Caverion

Q4

Financial Statement Release 2016

Caverion Corporation's Financial Statement Release for January 1 – December 31, 2016

A YEAR OF RESTRUCTURING

October 1 – December 31, 2016

- **Revenue:** EUR 606.0 (667.8) million.
- **EBITDA excluding restructuring costs:** EUR -10.5 million, or -1.7 percent of revenue.
- **EBITDA:** EUR -22.2 (34.0) million, or -3.7 (5.1) percent of revenue.
- **Free cash flow:** EUR 28.0 (73.6) million.
- **Earnings per share, undiluted:** EUR -0.17 (0.17) per share.

January 1 – December 31, 2016

- **Order backlog:** EUR 1,408.1 (1,461.4) million.
- **Revenue:** EUR 2,364.1 (2,443.0) million.
- **EBITDA excluding restructuring costs:** EUR 15.6 million, or 0.7 percent of revenue.
- **EBITDA:** EUR -11.4 (91.5) million, or -0.5 (3.7) percent of revenue.
- **Working capital:** EUR -2.6 (-15.4) million.
- **Free cash flow:** EUR -72.1 (53.9) million.
- **Earnings per share, undiluted:** EUR -0.25 (0.37) per share.

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

KEY FIGURES

EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Order backlog				1,408.1	1,461.4	-3.6%
Revenue	606.0	667.8	-9.2%	2,364.1	2,443.0	-3.2%
EBITDA excluding restructuring costs	-10.5	-		15.6	-	
EBITDA margin excluding restructuring costs, %	-1.7	-		0.7	-	
EBITDA	-22.2	34.0		-11.4	91.5	
EBITDA margin, %	-3.7	5.1		-0.5	3.7	
Operating profit	-29.2	26.9		-40.8	65.0	
Operating profit margin, %	-4.8	4.0		-1.7	2.7	
Net profit for the period	-21.7	20.9		-31.7	46.6	
Earnings per share, undiluted, EUR	-0.17	0.17		-0.25	0.37	
Working capital				-2.6	-15.4	-83.4%
Free cash flow	28.0	73.6	-62.0%	-72.1	53.9	
Interest-bearing net debt				145.5	29.8	
Gearing, %				78.7	11.7	
Personnel, end of period				16,913	17,399	-2.8%

DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2016.

Word from the President and CEO Ari Lehtoranta

"For Caverion, year 2016 was a very special and unfortunately a disappointing one. We found out during the year that our performance was clearly lower than estimated and further studies brought up issues which were dramatic and fundamental. This led to the change of the CEO, CFO and several other key members of the Group and divisional leadership teams especially in divisions having larger problems i.e. Sweden, Germany and Denmark-Norway.

The year was overall a year of restructuring. The total amount of jobs impacted by the restructuring actions in 2016 was 1,060. These actions were unfortunate but necessary to improve our utilisation rate going forward. The total restructuring costs amounted to about EUR 27 million in 2016. We estimate that the restructuring actions improved our performance in 2016 by about EUR 18 million. The estimated total savings impact of the restructuring actions is approximately EUR 40 million in 2017, the additional savings for 2017 vs. 2016 being thus approximately EUR 22 million. In addition, we also cut back on discretionary fixed costs, related for example to development projects, consultancy and travelling.

Caverion completed some 3,000 projects in its Projects business in 2016. We have now reviewed all completed and ongoing projects where we have work in progress, overdue receivables or disputes with customers. As a result of the reviews, we made the necessary cost estimate adjustments, write-downs and provision increases in our project portfolio, totalling EUR 59 million for 2016. We have had too optimistic revenue estimates for add-on sales in projects, too optimistic cost and receivable forecasts and different kinds of project execution challenges. We lost several percentage points in our project margin in 2016 not only in Large Projects, but also in Technical Installation in smaller projects. Our project performance has been poor in Sweden, Germany and Industrial Solutions. Earlier in the year, we also faced problems in division Denmark-Norway.

We believe that our risk level is lower going forward, despite certain risks in some of our ongoing projects especially in divisions mentioned above. We estimate our remaining identified performance risks in projects to amount to approximately EUR 20 million for 2017. We have implemented several actions that will help us improve our project business performance to the right level. For example, we have reorganised our project business and centralised all Large Project activities to dedicated, professional project management teams, we have increased our tender margin requirements and set up proper tender go/no go analyses and steering processes for Large Projects. We also continue to strengthen the steering of our project business and to improve our mandatory project manager trainings.

The completion of the restructuring, implementation of a stricter project tendering process and focus on higher project margins affected our order backlog also in the fourth quarter. This creates us a potential further risk of up to EUR 10 million related to our utilisation rate during 2017. In addition, we estimate that there are risks related to old overdue trade receivables of up to EUR 10 million in 2017.

Our Technical Maintenance and Managed Services business areas, which represent our Services business, continued to perform well in 2016. We clearly see now that our division Denmark-Norway is making a turnaround. Finland and Austria performed well throughout 2016. Clear improvements were also seen in our cash flow and working capital towards the year-end.

We have started the creation of a stronger Caverion for the future. With the completed and ongoing actions, together with the organisational and management changes announced earlier, we are laying a better foundation going forward. Year 2017 will be a year of stabilisation and a way forward for us – not yet reflecting the company’s full profit potential. Our focus is to further implement all our corrective actions and to improve our performance management in our divisions and business units. We have also started to prepare our strategy towards 2020. The market environment remains favourable. Caverion’s service portfolio and industry knowledge are great assets to create a winning company.”

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.

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.

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.

Guidance for 2017

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 Tuesday, February 7, 2017, at 11:00 a.m. (Finnish Time, EET) 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, EET) at the latest. Participant code for the conference call is "9672615/ Caverion". More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Annual General Meeting 2017

Caverion Corporation's Annual General Meeting will be held on Friday, March 17, 2017, starting at 10:00 a.m. (Finnish time, EET) in Messukeskus in Helsinki, Finland. Full notice of the meeting, including the Board of Directors' proposals to the Annual General Meeting, will be published as a separate stock exchange release.

Financial information for 2017

The Annual Report, including the financial statements for 2016, will be published on Caverion's website and IR App in English and Finnish at the latest during week 8 in February 2016. Interim Reports will be published on April 28, 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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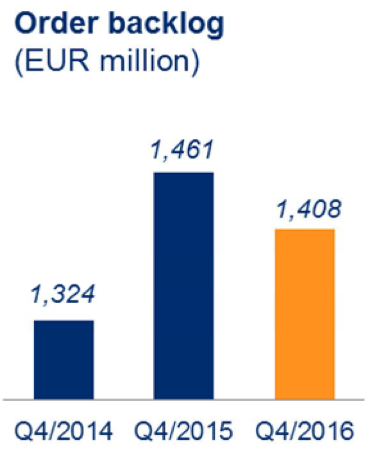
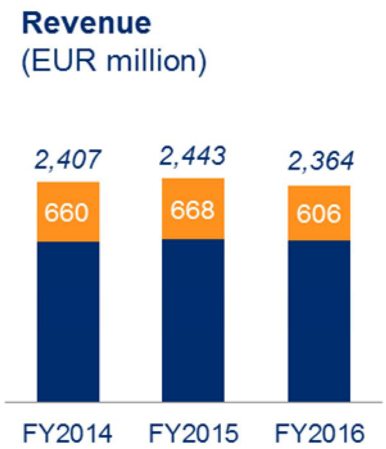
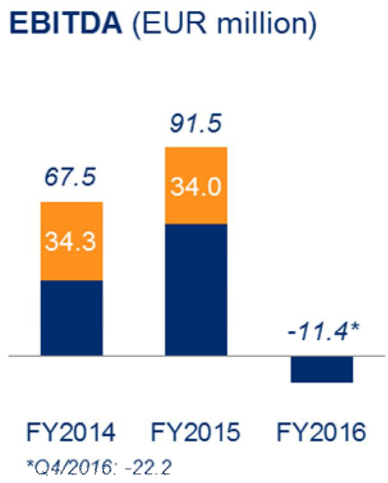
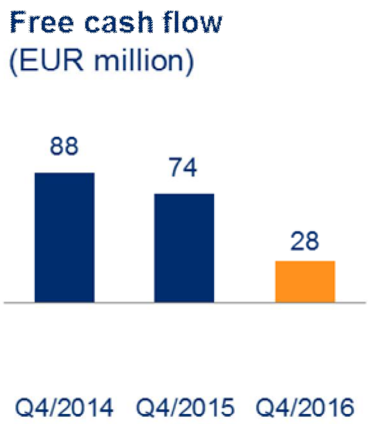
GROUP FINANCIAL DEVELOPMENT

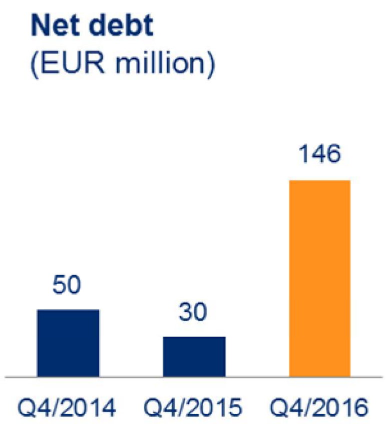
Key Figures

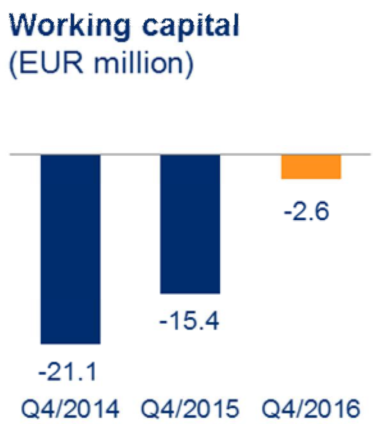


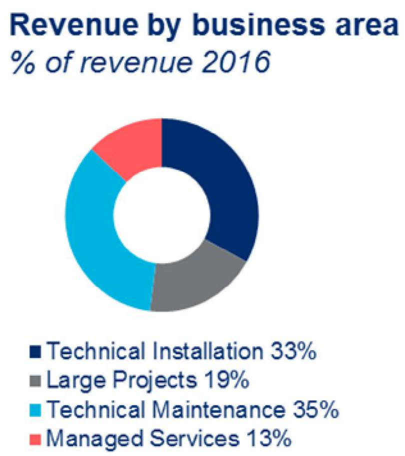


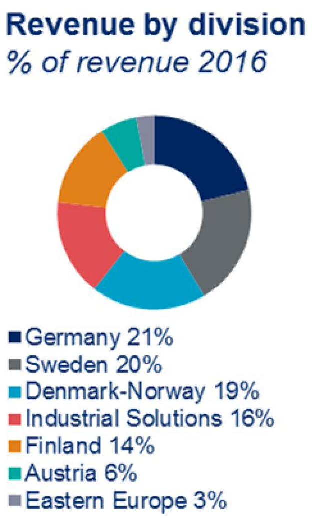


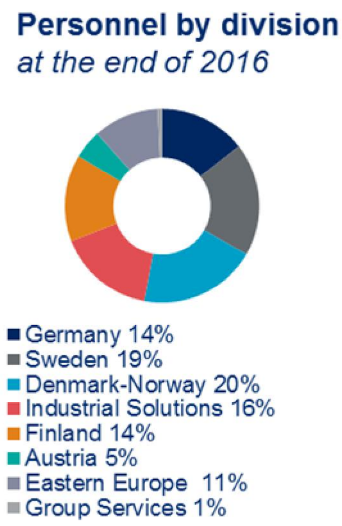












Changes in external financial reporting in 2016

Caverion announced in a stock exchange release on January 27, 2016 that it is making changes to its external financial reporting as of January 1, 2016 in order to increase the transparency of its operations and to align the financial reporting with the next phase of Group strategy. The old business areas (“Service and Maintenance” and “Projects”) will thereby be replaced by three new business areas: “Technical Installation and Maintenance”, “Large Projects” and “Managed Services”. Furthermore, in the fourth quarter Caverion will give a breakdown for Technical Installation and Technical Maintenance. Technical Installation and Large Projects represent the Projects business within Caverion and Technical Maintenance and Managed Services represent the Services business within Caverion.

Furthermore, the geographical breakdown will be reported by divisions: Sweden, Finland, Germany, Denmark-Norway, Austria, Eastern Europe and Industrial Solutions. Going forward, Caverion will disclose revenue and personnel by division. All the above reporting changes were implemented as of January 1, 2016 onwards. Caverion will not report all historically comparable figures for the periods preceding January 1, 2016.

Operating environment in the fourth quarter and during 2016

The overall market situation was positive and stable throughout the year. Demand developed favourably in German, Finnish and Swedish markets. In Industrial Solutions division the market stayed on a normal level in industrial maintenance and developed positively especially in process piping projects. Divisions Eastern Europe and Austria remained stable. In Denmark-Norway, the general economy was still somewhat impacted by the slowdown in the oil industry. Caverion responded actively to the recent market changes in Norway through careful selection of new projects and service contracts as well as by proving its long-term commitment to key clients while also restructuring its operations.

Projects

The market for Technical Installation and Large Projects business was stable throughout the year. 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 during the year.

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.

Restructuring actions

Caverion announced restructuring actions in a stock exchange release on June 20, 2016. During the second quarter, the Board of Directors of Caverion initiated a thorough review of operations in all divisions where operative challenges had been observed. Based on the findings of this review, Caverion identified resource overcapacity during 2016. Furthermore, Caverion had too many development projects ongoing at the Group level, which had resulted in high fixed costs.

The following restructuring actions were launched in order to improve profitability:

- Further cost reductions through temporary layoffs and personnel reductions;
- Fixed cost reduction through prioritisation of internal development programmes; and
- Reorganisation of Group functions and establishing new Projects and Services business units.

Personnel reductions focused mainly on the divisions Sweden, Denmark-Norway and Germany as well as in Group Services. The total amount of jobs impacted by the restructuring actions in 2016 was 1,060. The total restructuring costs were EUR 26.9 million in 2016. Restructuring costs consisted of personnel costs totalling EUR

21.1 million, of rents for empty premises totalling EUR 4.3 million and of other restructuring costs totalling EUR 1.5 million.

The full effect of the actions will be visible in 2017. Caverion estimates that the restructuring actions improved the performance in 2016 by about EUR 18 million. The estimated total savings impact of the restructuring actions is approximately EUR 40 million in 2017, the additional savings for 2017 vs. 2016 being thus approximately EUR 22 million.

The completion of the restructuring, implementation of a stricter project tendering process and focus on higher project margins create a potential further risk of up to EUR 10 million related to the utilisation rate during 2017. The remaining identified performance risks in projects are expected to amount to approximately EUR 20 million for 2017. In addition, there are risks related to old overdue trade receivables of up to EUR 10 million in 2017.

As part of the restructuring actions Caverion sold three small local units in Sweden and Norway in the third quarter. Their disposal had no material impact on the financial position of Caverion Group. Furthermore, Caverion also closed and merged some of its units in 2016.

Order backlog

Caverion implemented a stricter project tendering process in the Group since the second quarter of 2016. The completion of the restructuring actions and focus on higher project margins affected the Group's order backlog in the second half of 2016. At the end of the year, the Group's order backlog amounted to EUR 1,408.1 million, a decrease of 4 percent compared to the previous year-end (end of December 2015: EUR 1,461.4 million). The order backlog decreased by 3 percent from the end of September (September 2016: EUR 1,450.9 million). At comparable exchange rates the order backlog decreased by 4 percent from the end of 2015 and by 3 percent from the end of September 2016.

Revenue

October – December 2016

The revenue for October–December was EUR 606.0 (667.8) million. Revenue growth was largest in Finland and Austria compared to the previous year. In Finland, the main growth driver was the increased activity within Large Projects. In Sweden, Caverion has not been able to capitalise on the current market environment. Additionally, the project write-downs made in the Projects business in Sweden, Denmark-Norway, Germany and Industrial Solutions during the year had a negative effect on the revenue for the period.

Changes in foreign exchange rates decreased the Group's total revenue for October–December by EUR 3.3 million compared to the previous year, of which the Swedish crown accounted for EUR -6.6 million, the Norwegian crown for EUR 2.8 million and the Russian rouble for EUR 0.4 million. Revenue decreased by 9 percent at previous year's exchange rates for October–December.

The revenue of the Projects business was EUR 285.7 million, consisting of the Technical Installation revenue of EUR 198.9 million and Large Projects revenue of EUR 86.8 million. Projects business was impacted by project write-downs in the fourth quarter. The revenue of the Services business was EUR 320.3 million, consisting of the Technical Maintenance revenue of EUR 235.8 million and Managed Services revenue of EUR 84.5 million. In the fourth quarter of 2016, the Projects business thus accounted for 47% percent of Group revenue and the Services business for 53% percent of Group revenue.

January – December 2016

The revenue for January–December was EUR 2,364.1 (2,443.0) million. Revenue growth was largest in Finland compared to the previous year, where the main driver for growth was the increased activity within Large Projects. In Sweden Caverion has not been able to capitalise on the current market environment. Additionally, the completed project write-downs made in the Projects business in Sweden, Germany, Denmark-Norway and Industrial Solutions since the second quarter had a negative effect on the revenue for the period.

Changes in foreign exchange rates decreased the Group's total revenue for January–December by EUR 23.8 million compared to the previous year, of which the Norwegian crown accounted for EUR 13.9 million, the Russian rouble for EUR 3.2 million and the Swedish crown for EUR 6.6 million. Revenue decreased by 2 percent at previous year's exchange rates for January–December.

The revenue of the Projects business was EUR 1,233.6 million, consisting of the Technical Installation revenue of EUR 782.3 million and Large Projects revenue of EUR 451.3 million. The revenue of the Services business was EUR 1,130.6 million, consisting of the Technical Maintenance revenue of EUR 817.8 million and Managed Services revenue of EUR 312.8 million. The Projects business thus accounted for 52 percent of Group revenue and the Services business for 48 percent of Group revenue in 2016.

Distribution of revenue

Revenue, EUR million	10–12/ 2016	%	10–12/ 2015	%	Change	1–12/ 2016	%	1–12/ 2015	%	Change
Germany	116.6	19%	149.4	22%	-22%	506.6	21%	526.4	22%	-4%
Sweden	122.0	20%	151.8	23%	-20%	474.8	20%	537.6	22%	-12%
Denmark-Norway	125.5	21%	127.9	19%	-2%	459.8	19%	503.2	21%	-9%
Industrial Solutions	92.6	15%	97.8	15%	-5%	370.9	16%	363.8	15%	2%
Finland	85.2	14%	79.6	12%	7%	320.7	14%	286.7	12%	12%
Austria	42.0	7%	39.9	6%	5%	153.0	6%	149.1	6%	3%
Eastern Europe	22.1	4%	21.6	3%	2%	78.7	3%	76.3	3%	3%
Group, total	606.0	100%	667.8	100%	-9%	2,364.1	100%	2,443.0	100%	-3%
Projects business	285.7	47%	-	-	-	1,233.6	52%	-	-	-
- Technical Installation	198.9	33%	-	-	-	782.3	33%	-	-	-
- Large Projects	86.8	14%	-	-	-	451.3	19%	-	-	-
Services business	320.3	53%	-	-	-	1,130.6	48%	-	-	-
- Technical Maintenance	235.8	39%	-	-	-	817.8	35%	-	-	-
- Managed Services	84.5	14%	-	-	-	312.8	13%	-	-	-

Profitability

EBITDA

October – December 2016

The EBITDA excluding restructuring costs amounted to EUR -10.5 million, or -1.7 percent of revenue in October–December. The EBITDA for October–December was EUR -22.2 (34.0) million, or -3.7 (5.1) percent of revenue.

Restructuring costs totalled EUR 11.7 million during October–December. Restructuring costs consist of personnel costs related to personnel reductions, rents for empty premises and other restructuring costs.

Caverion continued the review of its project portfolio in the last quarter of 2016. As a result of the review, several projects were still identified with challenges in project management and execution. Based on the review, Caverion made the necessary cost estimate adjustments, write-downs and provision increases related to its project portfolio, which mainly related to divisions Sweden, Germany and Industrial Solutions. The total amount of cost estimate adjustments, write-downs and provision increases during October–December was EUR 39.9 million.

Costs related to materials and supplies decreased to EUR 168.9 (178.0) million in October–December, while the external services decreased to EUR 123.1 (125.2) million. Personnel expenses for October–December amounted to a total of EUR 259.6 (255.3) million. Other operating expenses came at EUR 77.1 (76.4) million. Other operating income amounted to EUR 0.6 (1.1) million.

The EBITDA for the period was also burdened by expenses of EUR 0.9 million in Germany related to ongoing legal investigations.

January – December 2016

The EBITDA excluding restructuring costs amounted to EUR 15.6 million, or 0.7 percent of revenue in January–December. The EBITDA for January–December was EUR -11.4 (91.5) million, or -0.5 (3.7) percent of revenue.

Restructuring costs totalled EUR 26.9 million for January–December. Restructuring costs consisted of personnel costs totalling EUR 21.1 million, of rents for empty premises totalling EUR 4.3 million and of other restructuring costs totalling EUR 1.5 million. The full effect of the actions will be visible in 2017. More details about the restructuring actions have been described under “Restructuring actions”.

During the reporting period, Caverion had profitability problems due to resource overcapacity and challenges in executing and managing projects. The identified project management challenges mainly relate to divisions Sweden, Denmark-Norway, Germany and Industrial Solutions. As a result, Caverion completed more conservative cost estimate adjustments and provisions related to its project portfolio during the second, third and fourth quarters of 2016. The total amount of cost estimate adjustments, write-downs and provision increases made during 2016 in Caverion Group’s project portfolio was EUR 59.0 million, mainly related to divisions Sweden, Denmark-Norway, Germany and Industrial Solutions.

Costs related to materials and supplies amounted to EUR 648.2 (663.8) million in January–December, while external services amounted to EUR 450.8 (426.9) million. Personnel expenses for January–December amounted to a total of EUR 989.1 (978.2) million. Other operating expenses came at EUR 289.2 (286.0) million. Other operating income amounted to EUR 1.9 (3.3) million.

Several development projects and investments in common processes were also reflected in operational expenses during the period. The EBITDA for the period was also burdened by expenses of EUR 1.7 million in Germany related to ongoing legal investigations.

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

October – December 2016

The operating profit for October–December was EUR -29.2 (26.9) million, or -4.8 (4.0) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 7.0 (7.0) million in October–December, of which EUR 1.1 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.

January – December 2016

The operating profit for January–December was EUR -40.8 (65.0) million, or -1.7 (2.7) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 29.5 (26.5) million in January–December, of which EUR 6.1 million were allocated intangibles related to acquisitions and EUR 23.4 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 -43.5 (61.3) million, net profit to EUR -31.7 (46.6) million and earnings per share to EUR -0.25 (0.37) in January–December. Net financing expenses in January–December 2016 were EUR -2.6 (-3.7) million.

The effective tax rate of the Group was 27.1 (24.0) percent in January–December.

Capital expenditure, acquisitions and disposals

During the period, Caverion invested in its harmonised operational model, processes and systems. Gross capital expenditure on non-current assets included in the balance sheet totalled EUR 38.2 (26.9) million during January–December, representing 1.6 (1.1) percent of revenue.

Investments in information technology totalled EUR 25.1 (18.2) million during January–December. 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 13.0 (8.7) million.

During the period, Caverion signed an agreement with Mr Alfred Lotter on the purchase of the business of Arneg Kühlmöbel u. Ladeneinrichtungen, Produktions- u. Handelsgesellschaft mbH ("Arneg Kühlmöbel"). The transaction was approved by the Austrian Federal Competition Authority on January 19, 2016. The acquisition supports Caverion's growth strategy and expands on its position within the cooling technology market in Austria. The purchase price was not disclosed. Arneg Kühlmöbel is one of the leading suppliers of cooling technology in Austria. In 2014, the company's revenue was about EUR 7.0 million. The company employs about 35 people.

Furthermore, Caverion signed an agreement with YIT Kuntatekniikka Oy to acquire the company's technical maintenance business in January. The transaction supports Caverion's growth strategy and presence in the Mikkeli area in Finland. The purchase price was not disclosed. In connection with the transaction, approximately 60 employees from YIT Kuntatekniikka were transferred into Caverion Suomi Oy's employment. YIT Kuntatekniikka is jointly owned by the City of Mikkeli and YIT Construction Oy.

Caverion also strengthened its AV solutions expertise through the acquisition of Sähkötaso Esitystekniikka Oy in May. The purchase price was not disclosed. Sähkötaso Esitystekniikka Oy is the leading provider of AV solutions in Finland. The company was founded in 2005. It has 28 employees in three cities (Helsinki, Tampere and Jyväskylä), a national service scope and an international network of suppliers. The revenue of Sähkötaso Esitystekniikka Oy amounted to EUR 12.5 million for the financial year ending March 31, 2016.

Cash flow, working capital and financing

The Group's Free cash flow amounted to EUR 28.0 (73.6) million in October–December. The Group's operating cash flow before financial and tax items amounted to EUR 35.2 (83.1) million in October–December. Cash flow improved in the last quarter of 2016 compared to previous quarters, but still remained lower than last year mainly due to weak profitability and restructuring costs.

For the full year of 2016, the Group's Free cash flow amounted to EUR -72.1 (53.9) million. The Group's operating cash flow before financial and tax items amounted to EUR -22.4 (85.8) million. Cash flow deteriorated in 2016 vs. 2015 mainly due to the low profitability, impacted by restructuring costs and project write-downs. Free cash flow was also impaired by an increase in working capital, by the higher level of investments especially in IT in the first three quarters of the year and by the completed acquisitions early in the year.

Working capital was EUR -2.6 million at the end of December (9/2016: EUR 56.1 million) i.e. negative in line with the strategic financial target. Working capital improved by EUR 58.7 million during the fourth quarter compared to the end of the third quarter. The improvement was driven by Caverion's intensified focus on invoicing and receivables management. Also the completed project write-downs reduced working capital in the fourth quarter. Furthermore, Caverion succeeded in diminishing the amount of its POC receivables by EUR 88 million during the fourth quarter compared to the end of the third quarter. At the end of 2016, the Group's POC receivables amounted to EUR 244.4 (12/2015: 254.0) million.

The growth in working capital by EUR 12.8 million from the end of the previous year (12/2015: EUR -15.4 million) was mainly driven by the increase in trade receivables and the decrease in trade payables. Overall, Caverion faced challenges in managing its working capital during the first three quarters of the year, but managed to catch up the target level during the last quarter by intensifying its focus on invoicing and receivables management.

Caverion's cash and cash equivalents amounted to EUR 47.7 million at the end of December (9/2016: EUR 37.0 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.

Caverion Corporation signed a new EUR 60 million unsecured long-term bullet term loan agreement with its core banks in December. The loan will be used for general corporate purposes and it will balance the Group's debt maturity structure, provide financial flexibility and support the Group's liquidity management going forward. The loan was raised in late December and it will mature as a bullet loan in the end of February 2021.

The Group's interest-bearing loans and borrowings amounted to EUR 193.3 million at the end of December (9/2016: EUR 206.8 million), and the average interest rate after hedges was 1.91 percent. Approximately 67 percent of the loans have been raised from banks and other financial institutions, approximately 18 percent directly from the money markets and approximately 13 percent from insurance companies. A total of EUR 65.7 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 145.5 million at the end of December (9/2016: EUR 169.7 million).

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 (Net Debt/EBITDA). At the end of 2016, the Group's Net debt/EBITDA was 2.8 according to the confirmed calculation principles.

PERSONNEL

Personnel by division, end of period	12/16	9/16	Change	12/16	12/15	Change
Finland	2,439	2,440	0%	2,439	2,261	8%
Denmark-Norway	3,330	3,393	-2%	3,330	3,994	-17%
Sweden	3,172	3,321	-4%	3,172	3,359	-6%
Germany	2,452	2,486	-1%	2,452	2,463	-0%
Austria	811	806	1%	811	772	5%
Eastern Europe	1,841	1,868	-1%	1,841	1,816	1%
Industrial Solutions	2,742	2,825	-3%	2,742	2,617	5%
Group Services	126	142	-11%	126	117	8%
Group, total	16,913	17,281	-2%	16,913	17,399	-3%

Caverion Group employed 17,381 (17,324) people on average in January–December 2016. At the end of December 2016, the Group employed 16,913 (17,399) people. Caverion Group employed approximately 1,200 summer trainees, apprentices and trainees in 2016. The figures in Norway include an adjustment to include apprentices in the total amount for 2015.

The personnel expenses for January–December 2016 amounted to a total of EUR 989.1 (978.2) million. Personnel expenses for 2016 include restructuring costs of EUR 21.1 million.

In 2016 the key focus area for human resources and people was to support the business in adjusting the organisation, management and resources to ensure future competitiveness. Capacity adjustments and cost reductions were made mainly through temporary layoffs and personnel reductions. The personnel reductions focused mainly on the divisions Sweden, Denmark-Norway and Germany as well as in Group Services. The total amount of jobs impacted by the restructuring actions in 2016 was 1,060. The full effect of the actions will be visible in 2017. More details about the restructuring actions have been described under "Restructuring actions".

New resources were needed in parallel to fulfil critical competence gaps and to grow trainees and apprenticeships. Resourcing was also affected by completed acquisitions, outsourcings and recruitments to substitute retiring employees. Leadership performance was reviewed throughout the organisation and many changes were completed. Several Group-wide projects were continued such as the design of a project management training portfolio, the launch of new short-term project and service business incentive plans to drive performance, the delivery of a common code of conduct e-learning program and the common leadership development program. The well-being was a focus area to support employees and line managers to perform well locally during challenging times. The group-wide safety actions progressed also well ahead.

Changes in Caverion's Group Management

Caverion announced on September 27, 2016 that Ari Lehtoranta will be appointed as the President and CEO of Caverion Corporation as of January 1, 2017. Sakari Toikkanen continued as the Interim President and CEO until the end of 2016. Caverion announced on May 17, 2016 that the former President and CEO of Caverion Corporation Fredrik Strand was to discontinue his duties immediately.

Caverion announced on August 22, 2016 that Martti Ala-Härkönen has been appointed as the CFO of Caverion Group, replacing the former CFO Antti Heinola as of September 19, 2016. Caverion announced on August 10, 2016 that Klas Tocklin has been appointed as Executive Vice President & CEO of Division Sweden, immediately replacing the former Head of Division Sweden Thomas Lundin. Both Martti Ala-Härkönen and Klas Tocklin are also members of the Group Management Board of Caverion Corporation.

Caverion announced on June 20, 2016 that it will reorganise its Group functions. New Projects and Services functions were established to respond to the challenges in executing and managing projects and to help secure the targeted utilisation rate in the service business. As a result, Carina Qvarngård (SVP, Group Business Development & Marketing) resigned from the Group Management Board of Caverion and the company as of June 23, 2016.

MOST SIGNIFICANT BUSINESS RISKS AND RISK MANAGEMENT

Caverion's business involves a number of strategic, operational, financial and event risks. Risk management is an integral part of the Group's management, monitoring and reporting systems.

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

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

Caverion's typical operational risks include risks related to tenders, service agreements, project management and personnel. With regard to various projects, it is important to act selectively, taking into account the risks and profitability of the projects, and to review the content, risks and terms and conditions of all contracts and agreements in accordance with specified processes. Inefficient and unsuccessful project management may have a material effect on Caverion's ability to offer high-quality and profitable services, which may have an unfavourable effect on Caverion's business, business performance and financial position. As the business mix is changing in line with strategy the share of long-term contracts is expected to increase proportionally. This may increase the contractual risks in long-term contracts.

Group companies are engaged in legal proceedings which are connected to ordinary business operations. The outcomes of the proceedings are difficult to predict, but if a case is deemed to require a provision that has been made on the basis of a best estimate.

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 has continued the roll-out of an annual, group-wide compliance e-learning programme during 2016 which all employees must complete as well as trained the division management on anti-bribery and other compliance matters. Also certain compliance-related policies have been reviewed and updated.

Caverion’s business does not include significant environmental risks. Cooperation with its clients provides Caverion an important opportunity to influence the level of global carbon footprint. Caverion continuously develops its products and services to make it possible for its clients to decrease their environmental impacts. Caverion offers its customers a variety of energy efficiency services: for example, property energy inspections and analyses as well as energy-efficient building systems and modernisation adjustments. The carbon dioxide emissions of Caverion’s own operations are mainly caused by the fuel consumption of its service vehicles. Caverion utilises logistics solutions which help to decrease greenhouse gas emissions in the transport of both goods and personnel.

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

The Group books write-offs or provisions on receivables when it is evident that no payment can be expected. Caverion Group 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. These assessments led to project write-downs during 2016. Most of the write-downs related to POC receivables. A further review and risk assessment will be continued during 2017.

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

Caverion’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. 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 Financial Statement Release under note 6.

Possible event risks include accidents related to personal or information security as well as sudden and unforeseen material damage to premises, project sites or other property resulting, for example, from fire, collapse or theft. Event risks are mitigated by insurances.

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Caverion, held on March 21, 2016, decided on the composition of the Board of Directors and their fees, the election of the auditor and its fee as well as the authorisation of the Board of Directors on the repurchase of own shares and share issues.

The Annual General Meeting elected a Chairman, Vice Chairman and four ordinary members to the Board of Directors. Ari Lehtoranta was elected as the Chairman, Michael Rosenlew as the Vice Chairman and Markus Ehrnrooth, Anna Hyvönen, Eva Lindqvist and Ari Puheloinen as members for a term continuing until the end of the next Annual General Meeting. Caverion announced later on November 15, 2016 that the Vice Chairman Michael Rosenlew will chair the Board of Directors until the closing of the next Annual General Meeting as Mr. Ari

Lehtoranta resigned from the Board of Directors while transferring as the President and CEO of Caverion Corporation on January 1, 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 21, 2016. 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 21, 2016, decided that a dividend of EUR 0.28 was to be paid per share, or a total of EUR 35.0 million. No dividend was paid for the treasury shares. Dividend payment record date was March 23, 2016 and the dividends were paid on April 4, 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, 2016, the number of shares was 125,596,092 and the share capital was EUR 1,000,000. Caverion held 512,091 treasury shares on January 1, 2016. During January–December 237 Caverion shares were returned to the company in accordance with the terms and conditions of the share-based incentive scheme of YIT Corporation. Caverion held 512,328 treasury shares at the end of December 2016. The number of shares outstanding was thus 125,083,764 on December 31, 2016. 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 21, 2016, authorised Caverion's 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 organized by Nasdaq Helsinki Ltd. The shares may be repurchased other than pro rata to the shareholders' existing holdings. 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 2016.

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

The Annual General Meeting authorised Caverion's 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 share issues may be directed, that is, in deviation from the shareholders' pre-emptive rights, and shares may be issued for subscription against payment or without charge. A share issue may also be directed to the company itself, within the limitations laid down in the Limited Liability Companies Act.

The share issue authorisation also includes the authorisation to transfer own shares which 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, 2017. The Board of Directors has not used the authorisation during 2016.

Trading in shares

The opening price of Caverion's share was EUR 8.96 at the beginning of the year 2016. The closing rate on the last trading day of the review period on December 30 was EUR 7.92. The share price decreased by 12 percent during January–December. The highest price of the share during the review period January–December was EUR 9.38, the lowest was EUR 5.50 and the average price was EUR 6.86. Share turnover on Nasdaq Helsinki in January–December amounted to 63.8 million shares. The value of share turnover was EUR 437.8 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–December, 16.0 million Caverion Corporation shares changed hands in alternative public market places, corresponding to approximately 15.9 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X Europe. Furthermore, during January–December, 20.5 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 20.4 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 990.7 million. Market capitalisation has been calculated excluding the 512,328 shares held by the company as per December 31, 2016.

Number of shareholders and flagging notifications

At the end of December 2016, the number of registered shareholders in Caverion was 30,539 (9/2016: 31,979). At the end of December 2016, a total of 35.1 percent of the shares were owned by nominee-registered and non-Finnish investors (9/2016: 35.3%).

Caverion Corporation has on December 9, 2016 received an announcement under Chapter 9, Section 5 of the Finnish Securities Markets Act, according to which the holding of Solero Luxco S.à r.l. ("Solero Luxco", a company ultimately owned by Triton Fund IV) in Caverion has exceeded the threshold of 5 per cent. According to the announcement, the holding of Solero Luxco in Caverion has on December 8, 2016 increased to 6,530,473 shares, corresponding to 5.20% per cent of Caverion's shares and voting rights.

Updated lists of Caverion's largest shareholders and ownership structure by sector as per December 31, 2016, are available on Caverion's website at www.caverion.com/investors.

Board of directors' proposal for the distribution of distributable equity

The distributable equity of the parent company Caverion Corporation on December 31, 2016 is:

Retained earnings	110,961,164.92
Profit for the period	28,048,572.94
Retained earnings, total	139,009,737.86
Fair value reserve	-295,661.98
Distributable equity, total	138,714,075.88

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2016.

SIGNATURE OF THE REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Helsinki, February 6, 2017

Caverion Corporation

Board of Directors

Michael Rosenlew
Vice Chairman

Markus Ehrnrooth | Anna Hyvönen

Eva Lindqvist | Ari Puheloinen

Ari Lehtoranta
President and CEO

Condensed consolidated income statement

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Revenue	**606.0**	**667.8**	**2,364.1**	**2,443.0**
Other operating income	0.6	1.1	1.9	3.3
Materials and supplies	-168.9	-178.0	-648.2	-663.8
External services	-123.1	-125.2	-450.8	-426.9
Employee benefit expenses	-259.6	-255.3	-989.1	-978.2
Other operating expenses	-77.1	-76.4	-289.2	-286.0
Share of results of associated companies	0.0	0.0	-0.1	0.0
Depreciation and impairments	-7.0	-7.0	-29.5	-26.5
Operating profit	**-29.2**	**26.9**	**-40.8**	**65.0**
% of revenue	-4.8	4.0	-1.7	2.7
Financial income and expense, net	-1.0	-1.1	-2.6	-3.7
Profit before taxes	**-30.2**	**25.9**	**-43.5**	**61.3**
% of revenue	-5.0	3.9	-1.8	2.5
Income taxes	8.5	-5.0	11.8	-14.7
Profit for the review period	**-21.7**	**20.9**	**-31.7**	**46.6**
% of revenue	-3.6	3.1	-1.3	1.9
Attributable to				
Equity holders of the parent company	-21.7	20.9	-31.7	46.6
Non-controlling interests	0.0	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company				
Earnings per share, EUR	-0.17	0.17	-0.25	0.37
Diluted earnings per share, EUR	-0.17	0.17	-0.25	0.37

Consolidated statement of comprehensive income

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Profit for the period	**-21.7**	**20.9**	**-31.7**	**46.6**
Other comprehensive income				
Items that will not be reclassified to profit/loss:				
- Change in fair value of defined benefit pension	-2.7	0.4	-4.2	4.4
-- Deferred tax	1.3	0.3	1.3	0.4
Items that may be reclassified subsequently to profit/loss:				
- Cash flow hedges	0.0	-0.1		-0.3
-- Deferred tax				
- Change in fair value of available for sale investments	0.0	0.0	0.0	0.2
-- Deferred tax				
- Translation differences	0.6	0.5	1.0	-4.8
Other comprehensive income, total	**-0.8**	**1.1**	**-1.9**	**-0.1**
Total comprehensive result	**-22.5**	**22.0**	**-33.6**	**46.5**
Attributable to:				
Equity holders of the parent company	-22.5	22.0	-33.6	46.5
Non-controlling interests	0.0	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	31.12.2016	31.12.2015
Assets		
Non-current assets		
Property, plant and equipment	28.3	27.4
Goodwill	339.8	335.7
Other intangible assets	53.0	47.5
Shares in associated companies	0.1	0.2
Other investments	1.2	1.4
Other receivables	3.3	2.6
Deferred tax assets	10.6	1.8
Current assets		
Inventories	30.7	25.4
Trade receivables	378.2	351.7
POC receivables	244.4	254.0
Other receivables	40.4	41.3
Income tax receivables	6.4	0.6
Cash and cash equivalents	47.7	68.1
Assets held for sale	0.0	0.0
Total assets	**1,184.3**	**1,157.7**
Equity and liabilities		
Equity	**185.0**	**253.7**
Non-current liabilities		
Deferred tax liabilities	51.1	58.3
Pension liabilities	45.4	42.6
Provisions	7.1	9.0
Interest-bearing debts	127.6	75.2
Other liabilities	0.6	0.4
Current liabilities		
Advances received	192.5	195.3
Trade payables	214.1	232.2
Other payables	258.7	242.6
Income tax liabilities	6.5	8.1
Provisions	30.1	17.7
Interest-bearing debts	65.7	22.7
Total equity and liabilities	**1,184.3**	**1,157.7**

Working capital

EUR million	31.12.2016	31.12.2015	Change
Inventories	30.7	25.4	21%
Trade and POC receivables	622.7	605.7	3%
Other current receivables	38.9	40.9	-5%
Trade and POC payables	-239.7	-256.7	-7%
Other current liabilities*	-262.5	-235.5	11%
Advances received	-192.5	-195.3	-1%
Working capital	**-2.6**	**-15.4**	**-83%**

* including current provisions

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	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 30, 2016	**1.0**	**193.1**	**-5.5**	**-0.7**	**-3.2**	**184.7**	**0.4**	**185.1**

	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, 2015	**1.0**	**241.7**	**-1.8**	**-0.6**	**-3.2**	**237.2**	**0.6**	**237.8**
Correction of prior period error*		-2.9				-2.9		-2.9
Equity on January 1, 2015 after correction		238.8				234.2		234.8
Comprehensive income								
Profit for the period		46.6				46.6	0.0	46.6
Other comprehensive income:								
Change in fair value of defined benefit pension		4.4				4.4		4.4
-Deferred tax		0.4				0.4		0.4
Cash flow hedges				-0.3		-0.3		-0.3
Change in fair value of available for sale assets				0.2		0.2		0.2
Translation differences			-4.8			-4.8		-4.8
Comprehensive income, total		51.4	-4.8	-0.1		46.5	0.0	46.5
Transactions with owners								
Dividend distribution		-27.5				-27.5		-27.5
Share-based payments		0.2			0.0	0.2		0.2
Transactions with owners, total		-27.3			0.0	-27.3		-27.3
Disposal of subsidiaries			0.0			0.0	-0.3	-0.2
Equity on December 31, 2015	**1.0**	**262.8**	**-6.5**	**-0.7**	**-3.2**	**253.4**	**0.4**	**253.7**

*In 2016 financial statements two prior period errors were corrected. One relates to an old acquisition, in which a significant pension liability was missing from the net assets of the acquired company. The other one is an old revenue recognition error, which resulted in too high POC receivables. Both errors have been corrected to comparative period's opening balance according to IAS 8. The impact of corrections on the 2015 opening balance was following: Retained earnings decreased by EUR 2.9 million, POC receivables decreased by EUR 1.8 million, pension liability increased by EUR 2.0 million and deferred tax assets increased by EUR 0.8 million.

Condensed consolidated statement of cash flows

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Cash flows from operating activities				
Net profit for the period	-21.7	20.9	-31.7	46.6
Adjustments to net profit	4.5	13.9	32.8	44.8
Change in working capital	52.4	48.3	-23.5	-5.6
Operating cash flow before financial and tax items	**35.2**	**83.1**	**-22.4**	**85.8**
Financial items, net	-1.3	-1.5	-2.2	-4.4
Taxes paid	-1.5	-2.7	-12.4	-9.9
Net cash from operating activities	**32.4**	**78.9**	**-37.0**	**71.6**
Cash flows used in investing activities				
Acquisitions and disposals of subsidiaries, net of cash	0.1	0.2	-4.2	0.6
Capital expenditure and other investments, net	-5.8	-6.9	-33.1	-22.7
Net cash used in investing activities	**-5.7**	**-6.8**	**-37.4**	**-22.1**
Cash flows used in financing activities				
Change in current liabilities, net	-65.0	-14.0	34.6	-0.7
Proceeds from borrowings	60.0	0.0	80.0	100.0
Repayments of borrowings	-11.0	-30.2	-24.9	-150.5
Proceeds from financial leasing debts	2.8		2.8	
Payments of financial leasing debts	-3.0	-0.2	-3.7	-0.9
Dividends paid	0.0	0.0	-35.1	-27.6
Net cash used in financing activities	**-16.2**	**-44.4**	**53.8**	**-79.6**
Change in cash and cash equivalents	**10.5**	**27.8**	**-20.6**	**-30.0**
Cash and cash equivalents at the beginning of the period	37.0	40.5	68.1	98.8
Change in the fair value of the cash equivalents	0.2	-0.2	0.2	-0.6
Cash and cash equivalents at the end of the period	**47.7**	**68.1**	**47.7**	**68.1**

Free cash flow

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Operating cash flow before financial and tax items	35.2	83.1	-22.4	85.8
Taxes paid	-1.5	-2.7	-12.4	-9.9
Net cash used in investing activities	-5.7	-6.8	-37.4	-22.1
Free cash flow	**28.0**	**73.6**	**-72.1**	**53.9**

Notes to the Interim Report

1 Accounting principles

The information presented in this report is based on the audited 2016 Financial Statements of Caverion. Caverion Corporation's Financial Statement Release for January 1 – December 31, 2016 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. Caverion has applied the same accounting principles in the preparation of the Financial Statement Release as in its Financial Statements for 2016. In the Financial Statement Release 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 24.

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

	12/2016	12/2015
Revenue, EUR million	2,364.1	2,443.0
EBITDA, EUR million	-11.4	91.5
EBITDA margin, %	-0.5	3.7
EBITDA excluding restructuring costs, EUR million	15.6	-
EBITDA margin excluding restructuring costs, %	0.7	-
Operating profit, EUR million	-40.8	65.0
Operating profit margin, %	-1.7	2.7
Profit before taxes, EUR million	-43.5	61.3
% of revenue	-1.8	2.5
Profit for the review period, EUR million	-31.7	46.6
% of revenue	-1.3	1.9
Earnings per share, basic, EUR	-0.25	0.37
Earnings per share, diluted, EUR	-0.25	0.37
Equity per share, EUR	1.5	2.0
Financial income and expenses, net, EUR million	-2.6	-3.7
Equity ratio, %	18.7	26.4
Interest-bearing net debt, EUR million	145.5	29.8
Gearing ratio, %	78.7	11.7
Total assets, EUR million	1,184.3	1,157.7
Free cash flow	-72.1	53.9
Working capital, EUR million	-2.6	-15.4
Gross capital expenditures, EUR million	38.2	26.9
% of revenue	1.6	1.1
Order backlog, EUR million	1,408.1	1,461.4
Personnel, average for the period	17,381	17,324
Number of outstanding shares at the end of the period (thousands)	125,084	125,084
Average number of shares (thousands)	125,084	125,085

3 Financial development by quarter

EUR million	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Revenue	606.0	582.0	615.5	560.6	667.8	573.7	638.1	563.4
EBITDA	-22.2	13.8	-14.4	11.5	34.0	21.3	22.0	14.2
EBITDA margin, %	-3.7	2.4	-2.3	2.0	5.1	3.7	3.4	2.5
EBITDA excluding restructuring costs	-10.5	19.5	-6.8	-	-	-	-	-
EBITDA margin excluding restructuring costs, %	-1.7	3.3	-1.1	-	-	-	-	-
Operating profit	-29.2	5.0	-21.5	4.8	26.9	14.7	15.5	7.9
Operating profit margin, %	-4.8	0.9	-3.5	0.9	4.0	2.6	2.4	1.4

	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Earnings per share, basic, EUR	-0.17	0.02	-0.13	0.03	0.17	0.08	0.08	0.04
Earnings per share, diluted, EUR	-0.17	0.02	-0.13	0.03	0.17	0.08	0.08	0.04
Equity per share, EUR	1.5	1.7	1.6	1.8	2.0	1.9	1.8	1.7
Financial income and expenses, net, EUR million	-1.0	-0.9	-0.2	-0.6	-1.1	-1.0	-1.0	-0.7
Equity ratio, %	18.7	20.5	21.1	23.5	26.4	24.6	23.4	22.3
Interest-bearing net debt, EUR million	145.5	169.7	130.6	59.2	29.8	101.9	84.9	49.7
Gearing ratio, %	78.7	81.5	63.6	26.7	11.7	43.9	37.8	23.3
Total assets, EUR million	1,184.3	1,216.0	1,169.7	1,130.6	1,157.7	1,128.2	1,137.9	1,134.4
Free cash flow	28.0	-38.8	-32.6	-28.8	73.6	-14.2	-6.3	0.8
Working capital, EUR million	-2.6	56.1	15.3	15.6	-15.4	34.3	5.9	-14.9
Gross capital expenditures, EUR mill.	6.1	7.6	17.3	7.1	9.0	5.0	5.5	7.3
% of revenue	1.0	1.3	2.8	1.3	1.3	0.9	0.9	1.3
Order backlog, EUR mill.	1,408.1	1,450.9	1,554.2	1,589.4	1,461.4	1,477.2	1,393.1	1,392.4
Personnel at the end of the period	16,913	17,281	17,664	17,499	17,399	17,450	17,414	17,202
Number of outstanding shares at end of period (thousands)	125,084	125,084	125,085	125,085	125,085	125,085	125,085	125,085
Average number of shares (thousands)	125,084	125,084	125,086	125,086	125,086	125,085	125,087	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 Business combinations and disposals

During the period, Caverion signed an agreement with Mr Alfred Lotter on the purchase of the business of Arneg Kühlmöbel u. Ladeneinrichtungen, Produktions- u. Handelsgesellschaft mbH ("Arneg Kühlmöbel"). The transaction was approved by the Austrian Federal Competition Authority on January 19, 2016. The acquisition supports Caverion's growth strategy and expands on its position within the cooling technology market in Austria. The purchase price was not disclosed. Arneg Kühlmöbel is one of the leading suppliers of cooling technology in Austria. In 2014, the company's revenue was about EUR 7.0 million. The company employs about 35 people.

Furthermore, Caverion signed an agreement with YIT Kuntatekniikka Oy to acquire the company's technical maintenance business in January. The transaction supports Caverion's growth strategy and presence in the Mikkeli area in Finland. The purchase price was not disclosed. In connection with the transaction, approximately 60 employees from YIT Kuntatekniikka were transferred into Caverion Suomi Oy's employment. YIT Kuntatekniikka is jointly owned by the City of Mikkeli and YIT Construction Oy.

Caverion also strengthened its AV solutions expertise through the acquisition of Sähkötaso Esitystekniikka Oy in May. The purchase price was not disclosed. Sähkötaso Esitystekniikka Oy is the leading provider of AV solutions in Finland. The company was founded in 2005. It has 28 employees in three cities (Helsinki, Tampere and Jyväskylä), a national service scope and an international network of suppliers. The revenue of Sähkötaso Esitystekniikka Oy amounted to EUR 12.5 million for the financial year ending March 31, 2016.

6 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	65.7	30.6	26.6	10.4	60.0	193.3

7 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	Dec 31, 2016 Carrying amount	Dec 31, 2016 Fair value	Dec 31, 2015 Carrying amount	Dec 31, 2015 Fair value
Non-current liabilities				
Loans from financial institutions	109.6	111.0	69.8	71.7
Pension loans	15.3	15.2	4.0	4.1
Other financial loans	0.5	0.5	0.5	0.5
Finance lease liabilities	2.1	2.2	0.9	1.0

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.

Fair value hierarchy

The Group categorises the financial assets and liabilities measured at fair value into different levels of the fair value hierarchy as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets or liabilities.
Level 2: Fair values are based on inputs other than quoted prices included within level 1 which are observable for the asset or liability, either directly (that is, as prices), or indirectly (that is, derived from prices).
Level 3: Fair values are based on inputs for the asset or liability which are not based on observable market data.

The table below presents the financial assets and liabilities measured at fair value categorised into different levels of the fair value hierarchy.

Assets Dec 31, 2016				
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	0.7		0.5	1.2
Derivatives (hedge accounting not applied)		0.2		0.2
Total assets	**0.7**	**0.2**	**0.5**	**1.4**
Liabilities Dec 31, 2016				
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives (hedge accounting not applied)		0.8		0.8
Total liabilities		**0.8**		**0.8**

Assets Dec 31, 2015				
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	0.7		0.7	1.4
Derivatives (hedge accounting not applied)		0.1		0.1
Total assets	**0.7**	**0.1**	**0.7**	**1.5**
Liabilities Dec 31, 2015				
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives (hedge accounting not applied)		0.1		0.1
Derivatives (hedge accounting applied)		0.3		0.3
Total liabilities		**0.4**		**0.4**

There were no transfers between the levels of the fair value hierarchy during the period ended December 31, 2016.

The fair values for the derivative instruments categorised in Level 2 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.

The available-for-sale investments categorised in Level 3 are non-listed equity instruments and they are measured at acquisition cost less any impairment or prices obtained from a broker as their fair value can not be measured reliably.

Changes in the items categorised into Level 3 are presented below:

EUR million	Assets Dec 31, 2016	Liabilities Dec 31, 2016	Assets Dec 31, 2015	Liabilities Dec 31, 2015
Opening balance	0.7		0.7	
Transfers into / from Level 3				
Purchases and sales	-0.2			
Gains and losses recognised in profit or loss				
Gains and losses recognised in other comprehensive income				
Closing balance	0.5		0.7	

Derivative instruments

Nominal amounts		
EUR million	**Dec 31, 2016**	**Dec 31, 2015**
--Interest rate derivatives	70.0	90.0
--Foreign exchange forwards	26.9	76.9

Fair values		
EUR million	**Dec 31, 2016**	**Dec 31, 2015**
--Interest rate derivatives		
positive fair value		
negative fair value	-0.5	-0.3
--Foreign exchange forwards		
positive fair value	0.2	0.1
negative fair value	-0.3	-0.1

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

8 Commitments and contingent liabilities

EUR million	Dec 31, 2016	Dec 31, 2015
Mortgaged collateral notes		
Guarantees given on behalf of associated companies	0.2	0.2
Parent company's guarantees on behalf of its subsidiaries	533.0	491.7
Other commitments		
- Operating leases	177.5	169.2
- 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 266.8 million at the end of December 2016.

The most significant risks related to the operations have been described in more detail above under "Most significant business risks and risk management". 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.

9 Events after the reporting period

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 will be strengthened by increasing their areas of responsibility and they will be called business units going forward. With these changes Caverion strives to ensure the implementation of common practices throughout the Group. The divisions have an operative responsibility in countries but the global business units are responsible for development and harmonisation as well as supporting and following the results of operations. 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. Thomas Hietto, Jarno Hacklin and Ville Tamminen report to Ari Lehtoranta, President and CEO of Caverion Group and are also members of the Group Management Board.

A new Group function Legal & Governance will also be established in the company. The other Group functions are Finance, HR & People and Strategy & IT & Communications. Anne Viitala (born 1959, LL.M, trained on the bench, eMBA) was appointed as the head of new Group function Legal & Governance. Sakari Toikkanen continues as the head of Group function Strategy & IT & Communications, Merja Eskola as the head of Group function HR & People and Martti Ala-Härkönen as the head of Group function Finance. The heads of the Group level functions report to Ari Lehtoranta, President and CEO of Caverion Group and are also members of the Group Management Board.

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 provided preliminary financial information for 2016 and revised its guidance for 2016 on January 16, 2017. According to the new guidance preliminary Group revenue for 2016 amounted to approximately EUR 2,366 million (2015: EUR 2,443 million). Preliminary Group EBITDA excluding restructuring costs for 2016 amounted to approximately EUR 17 million (2015: EUR 91.5 million). The figures were unaudited.

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.

Caverion announced on February 3, 2017 that Caverion Suomi Oy (Finland) has been served with a corporate fine claim amounting to a minimum of EUR 300,000 in connection with sponsorship of equestrian sports in Finland. In addition, a charge has been brought against Jarno Hacklin, a member of Caverion's Group Management Board. YIT Kiinteistötekniikka Oy, currently Caverion Suomi Oy, sponsored equestrian sports during the years in question, 2007 to 2012, with a total amount of approximately 65,000 euros. The same object was sponsored by many other companies apart from Caverion. The Finnish National Bureau of Investigation has investigated this sponsoring by different companies, suspecting it to have been bribes. In addition to Mr. Hacklin a charge has also been brought against another person working in operative tasks. Caverion Suomi Oy contests the claim and both accused persons deny the guilt. Caverion has carried out an internal investigation into the matter, and based on the results, both persons have the confidence of the company and continue in their current roles in Caverion.