3	0.0	-24.9
Proceeds from financial leasing debts	0.0	0.0	2.8
Payments of financial leasing debts	-0.6	-0.2	-3.7
Purchase of own shares	0.0	0.0	0.0
Dividends paid and other distribution of assets	0.0	0.0	-35.1
Net cash used in financing activities	**-4.0**	**-0.2**	**53.8**
Change in cash and cash equivalents	**-22.9**	**-29.5**	**-20.6**
Cash and cash equivalents at the beginning of the period	47.7	68.1	68.1
Change in the fair value of the cash equivalents	-0.2	-0.1	0.2
Cash and cash equivalents at the end of the period	**24.7**	**38.6**	**47.7**

Free cash flow

EUR million	1-3/2017	1-3/2016	1-12/2016
Operating cash flow before financial and tax items	-12.1	-18.8	-22.4
Taxes paid	-2.6	-2.1	-12.4
Net cash used in investing activities	-3.9	-7.9	-37.4
Free cash flow	**-18.5**	**-28.8**	**-72.1**

Notes to the Interim Report

1 Accounting principles

Caverion Corporation's Interim Report for January 1 – March 31, 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 21.

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.

2 Key figures

	3/2017	3/2016	12/2016
Revenue, EUR million	582.3	560.6	2,364.1
EBITDA, EUR million	6.8	11.5	-11.4
EBITDA margin, %	1.2	2.0	-0.5
EBITDA excluding restructuring costs, EUR million	6.8	-	15.6
EBITDA margin excluding restructuring costs, %	1.2	-	0.7
Operating profit, EUR million	-0.8	4.8	-40.8
Operating profit margin, %	-0.1	0.9	-1.7
Profit before taxes, EUR million	-2.0	4.3	-43.5
% of revenue	-0.3	0.8	-1.8
Profit for the review period, EUR million	-2.5	3.3	-31.7
% of revenue	-0.4	0.6	-1.3
Earnings per share, basic, EUR	-0.02	0.03	-0.25
Earnings per share, diluted, EUR	-0.02	0.03	-0.25
Equity per share, EUR	1.5	1.8	1.5
Financial income and expenses, net, EUR million	-1.2	-0.6	-2.6
Equity ratio, %	19.2	23.5	18.7
Interest-bearing net debt, EUR million	164.9	59.2	145.5
Gearing ratio, %	90.1	26.7	78.7
Total assets, EUR million	1,137.3	1,130.6	1,184.3
Free cash flow	-18.5	-28.8	-72.1
Working capital, EUR million	17.3	15.6	-2.6
Gross capital expenditures, EUR million	5.0	7.1	38.2
% of revenue	0.9	1.3	1.6
Order backlog, EUR million	1,543.5	1,589.4	1,408.1
Personnel, average for the period	16,792	17,479	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	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015
Revenue	582.3	606.0	582.0	615.5	560.6	667.8	573.7	638.1
EBITDA	6.8	-22.2	13.8	-14.4	11.5	34.0	21.3	22.0
EBITDA margin, %	1.2	-3.7	2.4	-2.3	2.0	5.1	3.7	3.4
EBITDA excluding restructuring costs	6.8	-10.5	19.5	-6.8	-	-	-	-
EBITDA margin excluding restructuring costs, %	1.2	-1.7	3.3	-1.1	-	-	-	-
Operating profit	-0.8	-29.2	5.0	-21.5	4.8	26.9	14.7	15.5
Operating profit margin, %	-0.1	-4.8	0.9	-3.5	0.9	4.0	2.6	2.4

	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015
Earnings per share, basic, EUR	-0.02	-0.17	0.02	-0.13	0.03	0.17	0.08	0.08
Earnings per share, diluted, EUR	-0.02	-0.17	0.02	-0.13	0.03	0.17	0.08	0.08
Equity per share, EUR	1.5	1.5	1.7	1.6	1.8	2.0	1.9	1.8
Financial income and expenses, net, EUR million	-1.2	-1.0	-0.9	-0.2	-0.6	-1.1	-1.0	-1.0
Equity ratio, %	19.2	18.7	20.5	21.1	23.5	26.4	24.6	23.4
Interest-bearing net debt, EUR million	164.9	145.5	169.7	130.6	59.2	29.8	101.9	84.9
Gearing ratio, %	90.1	78.7	81.5	63.6	26.7	11.7	43.9	37.8
Total assets, EUR million	1,137.3	1,184.3	1,216.0	1,169.7	1,130.6	1,157.7	1,128.2	1,137.9
Free cash flow	-18.5	28.0	-38.8	-32.6	-28.8	73.6	-14.2	-6.3
Working capital, EUR million	17.3	-2.6	56.1	15.3	15.6	-15.4	34.3	5.9
Gross capital expenditures, EUR mill.	5.0	6.1	7.6	17.3	7.1	9.0	5.0	5.5
% of revenue	0.9	1.0	1.3	2.8	1.3	1.3	0.9	0.9
Order backlog, EUR mill.	1,543.5	1,408.1	1,450.9	1,554.2	1,589.4	1,461.4	1,477.2	1,393.1
Personnel at the end of the period	16,679	16,913	17,281	17,664	17,499	17,399	17,450	17,414
Number of outstanding shares at end of period (thousands)	125,084	125,084	125,084	125,085	125,085	125,085	125,085	125,085
Average number of shares (thousands)	125,084	125,084	125,084	125,086	125,086	125,086	125,085	125,087

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) Weighted average number of shares outstanding during the period
Earnings / share, diluted =	Net profit for the period (attributable for equity holders) 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 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	2021->	Total
Interest-bearing liabilities	62.0	30.6	26.6	10.4	60.0	189.6

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	Mar 31, 2017 Carrying amount	Mar 31, 2017 Fair value	Dec 31, 2016 Carrying amount	Dec 31, 2016 Fair value
Non-current liabilities				
Loans from financial institutions	109.7	112.0	109.6	111.0
Pension loans	12.0	11.9	15.3	15.2
Other financial loans	0.5	0.5	0.5	0.5
Finance lease liabilities	2.1	2.2	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	Mar 31, 2017	Dec 31, 2016
--Interest rate derivatives	70.0	70.0
--Foreign exchange forwards	58.1	26.9

Fair values		
EUR million	Mar 31, 2017	Dec 31, 2016
--Interest rate derivatives		
positive fair value		
negative fair value	-0.4	-0.5
--Foreign exchange forwards		
positive fair value	0.2	0.2
negative fair value	-0.1	-0.3

The fair values for 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 hedge effectiveness criteria and hedge accounting was discontinued during the financial year 2016.

7 Commitments and contingent liabilities

EUR million	Mar 31, 2017	Dec 31, 2016
Mortgaged collateral notes		
Guarantees given on behalf of associated companies	0.2	0.2
Parent company's guarantees on behalf of its subsidiaries	524.3	533.0
Other commitments		
- Operating leases	167.7	177.5
- Other contingent liabilities	0.2	0.2

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 266.2 million at the end of March 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.

8 Events after the reporting period

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, the current Head of HR & People, continues her service at Caverion being responsible of strategic resourcing and talent development.