

Caverion

**Financial update – Increasing efficiency
and improving procurement and sourcing**

Antti Heinola, CFO

Capital Markets Day in Aachen
September 9, 2015

Strong financial position supporting strategy execution

1. On track to reach our 2016 financial targets

2. Our financial position is strong allowing us to execute our strategy.

3. Focused on delivering profitable growth by changing the business mix and cost efficiency



Outlook for 2015 and financial targets unchanged

2014 (actual)

- Revenue growth: - 5%
- EBITDA margin: 2.8%
- Working capital: EUR - 19.3m

Outlook 2015

- Revenue growth: revenue expected to remain at the previous year's level
- EBITDA margin: expected to grow significantly

End of 2016 target

- Revenue growth: average annual growth > 10%
- EBITDA margin: > 6%
- Working capital: negative

Key actions supporting achievement of our financial targets

Revenue

- Strong focus on Managed Services with a higher growth profile and Large Projects with total technical solutions and a higher design content

Profitability

- Strong focus in business mix towards growth areas (Managed Services and Large Projects) with higher margin potential

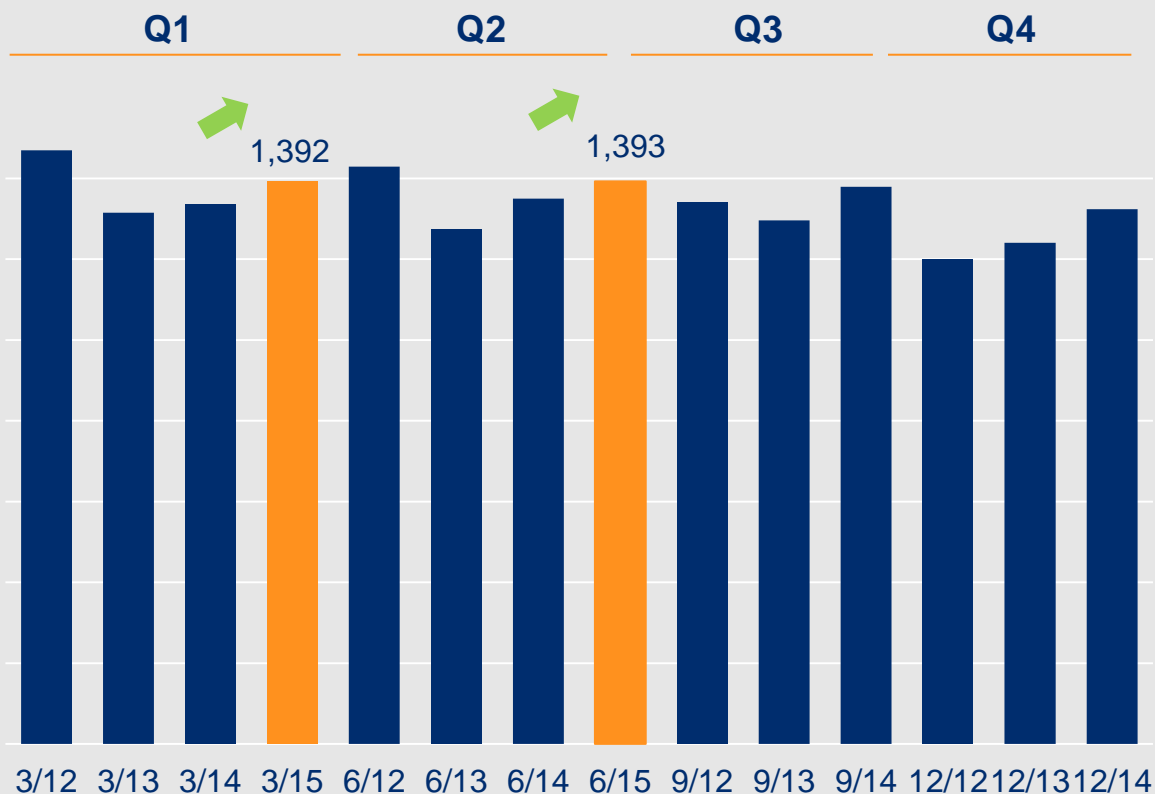
Working capital

- Focus on efficient invoicing and working capital management
- Provides flexibility to manage the other two financial targets



Stable order backlog

Order backlog
EUR million



- The structure of order backlog is changing and allowing improved visibility. The larger proportion of our revenue is coming from long-term contracts instead of ad hoc sales.
- Examples of signed contracts:
 - Pulp towers to Metsä Fibre's new bioproduct plant at Äänekoski, Finland
 - Energy Performance Contracting for Moss municipal property company in Norway
 - Building solutions worth over EUR 14 million to Deutsche Telekom office complex in Hamburg, Germany
 - Total technical solutions for Frankfurt School of Finance and Management



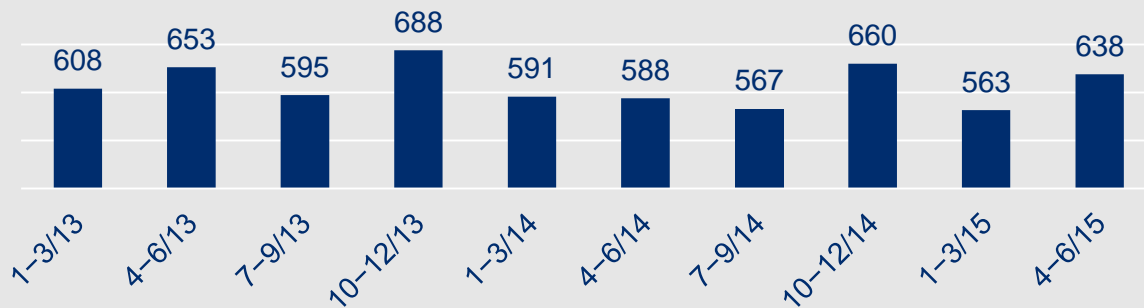
Targeting average annual growth in revenue of > 10% by the end of 2016

Group revenue

EUR million

1-12/13: 2,544

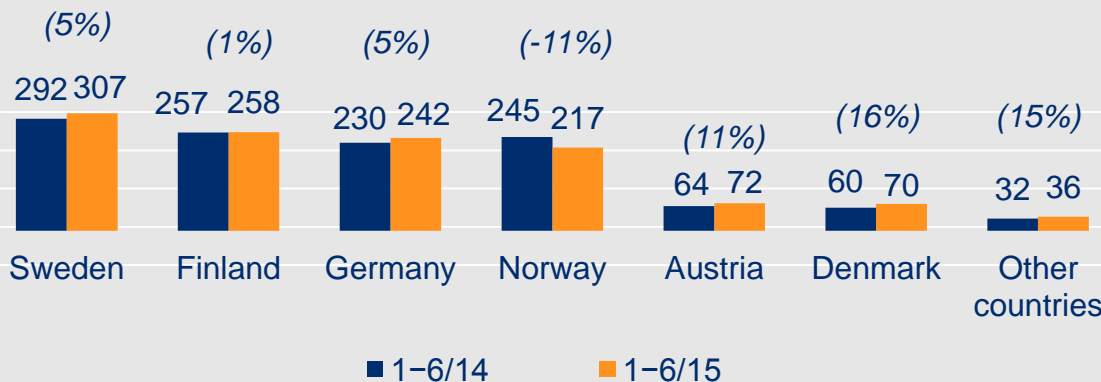
1-12/14: 2,407



- Revenue was EUR 1,201.5 million in January–June, an increase of 2 percent compared to the previous year.
- Revenue increased in all countries apart from Norway.
- In Norway the full effect of the exit of one large Technical Installation and Maintenance and IT services contract is now fully visible.

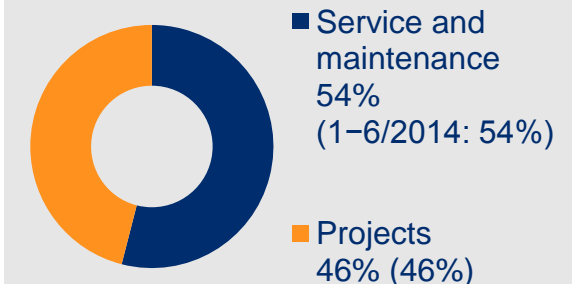
Revenue breakdown by country

EUR million

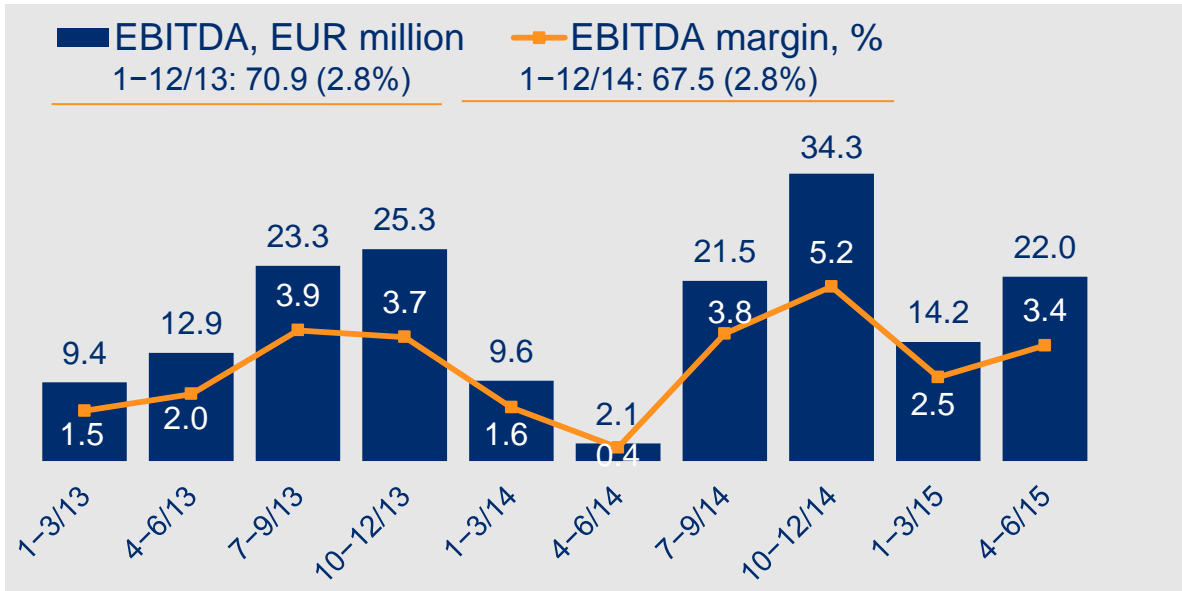


Revenue by business area

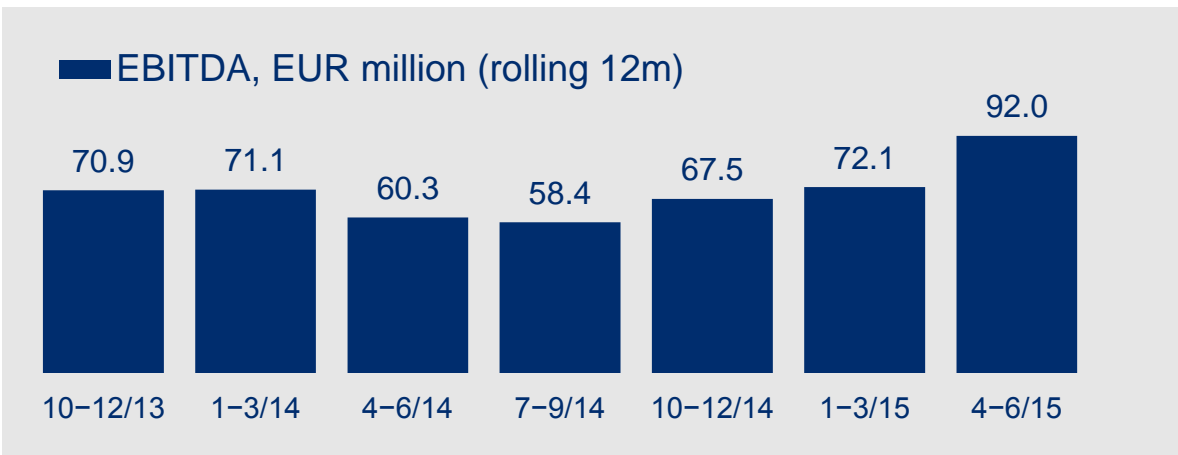
1-6/2015



Profitability on track to reach financial target



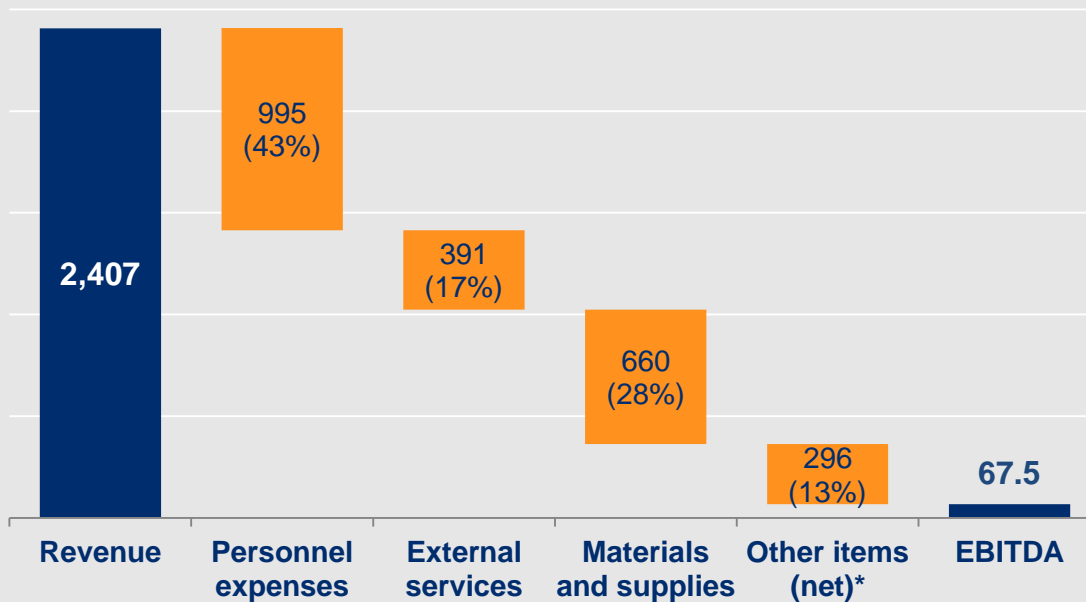
- EBITDA for Q2 amounted to EUR 22.0 million, up from the previous year.
- The improved performance in the second quarter compared to last year, is largely explained by the write downs connected to the project portfolio reviews done in 2014.
- The performance during the rest of the year is considered to be more in line with last year.



Increasing procurement and administrative efficiency is key for margin improvement

Revenue to EBITDA waterfall 2014 (EURm)

(%) of total cost base of EUR 2,341m



(% of cost base before EBITDA)

*) Incl. other operating expenses, change in inventories of finished goods and work in progress and production for own use.

- **Personnel expenses accounted for 43% of total cost base in 2014.**
 - Administrative (15%)
 - Variable (85%)
- **Sourced materials and supplies and external services accounted for 45% total cost base in 2014.**
- **Procurement expenses amounted to EUR 1.3bn in 2014 (58% of the total cost base).**



Savings potential from direct costs

Actions to improve procurement efficiency

Harmonisation

- Starting to harmonise operative procurement and procurement processes and tools
- Focus on best practices
- Resources centralised from local units to divisions with Group steering

Materials procurement

- Coordinate Group procurement
- Use of selected vendors
- Agreed way of working
- Delivery to site

Strategic resource mix

- In-house delivery: full responsibility vs. use of local subcontracting
- Use of selected suppliers



Savings potential from indirect costs

Actions to improve administrative efficiency

Finance & Governance

- Improvements in financial/governance efficiency
- Efficient invoicing process
- Efficient working capital management
- New financing agreement in place

HR & People

- Common job families and grades
- Efficiency improvements through system development
- Common MBKR targets and remuneration

Group Strategy & Development and IT

- Common Enterprise Architecture in big 6 countries
- IT organisation fully centralised
- Synergies in common marketing
- Group-wide web site development

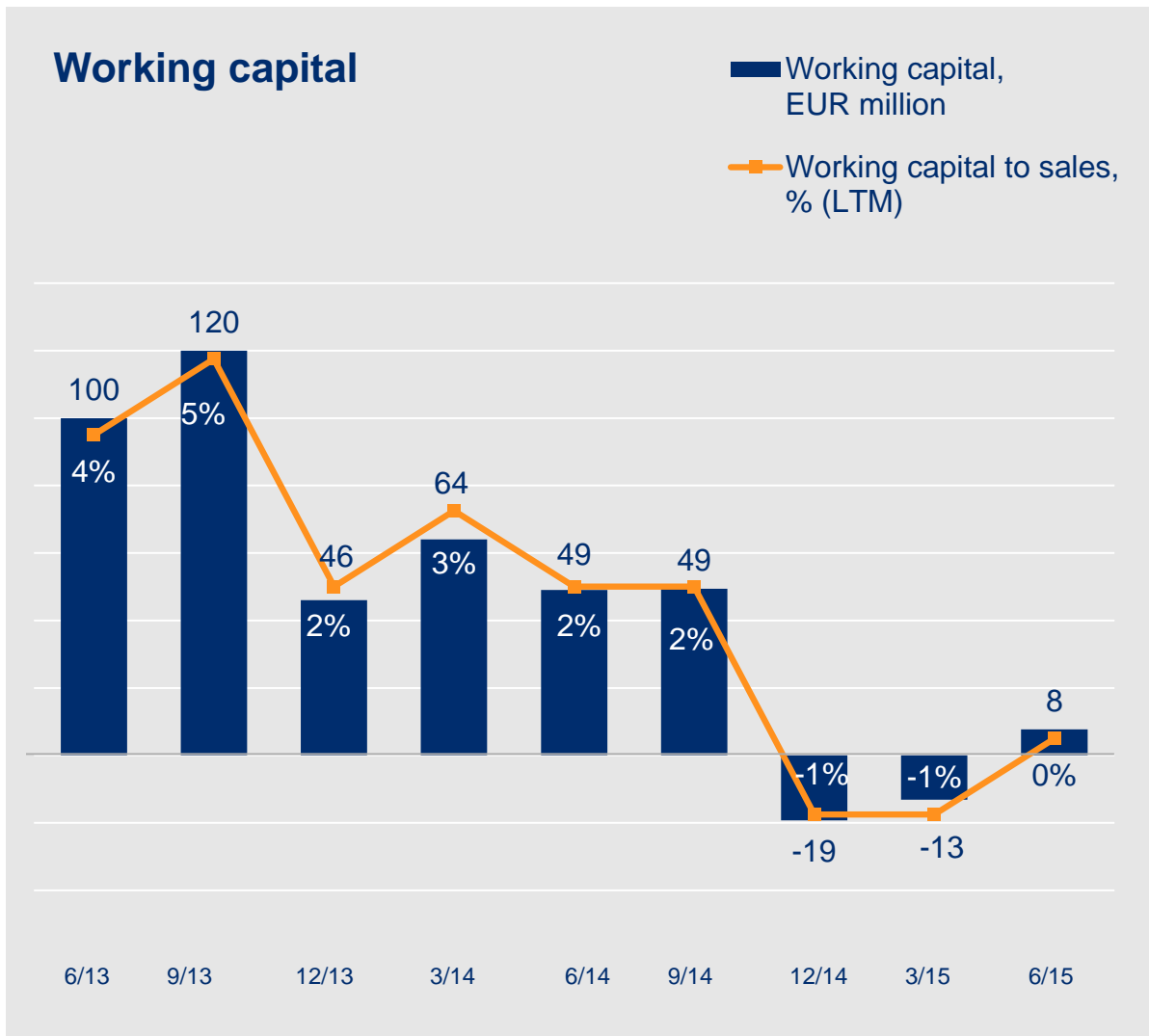
Divisions

- Organisation according to common processes
- Common template implementation



Firm grip on managing working capital

Financial target: negative working capital



Efficient working capital management:

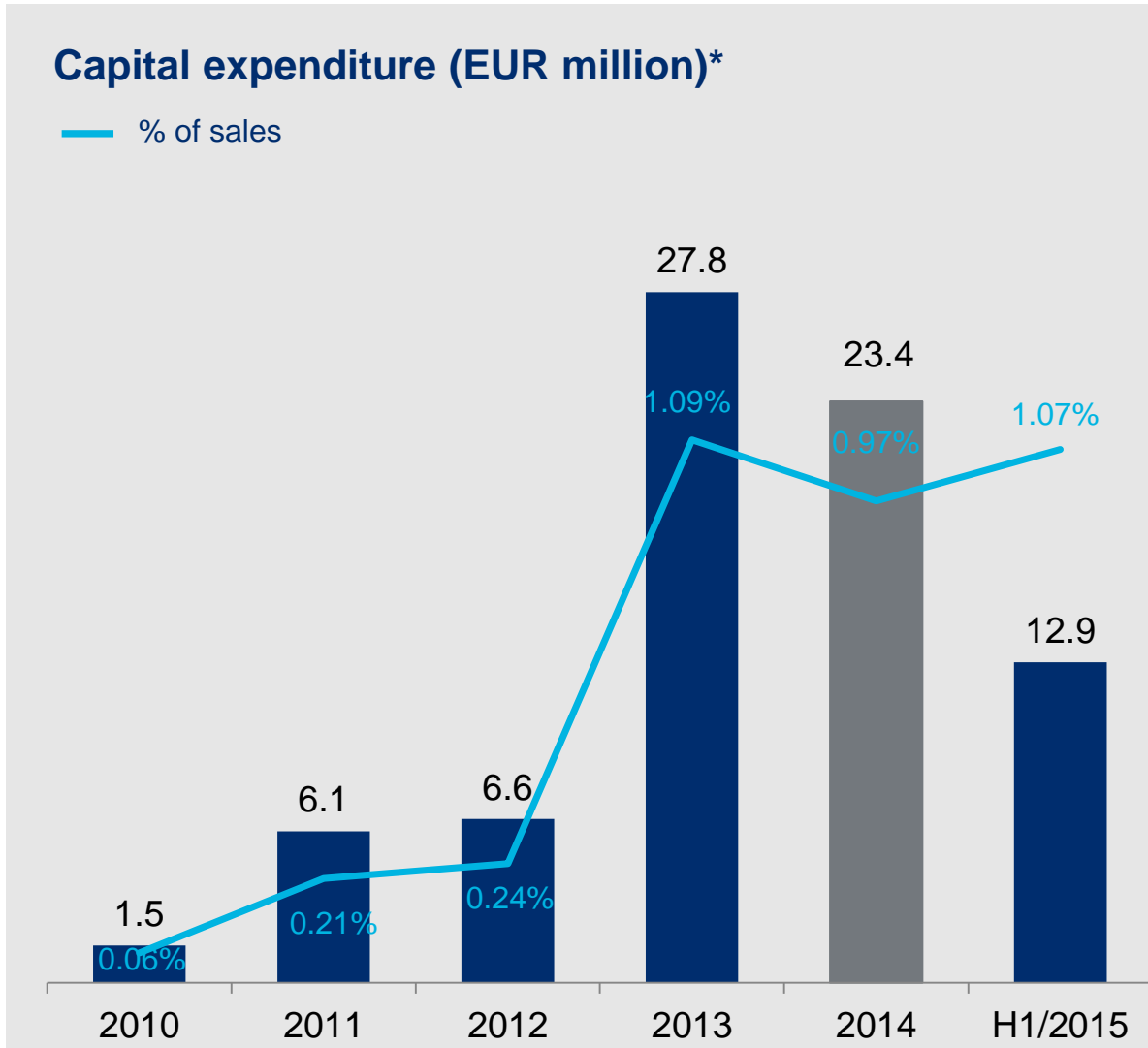
- enables us to develop our business mix.
- gives us flexibility to manage the other two financial targets (EBITDA over 6% of revenue and average annual revenue growth >10%).

More than EUR 110 million of working capital released since 9/2013:

- Advances received stable at a level of EUR 176.9 million (9/2013: EUR 160.9 million)
- Improvement from more efficient invoicing process



Low level of capital expenditure



Development and investment

- Continuous development and investment in technologies, processes and competences
- IT investments focused on common IT platform in big 6 countries, which will benefit Caverion in the form of increased admin efficiency

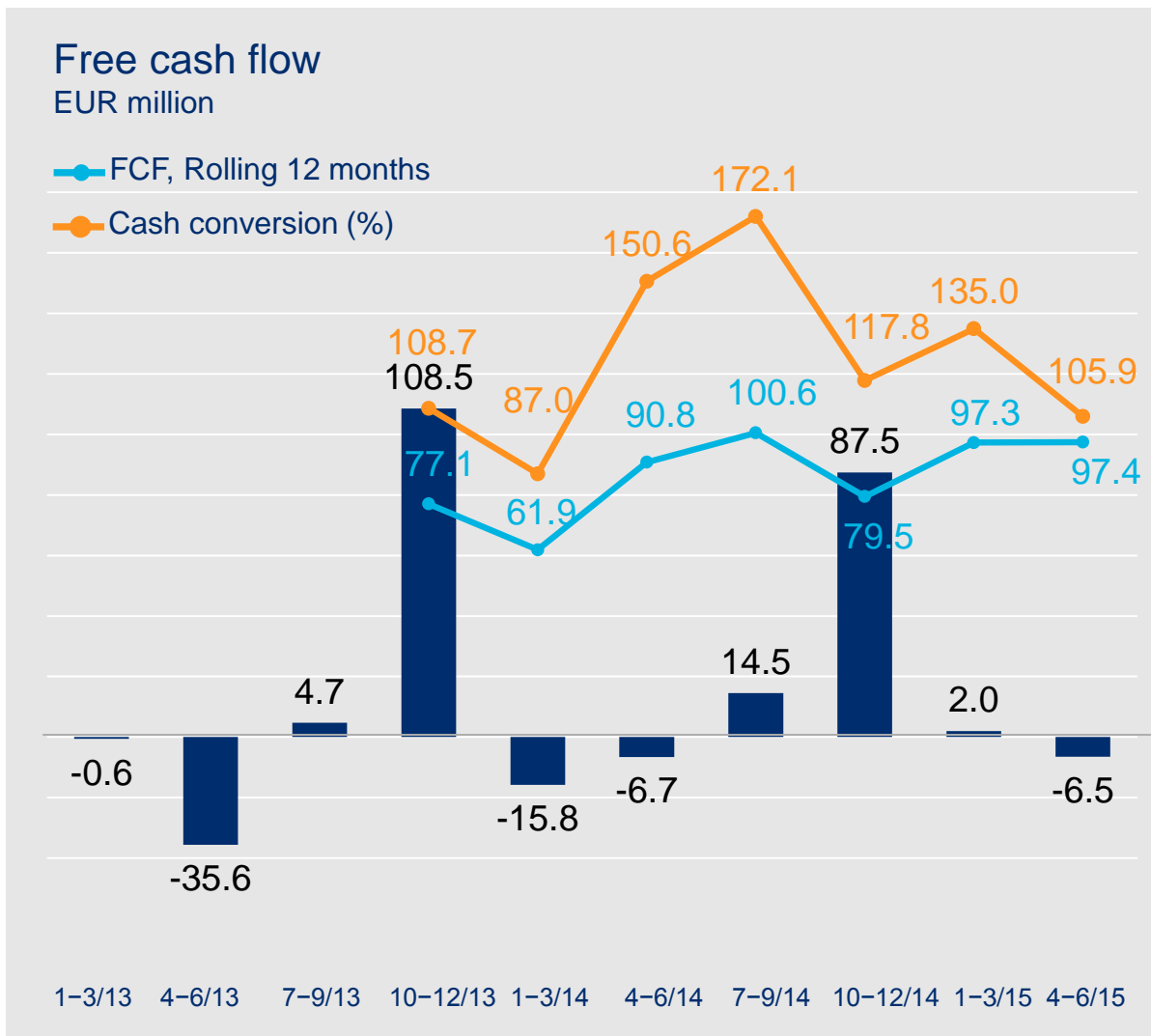
Capex investments

- Mainly relating to IT and the development of common business processes
 - 2014: EUR 23.4 million
 - H1/2015: EUR 12.9 million

*) Capital expenditures consist of investments in tangible (property, plant and equipment) and intangible assets, excluding acquisitions.



Strong free cash flow and cash conversion



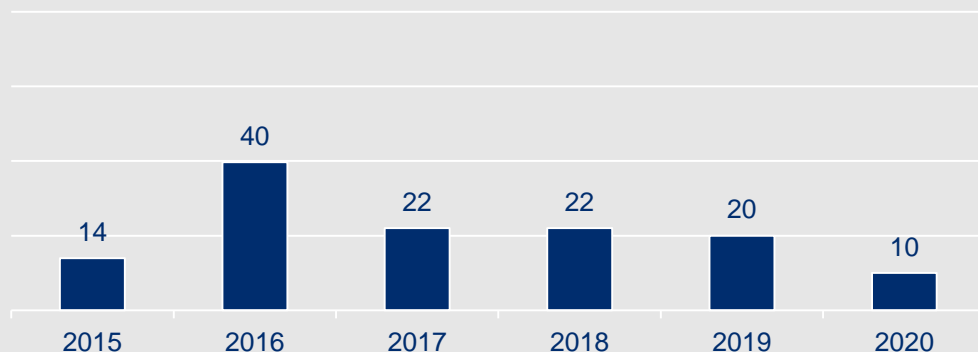
Strong rolling 12-month free cash flow and cash conversion supported by efficient management of working capital and low need for capex

- Free cash flow = Operating cash flow before financial and tax items – Taxes paid – Investments (net)
- Cash conversion (%) = $\text{FCF} / \text{EBITDA (Rolling 12m)}$



Balanced debt structure

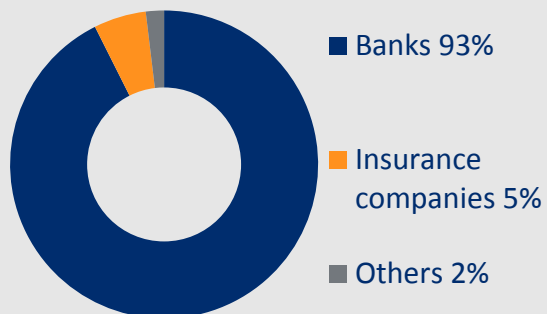
Debt maturity
EUR million



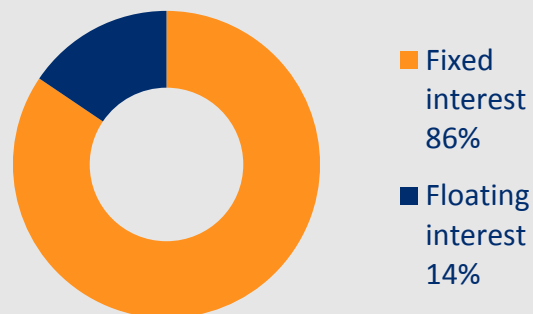
New financing arrangement totalling EUR 200 million agreed in May 2015

- Strengthened debt maturity structure
- Five-year syndicated unsecured revolving credit facility of EUR 100 million
- Five-year bilateral unsecured term loans in total of EUR 100 million

Loan portfolio



Interest rate type
(after hedges)

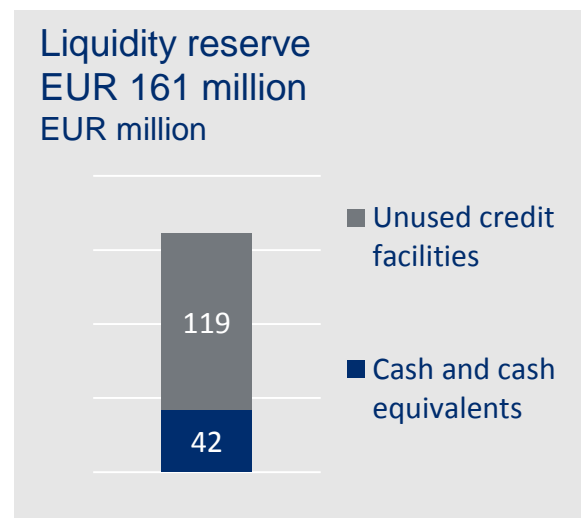
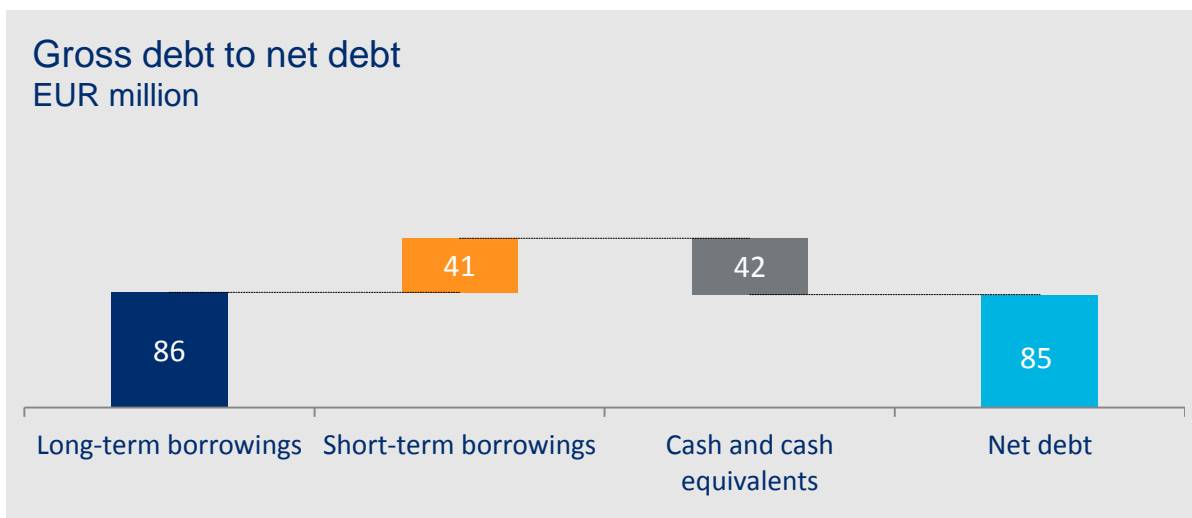
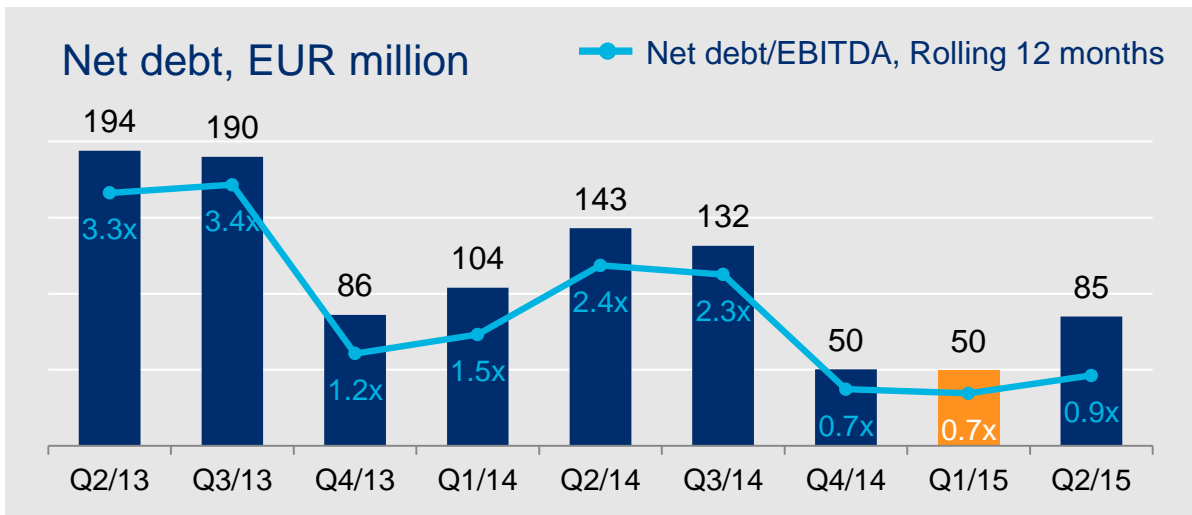


**Loan portfolio total:
EUR 127.3 million**

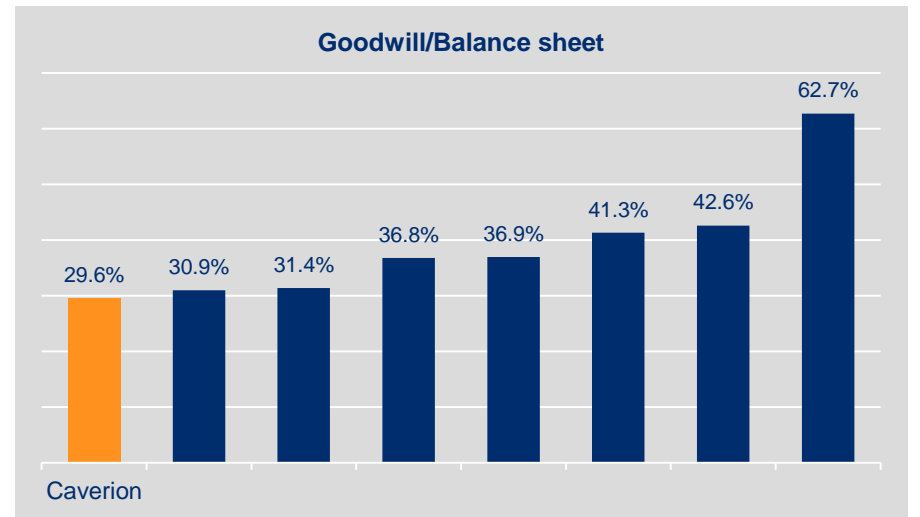
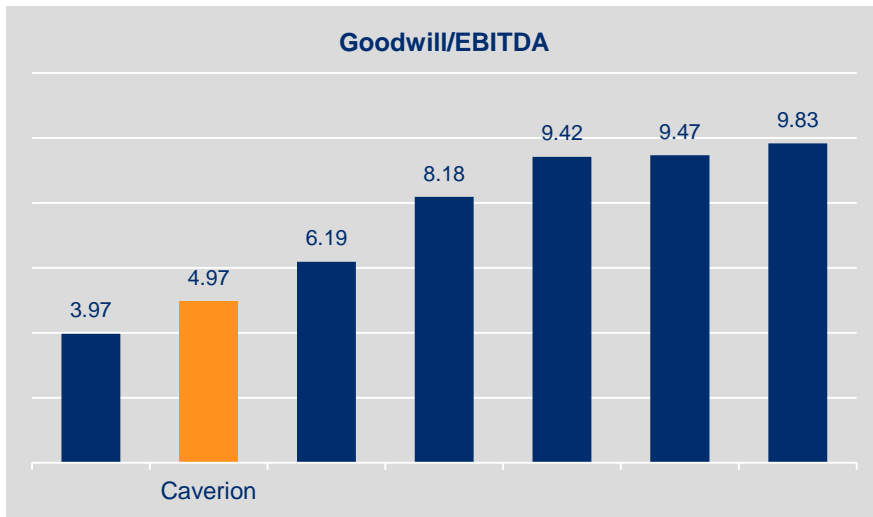
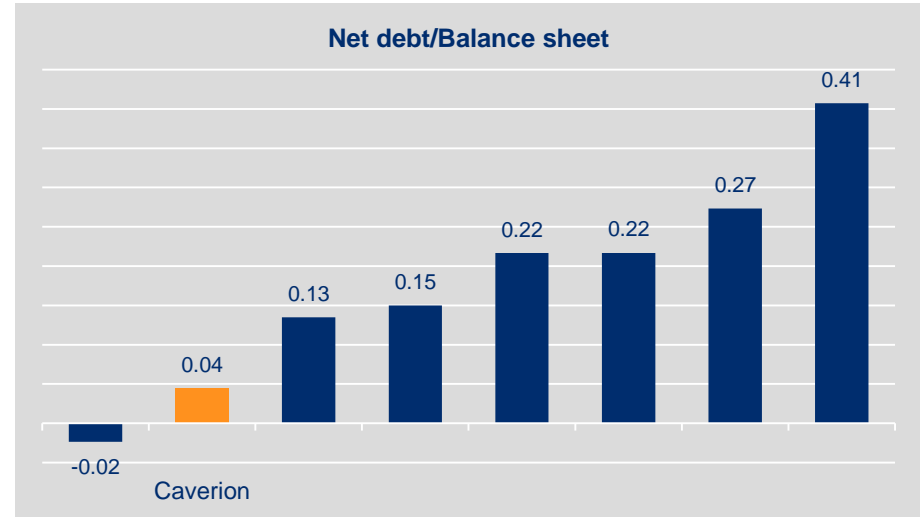
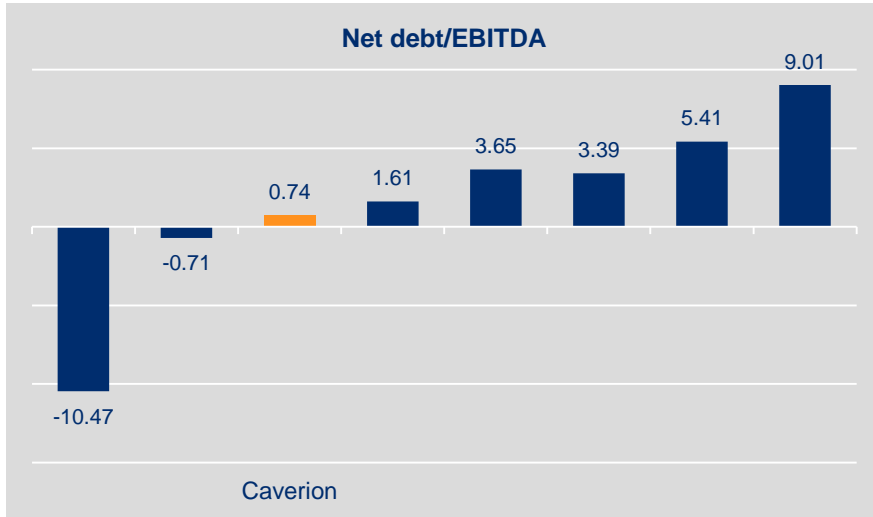
**Average interest rate
after hedges: 1.41%**



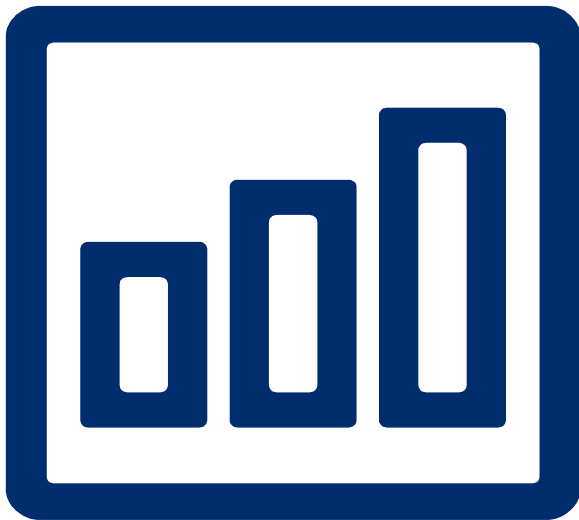
Strong balance sheet and liquidity



Peer Comparison – Net Debt and Goodwill

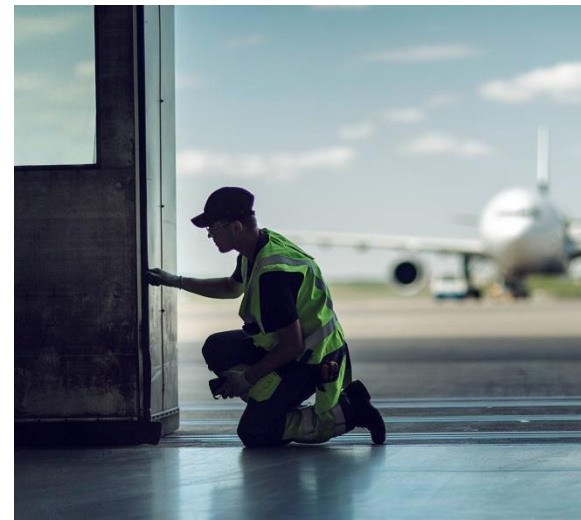


Guidance for 2015 reiterated



Revenue

Caverion estimates that the Group's revenue will remain at the previous year's level.



EBITDA

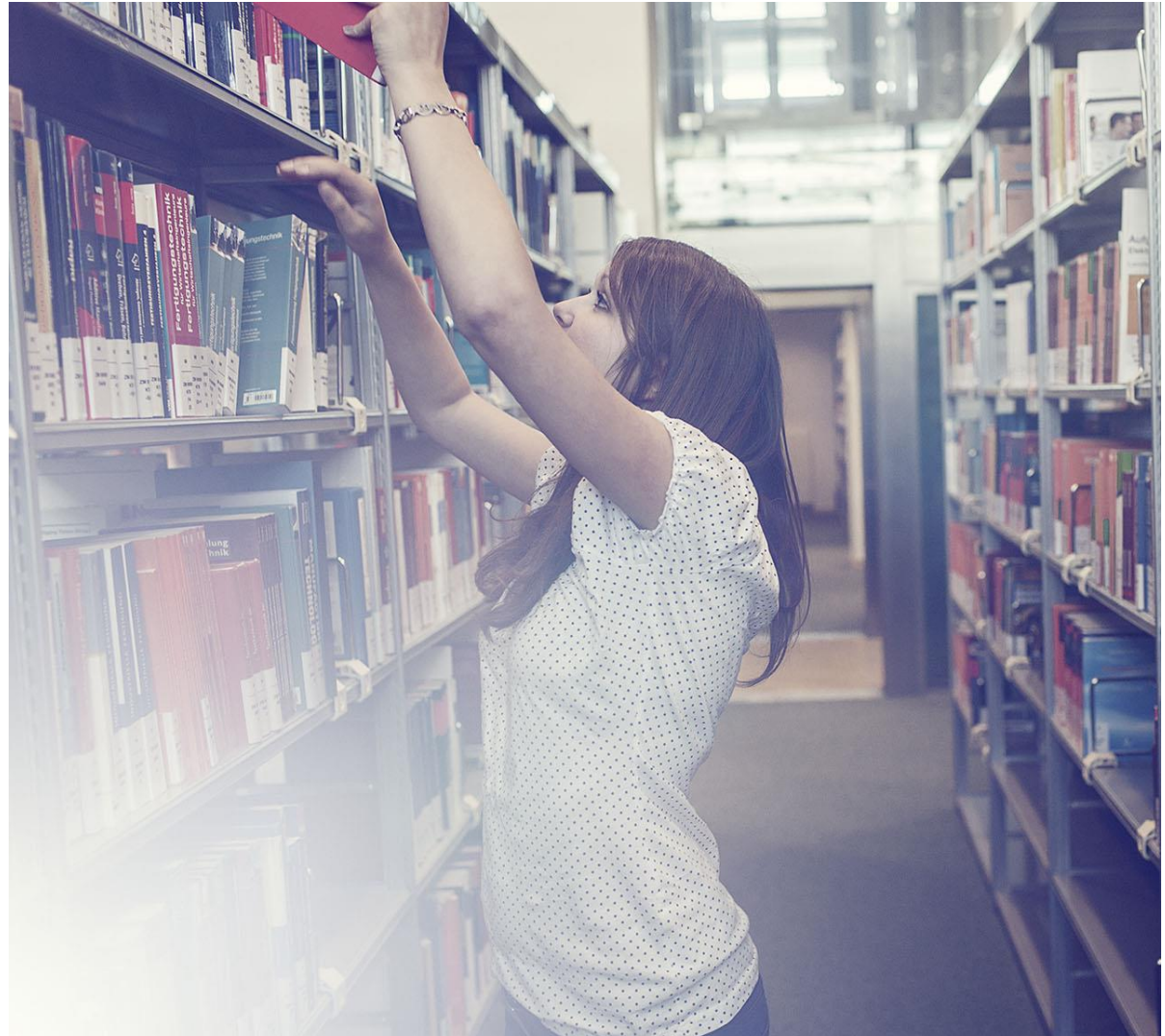
Caverion estimates that the Group's EBITDA margin for 2015 will grow significantly.



Dividend policy intact

Dividend pay-out
at least 50 per cent
of the net profit
for the period.

A dividend of EUR 0.22 per
share was paid on April 2, 2015.



Strong financial position supporting strategy execution

1. On track to reach our 2016 financial targets

2. Our financial position is strong allowing us to execute our strategy.

3. Focused on delivering profitable growth by changing the business mix and cost efficiency





**Life Cycle Solutions for
Buildings and Industries**

Caverion

**Site visit to Caverion Space for Innovation
in Aachen**

Carina Qvarngård, CTO

Capital Markets Day in Aachen
September 9, 2015

Site visit to Caverion Space for Innovation in Aachen

“Innovation Path” showroom

- Display area with theme-based pillars
- Portrays Caverion’s innovative solutions through reference cases and videos
- Tells the Caverion and Krantz stories
- Demo equipment on display

R&D Centre including lab and operations

- Caverion’s creative hub: on 1,000 m² of floor space we realise the building services of tomorrow by making them reliable, safe, comfortable, efficient and sustainable.
- Specialised in R&D of advanced products related to ventilation, cooling and automation as well as in customised solutions for highly demanding facilities such as cleanrooms in hospitals and laboratories.
- Testing and simulation of indoor climate for optimal client solution and fire extinguishing are also being performed.

