Q1
Interim Report
1-3/2018

Caverion

Caverion Corporation Interim Report 24 April 2018 at 8.00 a.m. EEST

Caverion Corporation's Interim Report for January 1 – March 31, 2018

Good start for the year – Operational improvement starting to show results

January 1 – March 31, 2018

- **Revenue:** EUR 526.8 (574.6) million.
- **Adjusted EBITDA:** EUR 10.9 (7.8) million, or 2.1 (1.4) percent of revenue.
- **EBITDA:** EUR 9.9 (-2.0) million, or 1.9 (-0.3) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR 19.8 (-12.1) million.
- **Cash conversion (LTM):** 148.2 (n.a) percent.
- **Net debt/EBITDA*:** 1.8x (3.7x).
- **Earnings per share, undiluted:** EUR 0.01 (-0.08) per share.

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.
* Based on calculation principles confirmed with the lending parties.

KEY FIGURES

EUR million	1–3/18	1–3/17	Change	1–12/17
Order backlog	1,540.0	1,543.5	-0.2%	1,491.0
Revenue	526.8	574.6	-8.3%	2,275.8
Adjusted EBITDA	10.9	7.8	40.9%	25.8
Adjusted EBITDA margin, %	2.1	1.4		1.1
EBITDA	9.9	-2.0		3.8
EBITDA margin, %	1.9	-0.3		0.2
Operating profit	3.4	-9.6		-26.6
Operating profit margin, %	0.7	-1.7		-1.2
Result for the period	2.2	-9.5		-27.0
Earnings per share, undiluted, EUR	0.01	-0.08		-0.24
Operating cash flow before financial and tax items	19.8	-12.1		-8.7
Cash conversion (LTM), %	148.2	n.a.		n.a.
Working capital	-41.4	-21.3	-94.7%	-30.8
Interest-bearing net debt	47.2	164.9	-71.4%	64.0
Net debt/EBITDA*	1.8	3.7		2.9
Gearing, %	19.4	106.4		27.2
Equity ratio, %	27.7	16.7		25.8
Personnel, end of period	15,687	16,679	-5.9%	16,216

* Based on calculation principles confirmed with the lending parties.

Ari Lehtoranta, President and CEO:

"The market situation in building technology services has remained good and the year 2018 has started according to our expectations. The implementation of our strategy in the "Fit" phase is starting to show results. For the first quarter of 2018, our adjusted EBITDA improved to EUR 10.9 (7.8) million and EBITDA to EUR 9.9 (-2.0) million. Our financial position strengthened. Operating cash flow before financial and tax items turned strongly positive and improved to EUR 19.8 (-12.1) million. Furthermore, our cash conversion rate came in at 148.2 percent, and our net debt/EBITDA improved to 1.8x, as calculated following the calculation principles confirmed with our lending parties.

We continued our selective approach in our Projects business and strengthening our Services business. Revenue was down as expected. It is noteworthy that revenue was also impacted by adverse fluctuations in currency exchange rates, the timing of Easter and the sale of our Krantz business in the last quarter of 2017. New orders were on a good level. Revenue of the Services business declined by 1.4 percent and revenue of the Projects business declined by 15.7 percent. Measured in local currency terms, revenue however increased by 1.4 percent in the Services business unit. Both the Projects and the Services business unit improved their performance. There were no material project business write-downs impacting our first quarter results. Although there still are certain project risks remaining, I expect the Projects business to materially improve its result in 2018.

By division, there was overall good progress. All divisions that experienced significant problems in 2017 (Sweden, Germany and Industrial Solutions) improved their profitability and cash flow in the first quarter. In Germany, however, the performance still remained far from satisfactory. There was positive development in most other divisions. Finland, Norway and Austria continued to deliver good results, with Denmark clearly improving.

The implementation of our “Top performance at every level” Must-Win was at the core of our operational development. We continued to roll out the performance management programme and its four streams related to Services, Projects, procurement and material logistics as well as fixed costs. The target of this programme is to materially improve our operational efficiency, customer focus, agility and management systematics with focus on the operative units.

At the same time, we continued to further develop our “Best solutions” Must-Win, with increased resourcing to strengthen our service offering and new digital services. This programme is taken forward with several different focus areas during the first half of 2018. In addition, we continued the implementation of our “Excellent customer experience” and “Winning team” Must-Wins.

Looking forward into 2018, the market environment remains favourable. Our customer satisfaction has improved and our personnel is getting good feedback on their competences and service mindset. This in turn has translated into better quality new orders. Furthermore, our renewed leadership has team shown significant commitment to Caverion by making considerable investments in the company’s shares. All this creates a good foundation based on which to further improve our performance.”

OUTLOOK FOR 2018

Market outlook for Caverion’s services and solutions

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

Services

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

Projects

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

Change in reporting of business unit revenue

Caverion adopted a new way of reporting its business unit revenue as of 2018. Previously Caverion reported revenue according to the classification of its contracts as follows: Project business consisting of the Large Projects and Technical Installation business areas and the Services business consisting of the Technical Maintenance and Managed Services business areas. As of 2018 Caverion adopted business unit monitoring based on a profit center structure, whereby each profit center belongs to either the Projects or Services business unit. The new profit center structure enables improved financial steering in Caverion. Caverion provides comparative figures for the new Business Unit structure for each quarter of the financial year 2017. Based on the new classification, the Services business unit accounted for 53.1 per cent and the Projects business unit for 46.9 per cent of Group revenue in 2017, while based on the previous classification the Services business accounted for 52.5 per cent and the Projects business for 47.5 per cent of Group revenue in 2017.

Guidance for 2018

Caverion's guidance for 2018 is unchanged: "Caverion estimates that the Group's revenue for 2018 will decrease compared to the previous year (2017: EUR 2,275.8 million). Caverion estimates that the Group's adjusted EBITDA will more than double in 2018 (2017: EUR 25.8 million)."

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

Items affecting comparability (IAC) are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing profit of the current period with previous periods. These items can include (1) capital gains and losses from divestments; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2018, major risk projects include three completed Large Projects from Industrial Solutions. The financial impacts of these will be reported separately by Caverion under "Items affecting comparability (IAC)". The adjusted EBITDA figures for 2017 have been calculated accordingly.

Adjusted EBITDA – Items affecting comparability

EUR million	1–3/18	1–3/17	1–12/17
EBITDA	9.9	-2.0	3.8
EBITDA margin, %	1.9	-0.3	0.2
Items affecting EBITDA			
- Write-downs, expenses and income from major risk projects	0.9	9.8	27.1
- Restructuring costs	0.1		7.3
- Capital gains and losses from divestments			-12.3
Adjusted EBITDA	10.9	7.8	25.8
Adjusted EBITDA margin, %	2.1	1.4	1.1

Caverion published IFRS 15 restated figures and quarterly Adjusted EBITDA for 2017 as well as its guidance for 2018 according to IFRS 15 in a stock exchange release on 21 March 2018.

In its revenue guidance Caverion applies the following guidance terminology.

Positive change	Lower limit %	Upper limit %
Increases	0%	
Negative change	**Lower limit %**	**Upper limit %**
Decreases		0%

In its adjusted EBITDA 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%	30%
Grows significantly	30%	100%
Doubles	100%	
Negative change	**Lower limit %**	**Upper limit %**
Decreases	-30%	-5%
Decreases significantly		-30%

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference and webcast on the Interim Report on Tuesday, 24 April 2018, at 11:00 a.m. (Finnish Time, EEST) at the Glo Hotel Kluuvi (VideoWall meeting room), Kluuvikatu 4, 2nd floor, Helsinki, Finland. The news conference can also be viewed live on Caverion's website at www.caverion.com/investors. It is also possible to participate in the event through a conference call by calling the assigned number +44 (0)330 336 9105 at 10:55 a.m. (Finnish time, EEST) at the latest. Participant code for the conference call is "5790356 / Caverion". More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information to be published in 2018

Half-yearly/interim reports will be published on 25 July 2018 and 25 October 2018. Financial reports and other investor information are available on Caverion's website, www.caverion.com/investors, and IR App. The materials may also be ordered by sending an e-mail to IR@caverion.com.

CAVERION CORPORATION

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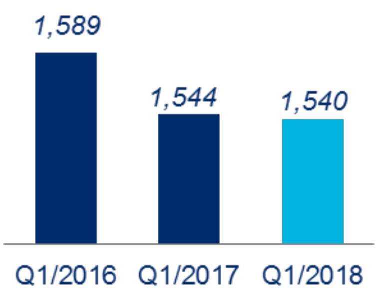
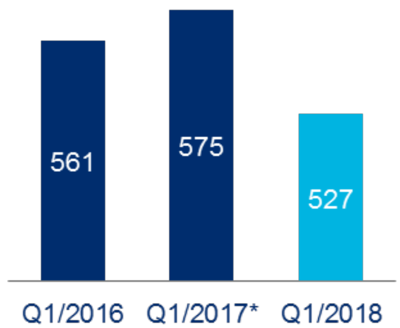
GROUP FINANCIAL DEVELOPMENT

Key Figures

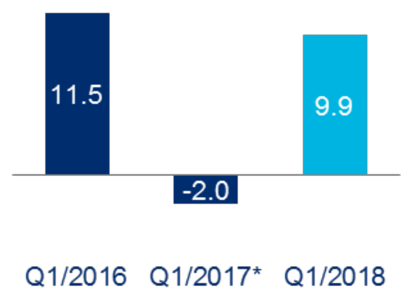
Order backlog
(EUR million)



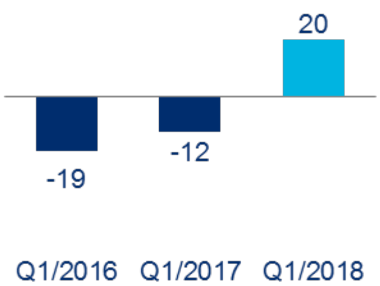
Revenue
(EUR million)



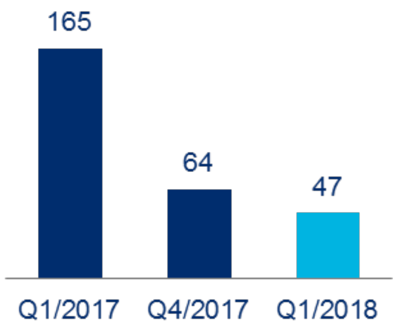
EBITDA (EUR million)



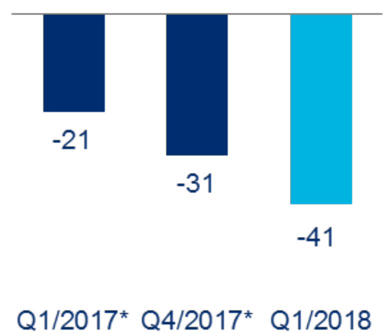
Operating cash flow before financial and tax items
(EUR million)



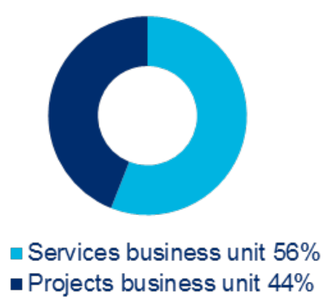
Net debt
(EUR million)



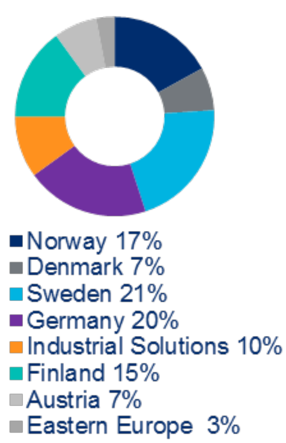
Working capital
(EUR million)



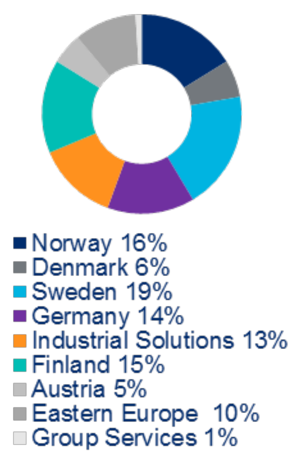
Revenue by business unit
% of revenue 1-3/2018



Revenue by division
% of revenue 1-3/2018



Personnel by division
at the end of March 2018



** 2017 figures IFRS 15 restated.*

Operating environment in the first quarter in 2018

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

Services

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

Projects

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

Estimated key risk areas for 2018

Following the latest assessment, while there are still certain project performance risks remaining into 2018 from the already technically completed projects and there are still about one quarter of projects in the project order backlog that have been started in 2016 or earlier, the Projects business is expected to materially improve its result in 2018. The remaining project risks mainly relate to three completed Large Projects in Industrial Solutions, the impacts of which will be separately reported under “Items affecting comparability”. Estimated risk areas also include the outcome of the decision on competition law investigation in Germany.

Order backlog

Order backlog amounted to EUR 1,540.0 million at the end of March, down by 0.2 percent from the end of March in the previous year (EUR 1,543.5 million). At comparable exchange rates the order backlog increased by 1.6 percent. The Services order backlog increased from the end of March in the previous year. The Projects order backlog declined, which was largely due to the Group’s more selective approach in Projects business. Caverion has implemented a stricter project tendering process since the second quarter of 2016 as well as closed down several poor-performing project units. In the first quarter of 2018, Caverion continued to focus on the tendering process with a target to uplift the project margin particularly in new Projects business orders.

Revenue

Revenue for January–March was EUR 526.8 (574.6) million. Revenue decreased by 8.3 percent compared to the same period previous year. Revenue was impacted by adverse fluctuations in currency exchange rates, the timing of Easter and the sale of the Krantz business in the last quarter of 2017. There was also a negative impact from the Group’s more selective approach in Projects business.

At previous year’s exchange rates revenue was EUR 539.4 million and decreased by 6.1 percent compared to the previous year. Changes in the Swedish crown accounted for EUR -5.6 million, the Norwegian crown for EUR -6.5 million and the Russian rouble for EUR -0.7 million.

Revenue increased from the previous year in Austria and Denmark, while it decreased in other divisions. The revenue in Germany in 2018 is not fully comparable with the previous year as Caverion sold its product business under the Krantz brand in Germany in 2017. Revenue for the Krantz product business in 2017 was approximately EUR 45 million.

The Group adopted new revenue recognition principles according to IFRS 15 as of January 1, 2018. The IFRS 15 standard requires that revenue is recognised from any variable consideration at its estimated amount, if it is highly probable that no significant reversal of revenue will occur. Under the previous revenue recognition standards, revenue was recognised from variable consideration when it was assessed probable to occur. Revenue from variable considerations is thus to be recognised more prudently under IFRS 15 than under previous revenue recognition standards. Caverion issued a separate stock exchange release on March 21, 2018 on its IFRS 15 restated figures.

Caverion adopted a new way of reporting its business unit revenue as of 2018. Previously Caverion reported revenue according to the classification of its contracts as follows: Project business consisting of the Large Projects and Technical Installation business areas and the Services business consisting of the Technical Maintenance and Managed Services business areas. As of 2018 Caverion adopted business unit monitoring based on a profit center structure, whereby each profit center belongs to either the Projects or Services business unit. The new profit center structure enables improved financial steering in Caverion. Caverion provides comparative figures for the new Business Unit structure for each quarter of the financial year 2017. Based on the new classification, the Services business unit accounted for 53.1 per cent and the Projects business unit for 46.9 per cent of Group revenue in 2017, while based on the previous classification the Services business accounted for 52.5 per cent and the Projects business for 47.5 per cent of Group revenue in 2017.

Revenue of the Services business unit was EUR 292.9 (297.0) million in January–March, a decrease of 1.4 percent from the corresponding period last year. Measured in local currency terms, revenue however increased by 1.4 percent in the Services business unit. Revenue of the Projects business unit was EUR 233.9 (277.6) million in January–March, a decrease of 15.7 percent due to more selective tendering. Large project revenue decline was even more than this.

The Services business unit accounted for 55.6 (51.7) percent of Group revenue and the Projects business unit for 44.4 (48.3) percent of Group revenue in January–March.

Distribution of revenue by Division and Business Unit

Revenue, EUR million	1–3/ 2018	%	1–3/ 2017 Restated	%	Change	1–12/ 2017 Restated	%
Norway	90.2	17%	100.1	17%	-10%	367.0	16%
Denmark	35.4	7%	32.2	6%	10%	142.7	6%
Sweden	113.0	21%	130.6	23%	-13%	492.2	22%
Germany	106.5	20%	110.6	19%	-4%	468.6	21%
Industrial Solutions	50.9	10%	66.7	12%	-24%	248.3	11%
Finland	77.9	15%	82.6	14%	-6%	317.3	14%
Austria	36.8	7%	34.3	6%	7%	161.9	7%
Eastern Europe	16.1	3%	17.8	3%	-10%	77.8	3%
Group, total	526.8	100%	574.6	100%	-8%	2,275.8	100%
Services business unit	292.9	56%	297.0	52%	-1%	1,209.0	53%
Projects business unit	233.9	44%	277.6	48%	-16%	1,066.8	47%

Profitability

EBITDA

Adjusted EBITDA was EUR 10.9 (7.8) million, or 2.1 (1.4) percent of revenue in January–March. EBITDA for January–March was EUR 9.9 (-2.0) million, or 1.9 (-0.3) percent of revenue.

By division, there was overall good progress. All divisions that experienced significant problems in 2017 (Sweden, Germany and Industrial Solutions) improved their profitability and cash flow in the first quarter. In Germany, however, the performance still remained far from satisfactory. There was positive development in most other divisions. Finland, Norway and Austria continued to deliver good results, with Denmark clearly improving and Eastern Europe showing improvement in most areas. The result in Germany in 2018 is not fully comparable with the previous year as Caverion sold its product business under the Krantz brand in Germany to STEAG Energy Services GmbH in the end of 2017. Both the Projects and the Services business unit improved their performance.

Costs related to materials and supplies decreased to EUR 129.4 (164.4) million and external services to EUR 95.3 (101.2) million in January–March. Personnel expenses decreased by 7.1 percent and other operating expenses by 1.1 percent from the previous year. Personnel expenses for January–March amounted to a total of EUR 228.0 (245.4) million. Other operating expenses decreased to EUR 65.2 (65.9) million. Other operating income was EUR 1.0 (0.3) million. Group's external legal costs relating to the three Industrial Solutions projects reported specifically amounted to EUR 0.9 million in January–March. The Group's restructuring costs amounted to EUR 0.1 million, which related to Germany.

EBITDA is defined as Operating profit + Depreciation, amortisation and impairment. Adjusted EBITDA = EBITDA before items affecting comparability (IAC). Items affecting comparability (IAC) are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing profit of the current period with previous periods. These items can include (1) capital gains and losses from divestments; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2018, major risk projects include three completed Large Projects from Industrial Solutions.

Operating profit

Operating profit for January–March was EUR 3.4 (-9.6) million, or 0.7 (-1.7) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 6.5 (7.6) million in January–March, of which EUR 0.5 (0.7) million were allocated intangibles related to acquisitions and EUR 6.0 (6.9) million were other depreciations, amortisation and impairments, the majority of which related to IT.

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

Result before taxes, result for the period and earnings per share

Result before taxes amounted to EUR 2.7 (-10.8) million, result for the period to EUR 2.2 (-9.5) million and earnings per share to EUR 0.01 (-0.08) in January–March. Net financing expenses in January–March were EUR -0.8 (-1.2) million.

The Group's effective tax rate was 19.6 (12.4) percent in January–March.

Capital expenditure

Gross capital expenditure on non-current assets totalled EUR 4.2 (5.0) million during January–March, representing 0.8 (0.9) percent of revenue. Investments in information technology totalled EUR 3.4 (4.2) million during January–March. IT investments were focused on building a harmonised IT infra and common platforms, datacenter consolidation as well as implementing a common ERP template. IT systems and mobile tools were also developed to improve the Group's internal processes and efficiency going forward. Other investments amounted to EUR 0.8 (0.8) million.

Cash flow, working capital and financing

The Group's operating cash flow before financial and tax items turned clearly positive in the first quarter and amounted to EUR 19.8 (-12.1) million. Cash conversion was 148.2 percent. Operating cash flow improved in all divisions due to better profitability and improved working capital management. The Group's free cash flow improved to EUR 12.2 (-18.5) million.

The Group's working capital improved to EUR -41.4 (-21.3) million at the end of March. Working capital also improved from the level of EUR -30.8 million at the end of December 2017. The amount of POC receivables decreased to EUR 240.4 (268.3) million and trade receivables to EUR 269.9 (298.6) million at the end of March. There was good development also in old overdue trade receivables. At the end of March, working capital was still tied by certain risk projects mainly in divisions Industrial Solutions and Germany.

Caverion's cash and cash equivalents amounted to EUR 37.2 (24.7) million at the end of March. In addition, Caverion has undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

The Group's interest-bearing loans and borrowings amounted to EUR 84.4 (189.6) million at the end of March and the average interest rate after hedges was 2.7 percent. Approximately 83 percent of the loans have been raised from banks and other financial institutions and approximately 14 percent from insurance companies. A total of EUR 30.1 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 47.2 (164.9) million at the end of March. At the end of March, the Group's gearing was 19.4 (106.4) percent and equity ratio 27.7 (16.7) percent. On June 9, 2017 Caverion Corporation issued a EUR 100 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements.

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Financial covenant shall not exceed 3.5:1. At the end of March, the Group's Net debt to EBITDA was 1.8x according to the confirmed calculation principles.

Changes in external financial reporting in 2018

Caverion adopted a new way of reporting its business unit revenue as of 2018. Previously Caverion reported business unit revenue according to the classification of its contracts as follows: Project Business consisting of the Large Projects and Technical Installation business areas and the Services Business consisting of the Technical Maintenance and Managed Services business areas. As of 2018 Caverion adopted Business Unit monitoring based on a profit center structure, whereby each profit center belongs to either the Projects or Services business unit. The new profit center structure enables improved financial steering in Caverion. Caverion provides comparative figures for the new Business Unit structure for each quarter of the financial year 2017. Based on the new classification, the Services business unit accounted for 53.1 per cent and the Projects business unit for 46.9 per cent of Group revenue in 2017, while based on the previous classification the Services business accounted for 52.5 per cent and the Projects business for 47.5 per cent of Group revenue in 2017. The comparative figures for 2017 are presented in the table below.

REVENUE BASED ON BUSINESS UNIT BREAKDOWN

Revenue, EUR million	1–3/ 2017	4-6/ 2017	7-9/ 2017	10-12/ 2017	1–12/ 2017	%
Services business unit	297.0	290.8	284.0	337.2	1,209.0	53%
Projects business unit	277.6	272.5	261.6	255.1	1,066.8	47%

PREVIOUSLY REPORTED REVENUE BASED ON BUSINESS AREA BREAKDOWN

Revenue, EUR million	1–3/ 2017 Restated	4-6/ 2017 Restated	7-9/ 2017 Restated	10-12/ 2017 Restated	1–12/ 2017 Restated	%
Services business	292.7	289.3	279.8	333.4	1,195.2	53%
- Technical Maintenance	208.7	208.3	197.0	236.5	850.5	37%
- Managed Services	84.1	80.9	82.8	96.9	344.6	15%
Projects business	281.9	274.1	265.8	258.9	1,080.6	47%
- Technical Installation	177.3	184.3	177.3	177.3	716.2	31%
- Large Projects	104.6	89.7	88.5	81.6	364.5	16%

Caverion announced in a stock exchange release on 6 November 2017 that it is renewing its division structure by separating its Denmark-Norway division operations into two divisions Denmark and Norway. The changes took place as of 1 January 2018.

The revenue and result in Germany in 2018 are not fully comparable with the previous year as Caverion sold its product business under the Krantz brand in Germany to STEAG Energy Services GmbH in the end of 2017. The sale became effective on December 31, 2017. As a part of Caverion Germany, Krantz employed approximately 230 people and its revenue was approximately EUR 45 million in 2017. The capital gain from the divestment was reported under other operating income for the period and it amounted to EUR 12.3 million.

The Group adopted new revenue recognition principles according to IFRS 15 as of January 1, 2018. The IFRS 15 standard requires that revenue is recognised from any variable consideration at its estimated amount, if it is highly probable that no significant reversal of revenue will occur. Under the previous revenue recognition standards, revenue was recognised from variable consideration when it was assessed probable to occur. Revenue from variable considerations is thus to be recognised more prudently under IFRS 15 than under previous revenue recognition standards. Caverion issued a separate stock exchange release on March 21, 2018 on its IFRS 15 restated figures, quarterly Adjusted EBITDA for 2017 as well as its guidance for 2018 according to IFRS 15.

The adoption of the new IFRS 15 accounting principles had a negative impact on revenue of EUR -7.0 million and on EBITDA and operating profit of EUR -7.3 million for the financial year 2017. The Group's equity ratio decreased from 27.9 percent to 25.8 percent and gearing increased from 24.4 percent to 27.2 percent as at 31 December 2017. The negative impact on the Group's retained earnings amounted to EUR 27.2 million as at 31 December 2017. Additional information has been presented in the financial tables under "IFRS 15 restated figures".

PERSONNEL

Personnel by division, end of period	3/18	3/17	Change	12/17
Sweden	3,052	3,434	-11%	3,150
Norway	2,452	2,497	-2%	2,486
Finland	2,415	2,470	-2%	2,444
Germany	2,239	2,451	-9%	2,453
Industrial Solutions	1,985	2,072	-4%	2,023
Eastern Europe	1,642	1,858	-12%	1,754
Denmark	964	990	-3%	952
Austria	830	794	5%	840
Group Services	108	113	-4%	114
Group, total	15,687	16,679	-6%	16,216

Caverion Group employed 15,916 (16,792) people on average in January–March 2018. At the end of March, the Group employed 15,687 (16,679) people. Personnel expenses for January–March 2018 amounted to EUR 228.0 (245.4) million.

The effects of the restructuring actions completed in 2016 and 2017 are clearly visible. In early 2018, new resources were needed to fulfil critical competence gaps. Caverion continued to hire trainees and apprentices to grow as experts. Special attention continued to be paid to project management and the strengthening of managerial capabilities. Development activities were continued in divisions to better match business demand with the supply of resources.

Several Group-wide projects were continued such as the implementation of project management capabilities. Further performance and utilisation improvement actions were continued in Sweden. Talent and succession planning as well as the implementation of harmonised job structures and people processes continued. The well-being of employees was a focus area and group-wide safety programme was taken forward. Accident frequency rate in the end of March decreased by 13 percent from the previous year to 5.4 (6.2).

SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTIES

Caverion is exposed to different types of strategic, operational, political, market, customer, financial and other risks. The market environment is currently positive in markets relevant for Caverion, but there may always occur sudden unexpected changes affecting also Caverion.

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

Although improved project controls have been implemented, it is possible that some risks may materialise, which could lead to project write-downs, provisions, disputes or litigations. Caverion has made a large amount of project write-downs during 2016-2017 but it is still possible that risks may emerge in these or new projects.

According to Group policy, write-offs or provisions are booked on receivables when it is evident that no payment can be expected. Caverion Group follows a policy in valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collection, customer-specific collaterals and analyses as well as the general economic situation of the review period. Caverion carries out risk assessments related to POC and trade receivables in its project portfolio on an ongoing basis. There are certain individual larger receivables where the company continues its actions to negotiate and collect the receivables. There is remaining risk in the identified receivables, and it cannot be excluded that there is also risk associated with other receivables.

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

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

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

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

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

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Breaching this covenant would give the lending parties the right to declare the loans to be immediately due and payable. Caverion concluded amendments with its lending parties related to the maximum level of the financial covenant and confirmed the EBITDA calculation principles related to the Group's financial covenant in 2017. The project write-downs made in 2016 and 2017 burdened the company's EBITDA and the financial covenant level in 2017. It is possible that Caverion may need amendments related to its financial covenant also in the future. The level of the financial covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

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

There are risks related to the functionality, security and availability of the company's IT systems. Caverion has made significant investments in IT and system development. There is a risk that the expected functionalities and pay-back are not fully materialised.

Financial risks have been described in more detail in the 2017 Financial Statements note 5.5 and in the financial tables to this Interim Report under note 6.

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Caverion, held on 26 March 2018, adopted the Financial Statements for the year 2017 and discharged the members of the Board of Directors and the President and CEO from liability. In addition, the Annual General Meeting resolved on the use of the profit shown on the balance sheet and the payment of dividend, the composition of members of the Board of Directors and their remuneration, the election of a new auditor and its remuneration as well as authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares and share issues.

The Annual General Meeting elected a Chairman, Vice Chairman and six ordinary members to the Board of Directors. Michael Rosenlew was elected as the Chairman of the Board of Directors, Markus Ehrnrooth as the Vice Chairman and Jussi Aho, Joachim Hallengren, Thomas Hinnerskov, Antti Herlin, Anna Hyvönen and Mats Paulsson as members of the Board of Directors for a term continuing until the end of the next Annual General Meeting. 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 26 March 2018. 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 26 March 2018, decided according to the proposal of the Board of Directors that no dividend will be paid for the financial year 2017.

Caverion's dividend policy is to distribute as dividends at least 50 percent of the result for the year after taxes, however, taking profitability and leverage level into account. 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

The number of shares was 125,596,092 and the share capital was EUR 1,000,000 on 1 January 2018. Caverion held 512,328 treasury shares on 1 January 2018. At the end of the reporting period, the total number of shares in Caverion was 129,396,092. Caverion held 3,264,451 treasury shares on 31 March 2018, representing 2.52% of the total number of shares and voting rights. The number of shares outstanding was thus 126,131,641 at the end of March 2018.

Caverion's Board of Directors announced on 7 February 2018 in a stock exchange release the establishment of a new share-based incentive plan directed for the key employees of the Group ("Matching Share Plan 2018-2022"). The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to encourage the key employees to personally invest in the company shares, to retain them at the company, and to offer them a competitive reward plan that is based on acquiring, receiving and holding the company's shares. The prerequisite for participating in the Plan is that a key employee acquires company shares up to the number and in the manner determined by the Board of Directors. The plan participant may not participate in the Performance Share Plan 2018-2020 simultaneously with participating in the Matching Share Plan. The rewards from the plan will be paid in four instalments, each instalment in 2019, 2020, 2021 and 2022. However, the reward payment will be deferred, if a yield of the share has not reached the pre-set minimum yield level by the end of the matching period in question. In connection with the technical execution of the plan a total of 3,800,000 new shares were subscribed for in Caverion Corporation's share issue directed to the company itself without payment and entered into the Trade Register on 19 February 2018. A maximum total of 1,280,000 shares held by the company were, in deviation from the shareholders' pre-emptive right, offered in the share issue for subscription to the key employees participating in the Matching Share Plan. The share subscription period ended on 23 February 2018. A total of 1,047,877 Caverion Corporation shares were subscribed for in the share issue pursuant to the primary and secondary subscription right and the total capital raised amounted to EUR 6.67 million. The subscription price was 6.37 euros per share. The company granted the plan participants interest-bearing loans in the total amount of approximately EUR 4.16 million to finance the acquisition of the company's shares. More detailed information about the Matching Share Plan 2018-2022 and the related share issues and transfers was published in stock exchange releases on 7 February 2018, 19 February 2018, 1 March 2018 and 8 March 2018.

Caverion's Board of Directors approved a rolling long-term share-based incentive plan for the Group's senior management in December 2015. 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 Board of Directors decided to continue the said incentive structure in December 2016 and in December 2017. The first plans commenced thus at the beginning of 2016, followed by the second and third plans in the beginning of 2017 and 2018, respectively. The targets set for the first and second Performance Share Plan 2016–2018 and 2017-2019 were not met and no rewards will therefore be paid thereof. If all targets will be met, the share rewards based on Performance Share Plan 2018-2020 will comprise a maximum of approximately 850,000 Caverion shares (gross before the deduction of applicable payroll tax), to be delivered in the spring of 2021. Furthermore, the potential share rewards based on the Restricted Share Plans for 2016-2018; 2017-2019 as well as 2018-2020 total a maximum of approximately 236,000 shares (gross before the deduction of applicable payroll tax). Of these plans, a maximum of approximately 66,000 shares will be delivered in the spring of 2019 and a maximum of approximately 85,000 shares both in the spring of 2020 and 2021. More information on the incentive plans was released in stock exchange releases on December 18, 2015; December 21, 2016 and December 21, 2017. Furthermore, more information on the earlier long-term share-based incentive plan 2014−2016 was 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 did not have any Caverion Corporation shares as a pledge at the end of the reporting period on 31 March 2018.

Authorisations of the Board of Directors

Authorising Caverion's Board of Directors to decide on the repurchase and/or on the acceptance as pledge of own shares of the company

The Annual General Meeting of Caverion Corporation, held on 26 March 2018, authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the company's own shares. The authorisation covers the repurchase and/or acceptance as pledge of a maximum of 12,000,000 company´s own shares using the company's unrestricted equity, at fair value at the date of repurchase, which shall be the prevailing market price in the trading at the regulated market organised by Nasdaq Helsinki Ltd. The shares may be repurchased other than pro rata to the shareholders' existing holdings. The share purchase will decrease the company's distributable unrestricted equity. The authorisation is valid for eighteen months from the date of the resolution of the Annual General Meeting. The Board of Directors has not used the authorisation during 2018.

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

The Annual General Meeting authorised the Board of Directors to decide on share issues. The authorisation may be used in full or in part by issuing a maximum of 12,000,000 Caverion shares in one or more issues. The Board of Directors may decide on a directed share issue in deviation from the shareholders' pre-emptive rights. The Board of Directors would be authorised to decide to whom and in which order the shares will be issued. The authorisation can be used e.g. in order to strengthen the Company's capital structure, to broaden the Company's ownership, to be used as payment in corporate acquisitions or when the Company acquires assets relating to its business and as part of the Company's incentive programmes. In the share issues shares may be issued for subscription against payment or without charge. The Board of Directors is also authorised to decide on a share issue without payment directed to the company itself, within the limitations laid down in the Companies Act. The authorisation empowers the Board of Directors to decide on the terms and conditions of and measures related to the share issues in accordance with the Companies Act, including the right to decide whether the subscription price will be recognized in full or in part in the invested unrestricted equity reserve or as an increase to the share capital.

The share issue authorisation also includes the authorisation to transfer own shares that are in the possession of company or may be acquired. This authorisation applies to a maximum of 12,500,000 company's own shares. The Board of Directors was authorised to decide on the purpose and the terms and conditions for such transfer. The authorisation is valid until March 31, 2019. The Board of Directors has not used the authorisation during 2018.

Trading in shares

The opening price of Caverion's share was EUR 5.93 at the beginning of the year 2018. The closing rate on the last trading day of the review period on March 29 was EUR 6.14. The share price increased by 3 percent during January–March. The highest price of the share during the review period January–March was EUR 6.84, the lowest was EUR 5.76 and the average price was EUR 6.34. Share turnover on Nasdaq Helsinki in January–March amounted to 11.9 million shares. The value of share turnover was EUR 75.7 million (source: Nasdaq Helsinki).

Caverion's shares are also traded in other market places, such as Cboe, Turquoise, Aquis and Frankfurt Stock Exchange (Open Market). During January–March, 2.1 million Caverion Corporation shares changed hands in alternative public market places, corresponding to approximately 13.0 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in Cboe CXE. Furthermore, during January–March, 2.1 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 12.7 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 773.8 million. Market capitalisation has been calculated excluding the 3,264,451 shares held by the company as per March 31, 2018.

Number of shareholders and flagging notifications

At the end of March 2018, the number of registered shareholders in Caverion was 27,829 (12/2017: 28,561). At the end of March 2018, a total of 31.7 percent of the shares were owned by nominee-registered and non-Finnish investors (12/2017: 32.2%).

Caverion Corporation has on 19 February 2018 received an announcement under Chapter 9, Section 5 of the Finnish Securities Markets Act, according to which the holding of Antti Herlin, a member of the Board of Directors in Caverion Corporation through Security Trading Oy ("Security Trading", a company owned by Antti Herlin) has decreased below the threshold of 15 per cent. According to the announcement, the holding decreased below the threshold on 19 February 2018 due to dilution related to Caverion Corporation's share issue to the Company itself. According to the announcement, the combined holding of Antti Herlin and Security Trading in Caverion is 19,050,180 shares on 19 February 2018, corresponding to 14.72% per cent of Caverion's shares and voting rights. The direct holding of Security Trading in Caverion is 19,020,000 shares on 19 February 2018, corresponding to 14.699% per cent of Caverion's shares and voting rights.

Updated lists of Caverion's largest shareholders and ownership structure by sector as per March 31, 2018, are available on Caverion's website at www.caverion.com/investors.

INTERIM REPORT JANUARY 1–MARCH 31, 2018: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	1-3/2018	1-3/2017 Restated	1-12/2017 Restated
Revenue	**526.8**	**574.6**	**2,275.8**
Other operating income	1.0	0.3	15.9
Materials and supplies	-129.4	-164.4	-638.4
External services	-95.3	-101.2	-433.0
Employee benefit expenses	-228.0	-245.4	-940.4
Other operating expenses	-65.2	-65.9	-276.1
Share of results of associated companies	0.0	0.0	0.0
Depreciation, amortisation and impairment	-6.5	-7.6	-30.4
Operating profit	**3.4**	**-9.6**	**-26.6**
% of revenue	0.7	-1.7	-1.2
Financial income and expense, net	-0.8	-1.2	-5.7
Result before taxes	**2.7**	**-10.8**	**-32.3**
% of revenue	0.5	-1.9	-1.4
Income taxes	-0.5	1.3	5.3
Result for the period	**2.2**	**-9.5**	**-27.0**
% of revenue	0.4	-1.6	-1.2
Attributable to			
Equity holders of the parent company	2.1	-9.5	-27.0
Non-controlling interests	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company			
Earnings per share, basic, EUR	0.01	-0.08	-0.24
Diluted earnings per share, EUR	0.01	-0.08	-0.24

Consolidated statement of comprehensive income

EUR million	1-3/2018	1-3/2017 Restated	1-12/2017 Restated
Result for the review period	**2.2**	**-9.5**	**-27.0**
Other comprehensive income			
Items that will not be reclassified to profit/loss			
- Change in fair value of defined benefit pension	-0.4	0.2	1.6
-- Deferred tax			0.0
Items that may be reclassified subsequently to profit/loss			
- Cash flow hedges			0.1
- Change in fair value of for available for sale investments		0.0	0.1
- Translation differences	-0.5	0.2	-2.5
Other comprehensive income, total	**-0.9**	**0.4**	**-0.6**
Total comprehensive result	**1.2**	**-9.1**	**-27.6**
Attributable to			
Equity holders of the parent company	1.2	-9.1	-27.6
Non-controlling interests	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	Mar 31, 2018	Mar 31, 2017 Restated	Dec 31, 2017 Restated
Assets			
Non-current assets			
Property, plant and equipment	20.7	25.8	21.9
Goodwill	331.6	339.8	331.6
Other intangible assets	45.1	51.9	46.7
Shares in associated companies	0.1	0.1	0.1
Other investments	1.2	1.2	1.2
Other receivables	6.2	3.4	2.1
Deferred tax assets	21.6	22.3	27.4
Current assets			
Inventories	18.8	20.8	17.6
Trade receivables	269.9	298.6	333.9
POC receivables	240.4	268.3	226.5
Other receivables	49.0	44.6	47.5
Income tax receivables	6.8	8.9	7.5
Cash and cash equivalents	37.2	24.7	29.2
Total assets	**1,048.5**	**1,110.4**	**1,093.2**
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1.0	1.0	1.0
Hybrid capital	100.0		100.0
Other equity	142.0	153.6	134.3
Non-controlling interest	0.4	0.4	0.4
Equity	**243.4**	**155.0**	**235.6**
Non-current liabilities			
Deferred tax liabilities	45.8	52.4	51.6
Pension liabilities	45.0	46.1	44.2
Provisions	7.2	6.8	7.0
Interest-bearing debts	54.3	124.2	57.7
Other liabilities	0.3	0.5	0.4
Current liabilities			
Advances received	168.9	183.1	179.9
Trade payables	186.3	191.9	215.5
Other payables	244.5	250.9	237.3
Income tax liabilities	2.1	6.6	5.8
Provisions	20.7	27.6	22.7
Interest-bearing debts	30.1	65.4	35.5
Total equity and liabilities	**1,048.5**	**1,110.4**	**1,093.2**

Working capital

EUR million	Mar 31, 2018	Mar 31, 2017 Restated	Dec 31, 2017 Restated
Inventories	18.8	20.8	17.6
Trade and POC receivables	510.3	566.9	560.4
Other current receivables	47.8	43.4	46.0
Trade and POC payables	-208.1	-211.9	-236.1
Other current liabilities	-241.4	-257.3	-239.0
Advances received	-168.9	-183.1	-179.9
Working capital	**-41.4**	**-21.3**	**-30.8**

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	Unrest-ricted equity reserve	Hybrid capital	Total	Non-controlling interest	Total equity
Equity on December 31, 2017	**1.0**	**146.0**	**-8.0**	**-0.5**	**-3.2**		**100.0**	**235.3**	**0.4**	**235.6**
Change in accounting principle, IFRS 9		-0.8		0.0				-0.8		**-0.8**
Equity on January 1, 2018	**1.0**	**145.2**	**-8.0**	**-0.5**	**-3.2**		**100.0**	**234.4**	**0.4**	**234.8**
Comprehensive income										
Result for the period		2.1						2.1	0.0	2.2
Other comprehensive income:										
Change in fair value of defined benefit pension		-0.4						-0.4		-0.4
Translation differences			-0.5	0.1				-0.5		-0.5
Comprehensive income, total		**1.7**	**-0.5**	**0.0**	**0.0**			**1.2**	**0.0**	**1.2**
Transactions with owners										
Dividend distribution		0.0						0.0	0.0	0.0
Share-based payments		0.7						0.7		0.7
Share subscriptions						6.7		6.7		6.7
Transactions with owners, total		**0.7**				**6.7**		**7.4**		**7.4**
Equity on March 31, 2018	**1.0**	**147.6**	**-8.6**	**-0.5**	**-3.2**	**6.7**	**100.0**	**243.0**	**0.4**	**243.4**

EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interest	Total equity
	Equity attributable to owners of the parent							
Equity on January 1, 2017 (restated)	**1.0**	**172.1**	**-5.6**	**-0.7**	**-3.2**	**163.6**	**0.4**	**163.9**
Comprehensive income								
Result for the period		-9.5				-9.5		-9.5
Other comprehensive income:								
Change in fair value of defined benefit pension		0.2				0.2		0.2
-Deferred tax								
Cash flow hedges								
Change in fair value of available for sale assets				0.0		0.0		0.0
Translation differences			0.2			0.2		0.2
Comprehensive income, total		**-9.2**	**0.2**	**0.0**		**-9.1**	**0.0**	**-9.1**
Transactions with owners								
Dividend distribution							0.0	0.0
Share-based payments		0.1				0.1		0.1
Transactions with owners, total		0.1				0.1		0.1
Equity on March 31, 2017	**1.0**	**163.0**	**-5.4**	**-0.8**	**-3.2**	**154.6**	**0.4**	**155.0**

EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Hybrid capital	Total	Non-controlling interest	Total equity
	Equity attributable to owners of the parent								
Equity on January 1, 2017 (restated)	**1.0**	**172.1**	**-5.6**	**-0.7**	**-3.2**		**163.6**	**0.4**	**163.9**
Comprehensive income									
Result for the period		-27.0					-27.0	0.0	-27.0
Other comprehensive income:									
Change in fair value of defined benefit pension		1.6					1.6		1.6
-Deferred tax		0.0					0.0		0.0
Cash flow hedges				0.1			0.1		0.1
Change in fair value of available for sale assets				0.1			0.1		0.1
Translation differences			-2.5				-2.5		-2.5
Comprehensive income, total		**-25.3**	**-2.5**	**0.2**			**-27.6**	**0.0**	**-27.6**
Transactions with owners									
Dividend distribution								0.0	0.0
Share-based payments		0.1					0.1		0.1
Hybrid capital						100.0	100.0		100.0
Hybrid capital transaction costs after taxes		-0.8					-0.8		-0.8
Transactions with owners, total		**-0.7**				**100.0**	**99.3**	**0.0**	**99.3**
Equity on December 31, 2017	**1.0**	**146.0**	**-8.0**	**-0.5**	**-3.2**	**100.0**	**235.3**	**0.4**	**235.6**

Condensed consolidated statement of cash flows

EUR million	1-3/2018	1-3/2017 Restated	1-12/2017 Restated
Cash flows from operating activities			
Result for the period	2.2	-9.5	-27.0
Adjustments to result	6.1	4.8	13.7
Change in working capital	11.5	-7.5	4.6
Operating cash flow before financial and tax items	**19.8**	**-12.1**	**-8.7**
Financial items, net	1.2	-0.4	-4.6
Taxes paid	-4.0	-2.6	-3.4
Net cash from operating activities	**17.0**	**-15.1**	**-16.7**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash	-0.4		-2.4
Disposal of businesses			23.1
Capital expenditure and other investments, net	-3.3	-3.8	-17.1
Net cash used in investing activities	**-3.7**	**-3.8**	**3.6**
Cash flow from financing activities			
Change in loan receivables, net	-3.9		1.2
Change in current liabilities, net	-5.0		-30.0
Repayments of borrowings	-3.3	-3.3	-68.7
Proceeds from financial leasing debts			
Payments of financial leasing debts	-0.5	-0.6	-2.2
Share subscriptions	6.7		
Hybrid capital			100.0
Hybrid capital costs and interests			-1.0
Dividends paid and other distribution of assets	0.0	0.0	0.0
Net cash used in financing activities	**-6.1**	**-4.0**	**-0.7**
Change in cash and cash equivalents	**7.3**	**-22.9**	**-13.9**
Cash and cash equivalents at the beginning of the period	29.2	47.7	47.7
Change in the foreign exchange rates	0.7	-0.2	-4.6
Cash and cash equivalents at the end of the period	**37.2**	**24.7**	**29.2**

Free cash flow

EUR million	1-3/2018	1-3/2017	1-12/2017
Operating cash flow before financial and tax items	19.8	-12.1	-8.7
Taxes paid	-4.0	-2.6	-3.4
Net cash used in investing activities	-3.7	-3.8	3.6
Free cash flow	**12.2**	**-18.5**	**-8.5**

Notes to the Interim Report

1 Accounting principles

Caverion Corporation's Interim Report for January 1 – March 31, 2018 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. Caverion has applied the same accounting principles in the preparation of the Interim Report as in its Financial Statements for 2017 except for the adoption of new standards effective as of 1 January 2018.

The information presented in this Interim Report has not been audited.

In the Interim Report the figures are presented in million euros subject to rounding, which may cause some rounding inaccuracies in column and total sums.

Caverion adopts IFRS 15 (Revenue from contracts with customers), effective on January 1, 2018, using the full retrospective method of adoption. The IFRS 15 standard requires that revenue is recognised from any variable consideration at its estimated amount, if it is *highly probable* that no significant reversal of revenue will occur. Under the previous revenue recognition standards, revenue was recognised from variable consideration when it was assessed *probable* to occur. Revenue from variable considerations is thus to be recognised more prudently under IFRS 15 than under previous revenue recognition standards.

Restated comparative key figures for financial year 2017 have been published in a stock exchange release on 21 March 2018. The effect of adopting IFRS 15 on condensed consolidated income statement and on condensed consolidated statement of financial position for Jan-March 2017 and Jan-Dec 2017 is presented on pages 22-23.

New IFRS 9, 'Financial instruments' –standard has been applied as of 1 January 2018. The new standard includes guidance on the classification and measurement of financial instruments, new hedge accounting requirements and a new expected credit loss model for calculating impairment on financial assets.

The main impact of the IFRS 9 application for Caverion is coming from the new expected credit loss model applied to assess impairment loss for the doubtful trade receivables. The new impairment model requires recognition of impairment provisions based on expected credit losses (ECL), resulting in an increase in allowance for doubtful trade receivables. The credit loss allowance is measured at an amount equal to the lifetime expected credit losses. The expected credit loss model is forward-looking, and expected default rates are based on historical realised credit losses. The lifetime expected credit loss allowance is calculated using the gross carrying amount of outstanding trade receivables and an expected default rate. The lifetime expected credit loss allowance total was recognised as an adjustment of EUR 0.8 million to the opening balance of retained earnings in the year 2018, and thereafter the changes in expected credit losses will be recognised in profit and loss.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. Changes in the classification of financial assets based on the new business-model driven classification of financial assets according to IFRS 9:

	Classification under IAS 39	Classification under IFRS 9
Investments	Available for sale	FVTPL or FVTOCI
Trade receivables and other receivables	Loans and receivables	Amortised cost
Derivatives (hedge accounting not applied)	Held for trading	FVTPL
Cash and cash equivalents	Loans and receivables	Amortised cost

For Caverion, the new classification and measurement guidance changes the terminology used for financial instruments but the impact on financial reporting is limited. There is no substantial transition adjustment recognised in the opening balance of retained earnings for 2018.

Hedge accounting is not applied in current hedging relationships.

ESMA (European Securities and Markets Authority) issued guidelines regarding Alternative Performance Measures (“APM”) to be implemented at the latest during the second quarter of 2016. Caverion presents APMs to improve the analysis of business and financial performance and to 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 26.

IFRS 15 restated figures

Condensed consolidated income statement

EUR million	1-3/2017 Reported	IFRS 15 Resta-tement	1-3/2017 Restated	1-12/2017 Reported	IFRS 15 Resta-tement	1-12/2017 Restated
Revenue	**582.3**	**-7.7**	**574.6**	**2,282.8**	**-7.0**	**2,275.8**
Other operating income	0.3		0.3	15.9		15.9
Materials and supplies	-164.4		-164.4	-638.4		-638.4
External services	-101.2		-101.2	-433.0		-433.0
Employee benefit expenses	-245.4		-245.4	-940.4		-940.4
Other operating expenses	-64.9	-1.1	-65.9	-275.8	-0.3	-276.1
Share of results of associated companies	0.0		0.0	0.0		0.0
Depreciation, amortisation and impairment	-7.6		-7.6	-30.4		-30.4
Operating profit	**-0.8**	**-8.8**	**-9.6**	**-19.3**	**-7.3**	**-26.6**
% of revenue	-0.1		-1.7	-0.8		-1.2
Financial income and expense, net	-1.2		-1.2	-5.7		-5.7
Result before taxes	**-2.0**	**-8.8**	**-10.8**	**-25.1**	**-7.3**	**-32.3**
% of revenue	-0.3		-1.9	-1.1		-1.4
Income taxes	-0.5	1.8	1.3	4.2	1.1	5.3
Result for the review period	**-2.5**	**-7.0**	**-9.5**	**-20.9**	**-6.1**	**-27.0**
% of revenue	-0.4		-1.6	-0.9		-1.2
Attributable to						
Equity holders of the parent company	-2.5	-7.0	-9.5	-20.9	-6.1	-27.0
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, basic, EUR	-0.02		-0.08	-0.19		-0.24
Diluted earnings per share, EUR	-0.02		-0.08	-0.19		-0.24

Condensed consolidated statement of financial position

EUR million	Mar 31, 2017 Reported	IFRS 15 Resta-tement	Mar 31, 2017 Restated	Dec 31, 2017 Reported	IFRS 15 Resta-tement	Dec 31, 2017 Restated
Assets						
Non-current assets						
Property, plant and equipment	25.8		25.8	21.9		21.9
Goodwill	339.8		339.8	331.6		331.6
Other intangible assets	51.9		51.9	46.7		46.7
Shares in associated companies	0.1		0.1	0.1		0.1
Other investments	1.2		1.2	1.2		1.2
Other receivables	3.4		3.4	2.1		2.1
Deferred tax assets	11.8	10.5	22.3	17.6	9.8	27.4
Current assets						
Inventories	20.8		20.8	17.6		17.6
Trade receivables	313.4	-14.8	298.6	347.3	-13.4	333.9
POC receivables	291.0	-22.7	268.3	249.7	-23.2	226.5
Other receivables	44.6		44.6	47.5		47.5
Income tax receivables	8.9		8.9	7.5		7.5
Cash and cash equivalents	24.7		24.7	29.2		29.2
Total assets	**1,137.3**	**-27.0**	**1,110.4**	**1,120.0**	**-26.8**	**1,093.2**
Equity and liabilities						
Equity attributable to equity holders of the parent company						
Share capital	1.0		1.0	1.0		1.0
Hybrid capital				100.0		100.0
Other equity	181.7	-28.1	153.6	161.4	-27.1	134.3
Non-controlling interest	0.4		0.4	0.4		0.4
Equity	**183.0**	**-28.1**	**155.0**	**262.7**	**-27.1**	**235.6**
Non-current liabilities						
Deferred tax liabilities	52.4		52.4	51.6		51.6
Pension liabilities	46.1		46.1	44.2		44.2
Provisions	6.8		6.8	7.0		7.0
Interest-bearing debts	124.2		124.2	57.7		57.7
Other liabilities	0.5		0.5	0.4		0.4
Current liabilities						
Advances received	183.1		183.1	179.9		179.9
Trade payables	191.9		191.9	215.5		215.5
Other payables	250.9		250.9	237.3		237.3
Income tax liabilities	6.6		6.6	5.8		5.8
Provisions	26.5	1.1	27.6	22.4	0.3	22.7
Interest-bearing debts	65.4		65.4	35.5		35.5
Total equity and liabilities	**1,137.3**	**-27.0**	**1,110.4**	**1,120.0**	**-26.8**	**1,093.2**

2 Key figures

	3/2018	3/2017 Restated	12/2017 Restated
Revenue, EUR million	526.8	574.6	2,275.8
EBITDA, EUR million	9.9	-2.0	3.8
EBITDA margin, %	1.9	-0.3	0.2
Adjusted EBITDA, EUR million	10.9	7.8	25.8
Adjusted EBITDA margin, %	2.1	1.4	1.1
Operating profit, EUR million	3.4	-9.6	-26.6
Operating profit margin, %	0.7	-1.7	-1.2
Result before taxes, EUR million	2.7	-10.8	-32.3
% of revenue	0.5	-1.9	-1.4
Result for the review period, EUR million	2.2	-9.5	-27.0
% of revenue	0.4	-1.6	-1.2
Earnings per share, basic, EUR	0.01	-0.08	-0.24
Earnings per share, diluted, EUR	0.01	-0.08	-0.24
Equity per share, EUR	1.9	1.2	1.2
Equity ratio, %	27.7	16.7	25.8
Interest-bearing net debt, EUR million	47.2	164.9	64.0
Gearing ratio, %	19.4	106.4	27.2
Total assets, EUR million	1,048.5	1,110.4	1,093.2
Operating cash flow before financial and tax items, EUR million	19.8	-12.1	-8.7
Cash conversion (LTM), %	148.2	n.a	n.a
Working capital, EUR million	-41.4	-21.3	-30.8
Gross capital expenditures, EUR million	4.2	5.0	20.4
% of revenue	0.8	0.9	0.9
Order backlog, EUR million	1,540.0	1,543.5	1,491.0
Personnel, average for the period	15,916	16,792	16,607
Number of outstanding shares at the end of the period (thousands)	126,132	125,084	125,084
Average number of shares (thousands)	125,438	125,084	125,084

3 Financial development by quarter

EUR million	1-3/2018	10-12/2017 Restated	7-9/2017 Restated	4-6/2017 Restated	1-3/2017 Restated
Revenue	526.8	592.3	545.6	563.3	574.6
EBITDA	9.9	10.3	9.6	-14.1	-2.0
EBITDA margin, %	1.9	1.7	1.8	-2.5	-0.3
Adjusted EBITDA	10.9	-5.2	18.8	4.5	7.8
Adjusted EBITDA margin, %	2.1	-0.9	3.4	0.8	1.4
Operating profit	3.4	2.5	2.2	-21.6	-9.6
Operating profit margin, %	0.7	0.4	0.4	-3.8	-1.7

	1-3/2018	10-12/2017 Restated	7-9/2017 Restated	4-6/2017 Restated	1-3/2017 Restated
Earnings per share, basic, EUR	0.01	-0.02	0.00	-0.14	-0.08
Earnings per share, diluted, EUR	0.01	-0.02	0.00	-0.14	-0.08
Equity per share, EUR	1.9	1.9	1.9	1.9	1.2
Equity ratio, %	27.7	25.8	24.8	25.8	16.7
Interest-bearing net debt, EUR million	47.2	64.0	141.3	98.6	164.9
Gearing ratio, %	19.4	27.2	59.5	41.7	106.4
Total assets, EUR million	1,048.5	1,093.2	1,148.5	1,104.5	1,110.4
Operating cash flow before financial and tax items, EUR million	19.8	66.9	-37.5	-25.9	-12.1
Cash conversion (LTM), %	148.2	n.a	n.a	n.a	n.a
Working capital, EUR million	-41.4	-30.8	37.0	-8.6	-21.3
Gross capital expenditures, EUR million	4.2	7.3	5.2	2.9	5.0
% of revenue	0.8	1.2	1.0	0.5	0.9
Order backlog, EUR million	1,540.0	1,491.0	1,460.4	1,512.7	1,543.5
Personnel at the end of the period	15,687	16,216	16,483	16,750	16,679
Number of outstanding shares at end of period (thousands)	126,132	125,084	125,084	125,084	125,084
Average number of shares (thousands)	125,438	125,084	125,084	125,084	125,084

4 Calculation of key figures

Key figures on financial performance

Equity ratio (%) =	Equity + non-controlling interest x 100 / Total assets - advances received
Gearing ratio (%) =	Interest-bearing liabilities - cash and cash equivalents x 100 / Shareholder's equity + non-controlling interest
Interest-bearing net debt =	Interest-bearing liabilities - cash and cash equivalents
Working capital =	Inventories + trade and POC receivables + other current receivables - trade and POC payables - other current payables - advances received - current provisions
Free cash flow =	Operating cash flow before financial and tax items – taxes paid – net cash used in investing activities
Cash conversion (%) =	Operating cash flow before financial and tax items (LTM) x 100 / EBITDA (LTM)

Share-related key figures

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

Alternative performance measures (APMs) reported by Caverion

EBITDA =	Operating profit (EBIT) + depreciation, amortisation and impairment
Adjusted EBITDA =	EBITDA before items affecting comparability (IAC)

Items affecting comparability (IAC) are material items or transactions, which are relevant for understanding the financial performance of Caverion when comparing profit of the current period with previous periods. These items can include (1) capital gains and losses from divestments; (2) write-downs, expenses and/or income from separately identified major risk projects; (3) restructuring expenses and (4) other items that according to Caverion management's assessment are not related to normal business operations. In 2018, major risk projects include three completed Large Projects from Industrial Solutions.

5 Related party transactions

Caverion announced on 7 February 2018 in a stock exchange release the establishment of a new share-based incentive plan directed for the key employees of the Group (“Matching Share Plan 2018-2022”). As part of the implementation of the Matching Share Plan, the company granted the key employees participating in the plan interest-bearing loans in the total amount of EUR 4.2 million to finance the acquisition of the company’s shares. The loans will be repaid in full on 31 December 2023, at the latest.

6 Financial risk management

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

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

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

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

EUR million	2018	2019	2020	Total
Interest-bearing liabilities	26.7	27.2	30.5	84.4

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	Mar 31, 2018 Carrying amount	Mar 31, 2018 Fair value	Mar 31, 2017 Carrying amount	Mar 31, 2017 Fair value	Dec 31, 2017 Carrying amount	Dec 31, 2017 Fair value
Non-current liabilities						
Loans from financial institutions	49.9	50.6	109.7	112.0	49.9	50.6
Pension loans	3.3	3.3	12.0	11.9	6.7	6.6
Other financial loans	0.5	0.5	0.5	0.5	0.5	0.5
Finance lease liabilities	0.6	0.6	2.1	2.2	0.6	0.6

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

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

Derivative instruments

Nominal amounts EUR million	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Interest rate derivatives	50.0	70.0	50.0
Foreign exchange forwards	77.8	58.1	77.0

Fair values EUR million	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Interest rate derivatives			
positive fair value			
negative fair value	-0.2	-0.4	-0.3
Foreign exchange forwards			
positive fair value	0.3	0.2	0.3
negative fair value	-1.1	-0.1	-0.2

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

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

8 Commitments and contingent liabilities

EUR million	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Guarantees given on behalf of associated companies	0.2	0.2	0.2
Parent company's guarantees on behalf of its subsidiaries	452.8	524.3	473.9
Other commitments			
- Operating leases	153.0	167.7	143.8
- Other contingent liabilities	0.2	0.2	0.2
Accrued unrecognised interest on hybrid bond	3.7		2.5

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 60.5 million at the end of March 2018.

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