

**Q3**

**Interim Report  
1-9/2018**

**Caverion**

## Caverion Corporation Interim Report 25 October 2018 at 8.00 a.m. EEST

### Caverion Corporation's Interim Report for 1 January – 30 September 2018

#### Results from the Fit phase of the 2020 strategy visible, strong improvement in cash flow

##### 1 July – 30 September 2018

- **Revenue:** EUR 524.9 (545.6) million.
- **Adjusted EBITDA:** EUR 18.5 (18.8) million, or 3.5 (3.4) percent of revenue.
- **EBITDA:** EUR 14.3 (9.6) million, an improvement of 48.7 percent. EBITDA margin of 2.7 (1.8) percent of revenue.
- **Operating cash flow before financial and tax items:** EUR -37.0 (-37.5) million. Excluding the impact of the German fine of EUR 40.8 million, an improvement of EUR 41.3 million compared to the previous year.
- **Earnings per share, undiluted:** EUR 0.03 (0.00) per share.
- **Net debt/EBITDA\*:** 1.1x (4.1x).

##### 1 January – 30 September 2018

- **Revenue:** EUR 1,616.5 (1,683.5) million.
- **Adjusted EBITDA:** EUR 42.4 (31.1) million, an improvement of 36.5 percent. Adjusted EBITDA margin of 2.6 (1.9) percent of revenue.
- **EBITDA:** EUR -7.5 (-6.5) million, or -0.5 (-0.4) percent of revenue, impacted by the German anti-trust fine of EUR 40.8 million and other costs.
- **Operating cash flow before financial and tax items:** EUR -32.1 (-75.6) million. Excluding the impact of the German fine of EUR 40.8 million, an improvement of EUR 84.3 million compared to the previous year.
- **Earnings per share, undiluted:** EUR -0.27 (-0.22) per share.
- **EUR 60 million share issue completed in June to support strategic flexibility.**
- **Guidance for 2018 is unchanged.**

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year. The figures for 2017 have been restated according to IFRS 15.

\* Based on calculation principles confirmed with the lending parties.

#### KEY FIGURES

EUR million	7–9/18	7–9/17	Change	1–9/18	1–9/17	Change	1–12/17
Order backlog	1,552.3	1,460.4	6.3%	1,552.3	1,460.4	6.3%	1,491.0
Revenue	524.9	545.6	-3.8%	1,616.5	1,683.5	-4.0%	2,275.8
Adjusted EBITDA	18.5	18.8	-1.4%	42.4	31.1	36.5%	25.8
Adjusted EBITDA margin, %	3.5	3.4		2.6	1.9		1.1
EBITDA	14.3	9.6	48.7%	-7.5	-6.5	-15.4%	3.8
EBITDA margin, %	2.7	1.8		-0.5	-0.4		0.2
Operating profit	8.1	2.2	271.3%	-27.2	-29.1	6.4%	-26.6
Operating profit margin, %	1.5	0.4		-1.7	-1.7		-1.2
Result for the period	5.3	0.7		-32.3	-25.6	-26.3%	-27.0
Earnings per share, undiluted, EUR	0.03	0.00		-0.27	-0.22	-23.4%	-0.24
Operating cash flow before financial and tax items	-37.0	-37.5	1.4%	-32.1	-75.6	57.5%	-8.7
Working capital				-3.2	37.0		-30.8
Interest-bearing net debt				50.2	141.3	-64.5%	64.0
Net debt/EBITDA*				1.1	4.1		2.9
Gearing, %				18.9	59.5		27.2
Equity ratio, %				30.9	24.8		25.8
Personnel, end of period				15,556	16,483	-5.6%	16,216

\* Based on calculation principles confirmed with the lending parties.

#### Ari Lehtoranta, President and CEO:

“After the first year of implementation, the results from the “Fit” phase of our 2020 strategy are becoming visible. Our adjusted EBITDA was up by 36.5 percent and amounted to EUR 42.4 (31.1) million in January–September.

Both business units improved their margins from last year. The adjusted EBITDA for the third quarter was EUR 18.5 (18.8) million, or 3.5 (3.4) percent of revenue.

Even though our adjusted EBITDA margin has improved quarter by quarter this year as well as against last year, our profitability is still burdened by non-performing projects that were initiated in 2016 or earlier. We started the third quarter by having approximately 20 percent of our order backlog in such projects, and we believe that the level will be reduced to slightly above 10 percent by the end of the year. I am satisfied that we are observing better and more stable profitability in our new projects at the same time. The number of disputes and overdue receivables has also drastically reduced. We furthermore managed to settle another large Industrial Solutions project from our risk list during the quarter. As a consequence, two out of three Large Projects from our risk list have now been settled. Their effects are taken into account as items affecting comparability in the adjusted EBITDA calculation.

During the third quarter, we continued the strengthening of our Services business and the selective approach in our Projects business. Revenue for the third quarter was EUR 524.9 (545.6) million, a decrease of 3.8 percent compared last year. Measured in local currencies, the decrease amounted to 1.7 percent. Revenue for the Services business increased by 0.9 percent in local currencies, while in the Projects business revenue decreased by 4.6 percent in local currencies.

By division, Finland, Norway and Austria continued to deliver strong results in the third quarter. Germany, Sweden and Industrial Solutions are developing favourably. Each delivered a positive EBITDA result compared to a negative one a year earlier. In Denmark and Eastern Europe, our restructuring actions were continued which weakened their quarterly profitability compared to the previous year.

Excluding one-offs, the strong improvement in our cash flow continued. Operating cash flow before financial and tax items was EUR -37.0 (-37.5) million during the third quarter, but it was impacted by the German cartel fine payment of EUR 40.8 million in August. Excluding the fine, our operating cash flow improved materially by EUR 41.3 million compared to the previous year. In January-September, the corresponding y-o-y improvement was EUR 84.3 million.

Our financial position has strengthened, which enables investments in digitalisation and possible bolt-on acquisitions in key areas in Services. Our net debt amounted to EUR 50.2 million at the end of September and the net debt/EBITDA ratio was 1.1x.

We continue with the implementation of the “Fit” phase of our “Top performance at every level” programme. We are experiencing strong improvements in several fronts both in Services and Projects while becoming more harmonised in our ways of working. At the same time, we continue to further streamline our operations in certain divisions. I expect the Fit phase of our strategy to be finalised by the end of the first half of 2019, after which we will focus on profitable growth.”

## 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 is expected to increase. Customer focus on core operations continues to open up outsourcing and maintenance opportunities for Caverion. There is a trend towards a deeper collaboration in order to gain business benefits instead of mere cost savings. International customers are looking for unified operating models across countries, especially within the Nordic region. There is an increasing interest for services supporting sustainability, such as energy management.

#### *Projects*

The Projects market in the non-residential construction market segment is expected to remain stable. Good demand is expected to continue from both private and public sectors. Customer demand for total technical

deliveries and public-private partnership models (PPP) is increasing, mainly driven by risk management. However, price competition is expected to remain tight. Low interest rates and the availability of financing continue to support investments. The requirements for increased energy efficiency, better indoor climate and tightening environmental legislation are increasing the costs of building systems investments.

### 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 the profit of the current period with that of the 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. The German anti-trust fine and related legal and other costs fall under "Items affecting comparability (IAC)" in category (4), i.e. "other items that according to Caverion management's assessment are not related to normal business operations".

Adjusted EBITDA – Items affecting comparability

EUR million	7-9/18	7-9/17	1-9/18	1-9/17	1-12/17
EBITDA	14.3	9.6	-7.5	-6.5	3.8
EBITDA margin, %	2.7	1.8	-0.5	-0.4	0.2
<i>Items affecting EBITDA</i>					
- Write-downs, expenses and income from major risk projects	1.8	4.0	4.9	25.4	27.1
- Restructuring costs	1.0	5.2	2.2	12.1	7.3
- Capital gains and losses from divestments	1.2		1.2		-12.3
- Other items*	0.2		41.5		
Adjusted EBITDA	18.5	18.8	42.4	31.1	25.8
Adjusted EBITDA margin, %	3.5	3.4	2.6	1.9	1.1

\* Including the German anti-trust fine and related legal and other costs.

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 Thursday, 25 October 2018, at 10:00 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](http://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 9:55 a.m. (Finnish time, EEST) at the latest. The participant code for the conference call is "9814499 / Caverion". More practical information on the news conference can be found on Caverion's website, [www.caverion.com/investors](http://www.caverion.com/investors).

## Financial information to be published in 2018

Caverion will arrange a Capital Markets Day in Helsinki on 5 November 2019 at 9:00 a.m. (EET). Further information on the programme will be published closer to the date.

Financial Statement Release for 2018 will be published on 5 February 2019. Financial reports and other investor information are available on Caverion's website, [www.caverion.com/investors](http://www.caverion.com/investors), and IR App. The materials may also be ordered by sending an e-mail to [IR@caverion.com](mailto:IR@caverion.com).

## CAVERION CORPORATION

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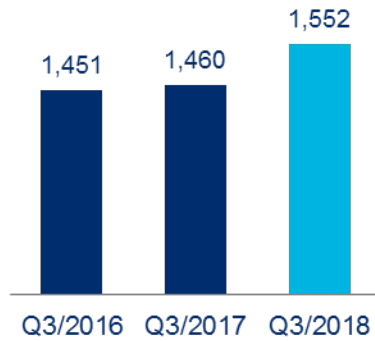
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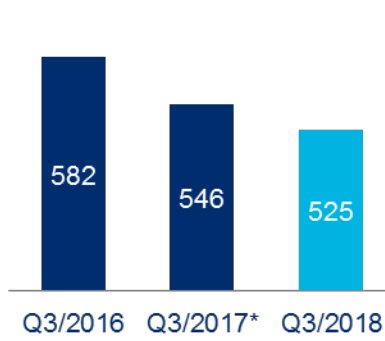
GROUP FINANCIAL DEVELOPMENT

Key Figures

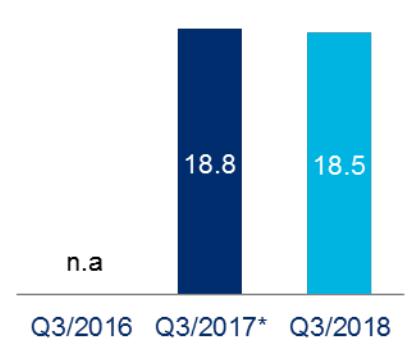
**Order backlog**  
(EUR million)



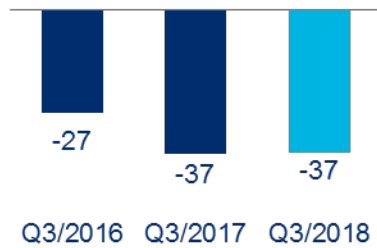
**Revenue**  
(EUR million)



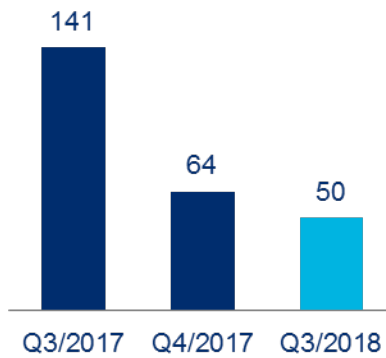
**Adjusted EBITDA**  
(EUR million)



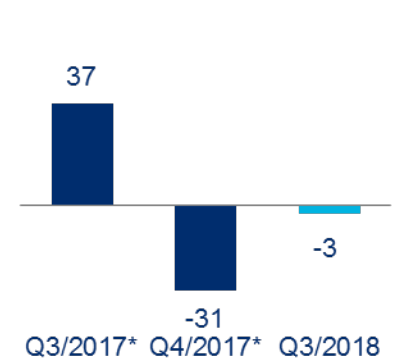
**Operating cash flow before financial and tax items**  
(EUR million)



**Net debt**  
(EUR million)



**Working capital**  
(EUR million)



**Revenue by business unit**  
% of revenue 1-9/2018



- Services business unit 54%
- Projects business unit 46%

**Revenue by division**  
% of revenue 1-9/2018



- Germany 21%
- Sweden 20%
- Norway 17%
- Finland 15%
- Industrial Solutions 11%
- Austria 8%
- Denmark 6%
- Eastern Europe 3%

**Personnel by division**  
at the end of September 2018



- Germany 15%
- Sweden 19%
- Norway 16%
- Finland 16%
- Industrial Solutions 13%
- Austria 5%
- Denmark 6%
- Eastern Europe 10%
- Group Services 1%

\* 2017 figures IFRS 15 restated.



## Operating environment during the third quarter and the first nine months of 2018

The overall market situation was relatively positive and stable throughout the period. Demand developed favourably in the Finnish, Norwegian and German markets. In Sweden, the activity levels in projects showed some signs of gradual slowing down. In the Industrial Solutions division, the market was stable in industrial maintenance. The markets for Denmark, Eastern Europe and Austria also remained stable.

### *Services*

The demand for Services continued being strong. There is a trend towards a deeper collaboration between customers and service providers in order to gain business benefits instead of mere cost savings. International customers are looking for unified operating models across countries, especially in the Nordic region. There is an increasing interest for services supporting sustainability, such as energy management.

### *Projects*

The market for Projects remained positive. In the residential construction market segment, there were indications of the market slowing down. In the non-residential construction segment, which is more relevant for Caverion, the market remained stable. Customer demand for total technical deliveries and public-private partnership models (PPP) has been increasing, mainly driven by risk management. The requirements for increased energy efficiency, better indoor climate and tightening environmental legislation are increasing the costs of building systems investments. There have been some shortages in project manager and installer resources in growth centers.

## Estimated Projects business risks for 2018

Caverion managed to further settle some of its largest old project claims during the quarter, one of which related to a large Industrial Solutions project. As a consequence, the company's risk position related to old project risks was further reduced, as two of the three Large Projects on the risk list for 2018 have been settled. The company will report the impact of the one remaining completed Large Project in Industrial Solutions separately under "Items affecting comparability".

The Projects business is expected to materially improve its result in 2018 although there are still certain project performance risks remaining in 2018 from older projects. At present, approximately 16 percent of projects in Caverion's project order backlog have been started in 2016 or earlier. At the beginning of the third quarter, Caverion had approximately 20 percent of its order backlog in such projects, and Caverion estimates that this level will be reduced to slightly above 10 percent by the end of the year.

## Order backlog

Order backlog amounted to EUR 1,552.3 million at the end of September, up by 6.3 percent from the end of September in the previous year (EUR 1,460.4 million). At comparable exchange rates the order backlog increased by 7.6 percent. The order backlog reporting was changed during the period due to the harmonisation of reporting of long-term Services contracts in Sweden, which increased the order backlog for the period by EUR 62.5 million. As part of the harmonisation, the fixed portion of the longer contracts has now been included in the order backlog for the whole contract period.

The Services order backlog increased compared to last year. The Projects order backlog declined, which was largely due to the Group's more selective approach towards the Projects business. Caverion has implemented a stricter project tendering process since the second quarter of 2016 as well as closed down several poorly-performing project units. Caverion continued to focus on the tendering process with a target to uplift the project margin, particularly in new Projects business orders.

## Revenue

### *July–September*

Revenue for July–September was EUR 524.9 (545.6) million, a decrease of 3.8 percent compared to the same period in the previous year. Revenue was impacted by fluctuations in currency exchange rates 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 towards the Projects business. At the previous year's exchange rates, revenue was EUR 536.2 million

and decreased by 1.7 percent compared to the previous year. Changes in the Swedish krona accounted for EUR 8.9 million, the Norwegian krone for EUR 1.9 million and the Russian rouble for EUR 0.5 million.

Revenue increased in Austria, Finland and Norway and remained in line with the previous year in Industrial Solutions, 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.

The revenue of the Services business unit was EUR 279.7 (284.0) million in July–September, a decrease of 1.5 percent from the corresponding period last year, or an increase of 0.9 percent in local currencies. The revenue of the Projects business unit was EUR 245.2 (261.6) million in July–September, a decrease of 6.3 percent, or 4.6 percent in local currencies, due to more selective tendering.

The Services business unit accounted for 53.3 (52.1) percent of Group revenue, and the Projects business unit for 46.7 (48.0) percent of Group revenue in July–September.

#### *January–September*

Revenue for January–September was EUR 1,616.5 (1,683.5) million, a decrease of 4.0 percent compared to the same period in the previous year. Revenue was impacted by fluctuations in currency exchange rates 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 towards the Projects business. At the previous year's exchange rates, revenue was EUR 1,650.9 million and decreased by 1.9 percent compared to the previous year. Changes in the Swedish krona accounted for EUR 21.9 million, the Norwegian krone for EUR 10.3 million and the Russian rouble for EUR 2.2 million.

Revenue increased from the previous year in Austria and Finland, while it decreased in other divisions. In local currencies, revenue increased also in Norway by 2.9 percent. 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.

The revenue of the Services business unit was EUR 875.8 (871.8) million in January–September, an increase of 0.5 percent from the corresponding period last year, or 2.9 percent in local currencies. The revenue of the Projects business unit was EUR 740.7 (811.7) million in January–September, a decrease of 8.7 percent, or 7.1 percent in local currencies, due to more selective tendering.

The Services business unit accounted for 54.2 (51.8) percent of Group revenue, and the Projects business unit for 45.8 (48.2) percent of Group revenue in January–September.

The Group adopted the new revenue recognition principles according to IFRS 15 as of 1 January 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 21 March 2018 regarding 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: the Projects 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 at Caverion. Caverion provides comparative figures for the new Business Unit structure for each quarter of financial year 2017. Based on the new classification, the Services business unit accounted for 53.1 per cent of Group revenue in 2017 and the Projects business unit for 46.9 per cent, while based on the previous classification the Services business accounted for 52.5 per cent of Group revenue in 2017 and the Projects business for 47.5 per cent.



## Distribution of revenue by Division and Business Unit

Revenue, EUR million	7–9/ 2018	%	7–9/ 2017*	%	Change	1–9/ 2018	%	1–9/ 2017*	%	Change	1–12/ 2017*	%
Norway	85.0	16%	80.6	15%	5.4%	269.5	17%	271.8	16%	-0.9%	367.0	16%
Denmark	29.0	6%	37.9	7%	-23.5%	99.1	6%	105.2	6%	-5.8%	142.7	6%
Sweden	94.5	18%	107.5	20%	-12.1%	319.3	20%	364.2	22%	-12.3%	492.2	22%
Germany	110.6	21%	121.0	22%	-8.7%	334.4	21%	346.8	21%	-3.6%	468.6	21%
Industrial Solutions	57.1	11%	57.0	10%	0.2%	173.3	11%	186.4	11%	-7.1%	248.3	11%
Finland	81.6	16%	78.2	14%	4.4%	240.8	15%	236.6	14%	1.8%	317.3	14%
Austria	49.0	9%	43.9	8%	11.6%	128.5	8%	116.6	7%	10.2%	161.9	7%
Eastern Europe	18.1	3%	19.6	4%	-7.7%	51.8	3%	56.6	3%	-8.5%	77.8	3%
Group, total	524.9	100%	545.6	100%	-3.8%	1,616.5	100%	1,683.5	100%	-4.0%	2,275.8	100%
Services business unit	279.7	53%	284.0	52%	-1.5%	875.8	54%	871.8	52%	0.5%	1,209.0	53%
Projects business unit	245.2	47%	261.6	48%	-6.3%	740.7	46%	811.7	48%	-8.7%	1,066.8	47%

\*2017 figures IFRS 15 restated

## Profitability

### EBITDA

#### July–September

Adjusted EBITDA was EUR 18.5 (18.8) million, or 3.5 (3.4) percent of revenue in July–September. EBITDA for July–September was EUR 14.3 (9.6) million, or 2.7 (1.8) percent of revenue.

In the adjusted EBITDA calculation, the write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 1.8 million in July–September. The Group's restructuring costs amounted to EUR 1.0 million, which related to Germany, Denmark and Sweden. The capital gains and losses from divestments totalling EUR 1.2 million included a capital loss of EUR 1.0 million from the asset sale of Leppävirta in Finland and minor transaction price adjustments related to the sale of the Krantz business in Germany in the end of 2017. The other items of EUR 0.2 million were legal and other costs related to the German anti-trust fine.

By division, Finland, Norway and Austria continued to deliver strong results in the third quarter. Germany, Sweden and Industrial Solutions are developing favourably. Each delivered a positive EBITDA compared to a negative one a year earlier. In Denmark and Eastern Europe, our restructuring actions were continued, which weakened their quarterly profitability compared to the previous year.

Costs related to materials and supplies decreased to EUR 137.8 (153.5) million and external services to EUR 101.4 (106.9) million in July–September. Personnel expenses decreased by 5.3 percent and other operating expenses increased by 7.5 percent from the previous year. Personnel expenses for July–September amounted to a total of EUR 200.3 (211.7) million. Other operating expenses increased to EUR 71.8 (66.8) million. The Group's external legal costs relating to the German anti-trust case and the three Industrial Solutions projects, which were reported separately, amounted to a total of EUR 0.7 million. Other operating income was EUR 0.7 (3.0) million.

#### January–September

Adjusted EBITDA was EUR 42.4 (31.1) million, or 2.6 (1.9) percent of revenue in January–September. EBITDA for January–September was EUR -7.5 (-6.5) million, or -0.5 (-0.4) percent of revenue.

In the adjusted EBITDA calculation, the write-downs, expenses and/or income from separately identified major risk projects amounted to EUR 4.9 million in January–September. The Group's restructuring costs amounted to EUR 2.2 million, which related to Germany, Denmark and Sweden. The capital gains and losses from divestments totalled EUR 1.2 million. The other items amounted to EUR 41.5 million in January–September, including the German anti-trust fine and related legal and other costs.

Both business units improved their margins from last year and there was also positive development in most divisions. Finland, Norway and Austria continued to deliver good profitability, with Sweden and Industrial Solutions clearly improving. The profitability 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 at the end of 2017.

Caverion announced on 12 June 2018 that it had managed to settle its part with the Bundeskartellamt (German Federal Cartel Office) in a cartel case that had been investigated by the authority since 2014. According to the final decision of the Bundeskartellamt announced on 3 July 2018, Caverion Deutschland GmbH was imposed an anti-trust fine of EUR 40.8 million. The fine was booked as an expense during the second quarter and paid during the third quarter.

Costs related to materials and supplies decreased to EUR 416.0 (475.3) million and external services to EUR 301.9 (316.6) million in January–September. Personnel expenses decreased by 5.8 percent and other operating expenses increased by 23.7 percent from the previous year due to the anti-trust fine. Personnel expenses for January–September amounted to a total of EUR 660.1 (701.0) million. Other operating expenses increased to EUR 247.9 (200.5) million. The Group's external legal costs relating to the German anti-trust case and the three Industrial Solutions projects, which were reported separately, amounted to a total of EUR 4.1 million. Other operating income was EUR 1.9 (3.3) million.

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 the profit of the current period with that of the 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 German anti-trust fine and related legal and other costs fall under "Items affecting comparability (IAC)" in category (4), i.e. "other items that according to Caverion management's assessment are not related to normal business operations".

## **Operating profit**

### *July–September*

The operating profit for July–September was EUR 8.1 (2.2) million, or 1.5 (0.4) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 6.2 (7.4) million in July–September, of which EUR 0.4 (0.4) million were allocated intangibles related to acquisitions and EUR 5.8 (7.1) million were other depreciations, amortisation and impairments, the majority of which related to IT.

### *January–September*

Operating profit for January–September was EUR -27.2 (-29.1) million, or -1.7 (-1.7) percent of revenue, impacted by the German anti-trust fine of EUR 40.8 million and other items affecting comparability.

Depreciation, amortisation and impairment amounted to EUR 19.7 (22.6) million in January–September, of which EUR 1.5 (1.4) million were allocated intangibles related to acquisitions and EUR 18.3 (21.2) 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 -29.2 (-33.3) million, result for the period to EUR -32.3 (-25.6) million, and earnings per share to EUR -0.27 (-0.22) in January–September, impacted by the German anti-trust fine of EUR 40.8 million and other items affecting comparability. Net financing expenses in January–September were EUR -2.0 (-4.2) million.

The Group's effective tax rate was -10.6 (23.0) percent in January–September, impacted by the German anti-trust fine. The anti-trust fine has been treated as a non-tax deductible expense.

## Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets totalled EUR 8.3 (13.1) million during January–September, representing 0.5 (0.8) percent of revenue. Investments in information technology totalled EUR 5.9 (8.2) million during January–September. IT investments were focused on building a harmonised IT infrastructure 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 2.5 (5.0) million.

Caverion Industria Oy and a group of buyers including SKM Service Oy and private persons Samppo Huttunen and Marko Mikkonen agreed on the asset sale of Caverion's operations in Leppävirta, Finland, during the third quarter. The sale was closed in the end of August. All 33 employees of Caverion's Leppävirta unit were transferred as part of the sale. Furthermore, the asset sale included e.g. machinery and appliances, material inventory and work in progress. Caverion booked a capital loss of EUR 1.0 million from the asset sale, which is taken into account as an item affecting comparability in the adjusted EBITDA calculation. The transaction price is not disclosed.

## Cash flow, working capital and financing

The Group's operating cash flow before financial and tax items amounted to EUR -32.1 (-75.6) million in the first nine months of the year. The cash flow was impacted by the German cartel fine payment of EUR 40.8 million in August. Excluding the fine, the operating cash flow improved materially by EUR 84.3 million compared to the previous year, improving in all divisions except Denmark. The Group's free cash flow improved to EUR -43.9 (-90.5) million.

During the third quarter, operating cash flow before financial and tax items was EUR -37.0 (-37.5) million. Excluding the German fine, operating cash flow improved materially by EUR 41.3 million compared to the previous year.

The Group's working capital improved to EUR -3.2 (37.0) million at the end of September. The amount of POC receivables decreased to EUR 259.3 (296.1) million and trade receivables to EUR 268.0 (317.6) million at the end of September. There was also positive development in old overdue trade receivables compared to the previous year. Working capital tied to risk projects in Industrial Solutions continued to decline and a similar trend was observable in Germany during the third quarter. The German anti-trust fine was paid during the third quarter, which impacted the working capital level compared to the second quarter.

Caverion's cash and cash equivalents amounted to EUR 18.7 (18.4) million at the end of September. In addition, Caverion has undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

On 14 June 2018, Caverion announced the launch of a directed share issue of new shares in order to maintain a strong balance sheet and to retain strategic flexibility after the payment of the anti-trust fine. Strategic flexibility for Caverion means, among other things, a continuation of the shift towards the Services business, support for strategic projects and operational development, investments in digitalisation, and a solid cash position to finance bolt-on acquisitions in selected areas in services, especially in well-performing divisions. On 15 June 2018, the Company announced that it had directed a share issue of 9,524,000 new shares in the Company to institutional investors, corresponding to approximately 7.36 percent of all the shares and votes in the Company immediately prior to the share issue. Approximately 17 percent of the shares were allocated to international investors. The share issue was priced at EUR 6.30 per share, raising gross proceeds of EUR 60 million. The subscription price

represented a discount of 6.5 percent on the closing price on 14 June 2018. The total number of issued shares in the Company following the share issue is 138,920,092, and the number of shares outstanding is 135,655,641.

The Group's interest-bearing loans and borrowings amounted to EUR 68.9 (159.6) million at the end of September, and the average interest rate after hedges was 2.64 percent. Approximately 87 percent of the loans have been raised from banks and other financial institutions, and approximately 11 percent from insurance companies. A total of EUR 28.2 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 50.2 (141.3) million at the end of September. At the end of September, the Group's gearing was 18.9 (59.5) percent and its equity ratio 30.9 (24.8) percent. On 9 June 2017, Caverion 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. In June 2018, Caverion paid EUR 4.6 million in annual interest on this hybrid bond (no interest was paid in 2017).

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. The financial covenant shall not exceed 3.5:1. At the end of September, the Group's Net debt to EBITDA was 1.1x according to the confirmed calculation principles. Caverion agreed with its lending parties in June that the German anti-trust fine and related legal and advisory fees are excluded from the calculation of EBITDA related to the Group's financial covenant Net Debt to EBITDA.

### Changes in external financial reporting in 2018

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: the Projects 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 at Caverion. Caverion provides comparative figures for the new Business Unit structure for each quarter of financial year 2017. Based on the new classification, the Services business unit accounted for 53.1 per cent of Group revenue in 2017 and the Projects business unit for 46.9 per cent, while based on the previous classification the Services business accounted for 52.5 per cent of Group revenue in 2017 and the Projects business for 47.5 per cent. 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	%
<i>Services business unit</i>	297.0	290.8	284.0	337.2	1,209.0	53%
<i>Projects business unit</i>	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	%
<i>Services business</i>	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%
<i>Projects business</i>	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 would be reworking 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 at the end of 2017. The sale became effective on 31 December 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 the new revenue recognition principles according to IFRS 15 as of 1 January 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 will therefore be recognised more prudently under IFRS 15 than under previous revenue recognition standards. Caverion issued a separate stock exchange release on 21 March 2018 regarding 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 a similar impact 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 as at 31 December 2017, and gearing increased from 24.4 percent to 27.2 percent. 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	9/18	6/18	Change	9/18	9/17	Change	12/17
Sweden	2,975	3,007	-1%	2,975	3,216	-7%	3,150
Norway	2,469	2,431	2%	2,469	2,522	-2%	2,486
Finland	2,487	2,537	-2%	2,487	2,448	2%	2,444
Germany	2,280	2,235	2%	2,280	2,490	-8%	2,453
Industrial Solutions	1,955	2,053	-5%	1,955	2,069	-6%	2,023
Eastern Europe	1,518	1,600	-5%	1,518	1,787	-15%	1,754
Denmark	915	952	-4%	915	999	-8%	952
Austria	851	829	3%	851	841	1%	840
Group Services	106	107	-1%	106	111	-5%	114
Group, total	15,556	15,751	-1%	15,556	16,483	-6%	16,216

Caverion Group employed 15,790 (16,690) people on average in January–September 2018. At the end of September, the Group employed 15,556 (16,483) people. Personnel expenses for January–September 2018 amounted to EUR 660.1 (701.0) million.

Caverion continued to develop the competences needed by the businesses during the period. Some new resources were also needed to fulfil critical competence gaps. Caverion continued to hire trainees and apprentices to develop into experts. Special attention was continued to be paid to project management and the strengthening of managerial capabilities. Development activities were continued within the 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 measures were continued in a number of divisions. Talent and succession planning continued, as well as the implementation of harmonised people processes. The safety of employees continues to be a focus area. Accident frequency rate in the end of September decreased by 12% from the previous year to 5.3 (6.0).

## Changes in Caverion's Group Management Board and organisation structure

Caverion announced the following changes in Caverion's Group Management Board and organisation structure on 4 May 2018.

Juha Mennander (born 1965) was appointed as the Head of Division Sweden as of 1 June 2018 and he will still continue as a member of the Group Management Board. Juha Mennander will also act as the Head of Group

Market Operations until further notice. Michael Kaiser (born 1962) was appointed as the Head of Caverion Projects Business Unit and a member of the Group Management Board as of 1 June 2018.

In order to focus and simplify Caverion's management structure, Caverion decided to reorganise its Eastern European operations. Niclas Sacklén, the former Head of Division Eastern Europe, left the Group Management Board as of 1 July 2018 and was responsible for Caverion's Russian and Polish operations until 10 August 2018, after which he left the company. Caverion's Baltic operations were decided to be integrated into Division Finland, where they will report to Ville Tamminen, Head of Division Finland. Going forward, Division Finland will be called Finland and Baltics. The financial reporting of Russia, Poland and the Baltics will continue under "Eastern Europe" until the end of 2018.

## 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 sudden unexpected changes which also affect Caverion may always occur. Caverion estimates that the trade related and political risks are increasing globally, but their effect on Caverion is estimated to be limited in the short term.

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 are in place, and appropriate risk reservations are being made. Given the specific risks related to project business, the Group Projects Business Unit was established at the beginning of 2017, which is dedicated to the overall improvement of project risk management, to steering the project portfolio, and to improving project management capabilities. Despite all the actions taken, there is a risk that some project risks will 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 projects which are currently running and in 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 made a large amount of project write-downs during 2016-2017, but there are still certain project performance risks remaining in 2018 from older projects. At present, approximately 16 percent of projects in Caverion's project order backlog have been started in 2016 or earlier. At the beginning of the third quarter, Caverion had approximately 20 percent of its order backlog in such projects, and Caverion estimates that this level will be reduced to slightly above 10 percent by the end of the year. 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 probable 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 with write-offs realised 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 ruled out 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.

In June 2018, Caverion reached a settlement for its part with the German Federal Office (FCO) in a cartel case that had been investigated by the authority since 2014. The investigation concerns several companies providing technical building services in Germany. Caverion Deutschland GmbH (and its predecessors) was found to have participated in anti-competitive practices between 2005 and 2013. According to the FCO's final decision issued on 3 July 2018, Caverion Deutschland GmbH was imposed a fine of EUR 40.8 million. There is a risk that civil claims



may be presented against Caverion Deutschland GmbH in relation to this matter. It is not possible to evaluate the magnitude of the risk at this time. Caverion will disclose any relevant information on the potential civil law claims as required under the applicable regulations.

As part of Caverion's co-operation with the authorities in the cartel matter, the company identified activities between 2009 and 2011 that were likely to fulfil the criteria of corruption or other criminal commitment in one of its client projects executed in that time. Caverion has brought its findings to the attention of the authorities and supports them in further investigating 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 required under the applicable regulations.

Caverion has made significant efforts to promote compliance in order to avoid any infringements in the future. Caverion has a strong focus on further enhancing its compliance programme. As part of the programme all employees must complete an e-learning module and further training is given across the organisation. All employees are required to comply with Caverion's Code of Conduct, which has a policy of zero tolerance on anti-competitive practices, corruption, bribery or any unlawful action.

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. Caverion agreed with its lending parties in June that the German anti-trust fine and the related legal and advisory fees are excluded from the calculation of EBITDA related to Group's financial covenant Net Debt to EBITDA. It is possible that Caverion may also need amendments to its financial covenant 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 guarantees to customers or other stakeholders, especially for 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 situation. 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. In 2018-2019, Caverion is making a transition to a new IT vendor providing comprehensive IT outsourcing services. Such a transition always includes risks.

Financial risks have been described in more detail in the 2017 Financial Statements under 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 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 Hinnerkov, 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](http://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

The Caverion Corporation is a public limited company organised under the laws of the Republic of Finland, incorporated on 30 June 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 138,920,092. Caverion held 3,264,451 treasury shares on 30 September 2018, representing 2.35% of the total number of shares and voting rights. The number of shares outstanding was 135,655,641 at the end of September 2018.

On 14 June 2018, Caverion announced the launch of a directed share issue of new shares to maintain a strong balance sheet and to retain strategic flexibility after the payment of the anti-trust fine. Strategic flexibility for Caverion means, among other things, a continuation of the shift towards the service business, support in operational development in projects, investments in digitalisation, and a solid cash position to finance bolt-on acquisitions in selected areas in services, especially in well-performing divisions. On 15 June 2018, the Company announced that it had directed a share issue of 9,524,000 new shares in the Company to institutional investors, corresponding to approximately 7.36 percent of all the shares and votes in the Company immediately prior to the share issue. Approximately 17 percent of the shares were allocated to international investors. The share issue was priced at EUR 6.30 per share, raising gross proceeds of EUR 60 million. The subscription price represented a discount of 6.5 percent on the closing price on 14 June 2018. The total number of issued shares in the Company following the share issue is 138,920,092, and the number of shares outstanding is 135,655,641.

In a stock exchange release on 7 February 2018, Caverion's Board of Directors announced the establishment of a new share-based incentive plan directed at 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's 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 shall acquire 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, one instalment each 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 were 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 has granted the participants in the plan interest-bearing loans to the total amount of approximately EUR 4.72 million to finance the acquisition of the company's shares by the end of June 2018. 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 lasting 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 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 thereof will therefore be paid. If all targets are met, the share rewards based on the 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 in both the spring of 2020 and 2021. More information on the incentive plans was released in stock exchange releases on 18 December 2015, 21 December 2016 and 21 December 2017.

Caverion has not made any decision regarding the issue of option rights or other special rights entitling to shares.

### 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 the 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 of the 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 on the repurchase of own shares during 2018. As part of the implementation of the Matching Share Plan, the company accepted as a pledge the shares acquired by those key employees who took a loan from the company. As a result, Caverion had 743,700 Caverion Corporation shares as a pledge at the end of the reporting period on 30 September 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 recognised 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 that 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 transfers. The authorisation is valid until 31 March 2019. The Board of Directors has used this authorisation during 2018. On 15 June 2018, the Company announced that it had directed a share issue of 9,524,000 new shares in the Company to institutional investors.

### Trading in shares

The opening price of Caverion's share was EUR 5.93 at the beginning of 2018. The closing rate on the last trading day of the review period on 28 September was EUR 6.88. The share price increased by 16 percent during January–September. The highest price of the share during the review period January–September was EUR 7.54, the lowest was EUR 5.76 and the average price was EUR 6.58. Share turnover on Nasdaq Helsinki in January–September amounted to 33.8 million shares. The value of share turnover was EUR 222.1 million (source: Nasdaq Helsinki).

Caverion's shares are also traded in other market places, such as Cboe, Aquis and Turquoise. During January–September, 7.4 million Caverion Corporation shares changed hands in alternative public market places, corresponding to approximately 15.8 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly through Cboe. Furthermore, during January–September, 5.5 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 11.8 percent of the total share trade (source: Fidessa Fragmentation Index).

The market capitalisation of the Caverion Corporation at the end of the review period was EUR 933.3 million. Market capitalisation has been calculated excluding the 3,264,451 shares held by the company as per 30 September 2018.

### Number of shareholders and flagging notifications

At the end of September 2018, the number of registered shareholders in Caverion was 26,781 (6/2018: 27,475). At the end of September 2018, a total of 33.3 percent of the shares were owned by nominee-registered and non-Finnish investors (6/2018: 30.6%).

On 15 June 2018, Caverion received a notification under Chapter 9, Section 5 of the Finnish Securities Markets Act, according to which the holding of Varma Mutual Pension Insurance Company ("Varma") in the Caverion Corporation has increased above the threshold of 5 per cent. The holding increased above the threshold on 15 June 2018 due to Varma's participation in Caverion's share issue. According to the announcement, the holding of Varma in Caverion is 9,721,407 shares on 15 June 2018, corresponding to 7.00 per cent of Caverion's shares and voting rights.

On 15 June 2018, Caverion received a notification of managers' transactions, according to which Antti Herlin, a member of the Board of Directors in the Caverion Corporation through Security Trading Oy ("Security Trading", a company owned by Antti Herlin) has purchased shares in the Caverion Corporation on 15 June 2018. The aggregated transactions represented a volume of 1,400,000 shares with a volume weighted average price of EUR 6.3 per share. The holding of Security Trading Oy after the share subscriptions equals thus 14.74 per cent of Caverion's shares and voting rights after the directed share issue announced on 14 June 2018, which corresponded to the pro-rata holding prior to the share issue.

On 19 February 2018, Caverion received a notification 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 the 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.

According to the announcement, the direct holding of Security Trading in Caverion was 19,020,000 shares on 19 February 2018, corresponding to 14.699 per cent of Caverion's shares and voting rights at the time.

Updated lists of Caverion's largest shareholders and ownership structure by sector as per 30 September 2018, are available on Caverion's website at [www.caverion.com/investors](http://www.caverion.com/investors).

INTERIM REPORT 1 JANUARY –30 SEPTEMBER 2018: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	7-9/2018	7-9/2017 Restated	1-9/2018	1-9/2017 Restated	1-12/2017 Restated
<b>Revenue</b>	<b>524.9</b>	<b>545.6</b>	<b>1,616.5</b>	<b>1,683.5</b>	<b>2,275.8</b>
Other operating income	0.7	3.0	1.9	3.3	15.9
Materials and supplies	-137.8	-153.5	-416.0	-475.3	-638.4
External services	-101.4	-106.9	-301.9	-316.6	-433.0
Employee benefit expenses	-200.3	-211.7	-660.1	-701.0	-940.4
Other operating expenses	-71.8	-66.8	-247.9	-200.5	-276.1
Share of results of associated companies			0.0	0.0	0.0
Depreciation, amortisation and impairment	-6.2	-7.4	-19.7	-22.6	-30.4
<b>Operating result</b>	<b>8.1</b>	<b>2.2</b>	<b>-27.2</b>	<b>-29.1</b>	<b>-26.6</b>
% of revenue	1.5	0.4	-1.7	-1.7	-1.2
Financial income and expense, net	-0.5	-1.4	-2.0	-4.2	-5.7
<b>Result before taxes</b>	<b>7.6</b>	<b>0.8</b>	<b>-29.2</b>	<b>-33.3</b>	<b>-32.3</b>
% of revenue	1.4	0.1	-1.8	-2.0	-1.4
Income taxes	-2.3	-0.1	-3.1	7.7	5.3
<b>Result for the period</b>	<b>5.3</b>	<b>0.7</b>	<b>-32.3</b>	<b>-25.6</b>	<b>-27.0</b>
% of revenue	1.0	0.1	-2.0	-1.5	-1.2
<b>Attributable to</b>					
Equity holders of the parent company	5.3	0.7	-32.4	-25.6	-27.0
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company					
Earnings per share, basic, EUR	0.03	0.00	-0.27	-0.22	-0.24
Diluted earnings per share, EUR	0.03	0.00	-0.27	-0.22	-0.24



## Consolidated statement of comprehensive income

EUR million	7-9/2018	7-9/2017 Restated	1-9/2018	1-9/2017 Restated	1-12/2017 Restated
<b>Result for the review period</b>	<b>5.3</b>	<b>0.7</b>	<b>-32.3</b>	<b>-25.6</b>	<b>-27.0</b>
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit/loss					
- Change in fair value of defined benefit pension	-0.1	-0.4	-0.9	0.9	1.6
-- Deferred tax	0.0		0.0		0.0
Items that may be reclassified subsequently to profit/loss					
- Cash flow hedges	0.0		0.0		0.1
- Change in fair value of for available for sale investments	0.0	0.1	0.0	0.1	0.1
-- Deferred tax	0.0		-0.2		
- Translation differences	0.2	0.9	0.1	-1.1	-2.5
<b>Other comprehensive income, total</b>	<b>0.1</b>	<b>0.6</b>	<b>-0.9</b>	<b>-0.2</b>	<b>-0.6</b>
<b>Total comprehensive result</b>	<b>5.4</b>	<b>1.3</b>	<b>-33.3</b>	<b>-25.8</b>	<b>-27.6</b>
<b>Attributable to</b>					
Equity holders of the parent company	5.4	1.3	-33.3	-25.8	-27.6
Non-controlling interests	0.0	0.0	0.0	0.0	0.0

## Condensed consolidated statement of financial position

EUR million	Sep 30, 2018	Sep 30, 2017 Restated	Dec 31, 2017 Restated
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19.0	23.9	21.9
Goodwill	331.6	339.8	331.6
Other intangible assets	36.8	46.6	46.7
Shares in associated companies	0.1	0.1	0.1
Other investments	1.1	1.2	1.2
Other receivables	6.7	3.2	2.1
Deferred tax assets	34.9	32.5	27.4
<b>Current assets</b>			
Inventories	16.6	20.5	17.6
Trade receivables	268.0	317.6	333.9
POC receivables	259.3	296.1	226.5
Other receivables	41.2	40.1	47.5
Income tax receivables	3.5	8.4	7.5
Cash and cash equivalents	18.7	18.4	29.2
<b>Total assets</b>	<b>1,037.5</b>	<b>1,148.5</b>	<b>1,093.2</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of the parent company			
Share capital	1.0	1.0	1.0
Hybrid capital	100.0	100.0	100.0
Other equity	164.1	136.1	134.3
Non-controlling interest	0.4	0.4	0.4
<b>Equity</b>	<b>265.5</b>	<b>237.4</b>	<b>235.6</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	54.6	52.6	51.6
Pension liabilities	45.1	45.5	44.2
Provisions	8.3	6.9	7.0
Interest-bearing debts	40.7	70.0	57.7
Other liabilities	0.2	0.4	0.4
<b>Current liabilities</b>			
Advances received	178.7	192.4	179.9
Trade payables	178.8	201.8	215.5
Other payables	211.2	213.5	237.3
Income tax liabilities	6.9	8.2	5.8
Provisions	19.2	30.1	22.7
Interest-bearing debts	28.2	89.7	35.5
<b>Total equity and liabilities</b>	<b>1,037.5</b>	<b>1,148.5</b>	<b>1,093.2</b>

## Working capital

EUR million	Sep 30, 2018	Sep 30, 2017 Restated	Dec 31, 2017 Restated
Inventories	16.6	20.5	17.6
Trade and POC receivables	527.3	613.8	560.4
Other current receivables	39.9	39.4	46.0
Trade and POC payables	-199.4	-220.5	-236.1
Other current liabilities	-209.0	-223.7	-239.0
Advances received	-178.7	-192.4	-179.9
<b>Working capital</b>	<b>-3.2</b>	<b>37.0</b>	<b>-30.8</b>

## Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent								Non-controlling interest	Total equity
	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Unrestricted equity reserve	Hybrid capital	Total		
<b>Equity on December 31, 2017</b>	<b>1.0</b>	<b>146.0</b>	<b>-8.0</b>	<b>-0.5</b>	<b>-3.2</b>		<b>100.0</b>	<b>235.3</b>	<b>0.4</b>	<b>235.6</b>
Change in accounting principle, IFRS 9		-0.8		0.0				-0.8		-0.8
<b>Equity on January 1, 2018</b>	<b>1.0</b>	<b>145.2</b>	<b>-8.0</b>	<b>-0.5</b>	<b>-3.2</b>		<b>100.0</b>	<b>234.4</b>	<b>0.4</b>	<b>234.8</b>
<b>Comprehensive income</b>										
Result for the period		-32.4						-32.4	0.0	-32.3
Other comprehensive income:										
Change in fair value of defined benefit pension		-0.9						-0.9		-0.9
Cash flow hedges				0.0				0.0		0.0
Change in fair value of available-for-sale assets		-0.4		0.4				0.0		0.0
-Deferred tax				-0.2				-0.2		-0.2
Translation differences			0.1					0.1		0.1
<b>Comprehensive income, total</b>		<b>-33.7</b>	<b>0.1</b>	<b>0.2</b>				<b>-33.3</b>	<b>0.0</b>	<b>-33.3</b>
Dividend distribution									0.0	0.0
Share issue						60.0		60.0		60.0
Share issue costs after taxes						-0.7		-0.7		-0.7
Share-based payments		1.7						1.7		1.7
Share subscriptions						6.7		6.7		6.7
Hybrid capital interests after taxes		-3.7						-3.7		-3.7
<b>Equity on September 30, 2018</b>	<b>1.0</b>	<b>109.5</b>	<b>-7.9</b>	<b>-0.2</b>	<b>-3.2</b>	<b>66.0</b>	<b>100.0</b>	<b>265.1</b>	<b>0.4</b>	<b>265.5</b>

Equity attributable to owners of the parent									
EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Hybrid capital	Total	Non-controlling interest	Total equity
<b>Equity on January 1, 2017 (restated)</b>	<b>1.0</b>	<b>172.1</b>	<b>-5.6</b>	<b>-0.7</b>	<b>-3.2</b>		<b>163.6</b>	<b>0.4</b>	<b>163.9</b>
<b>Comprehensive income</b>									
Result for the period		-25.6					-25.6	0.0	-25.6
Other comprehensive income:									
Change in fair value of defined benefit pension		0.9					0.9		0.9
-Deferred tax									
Cash flow hedges									
Change in fair value of available for sale assets				0.1			0.1		0.1
Translation differences			-1.1				-1.1		-1.1
<b>Comprehensive income, total</b>		<b>-24.8</b>	<b>-1.1</b>	<b>0.1</b>			<b>-25.8</b>	<b>0.0</b>	<b>-25.8</b>
Dividend distribution								0.0	0.0
Share-based payments									
Hybrid capital						100.0	100.0		100.0
Hybrid capital transaction costs after taxes		-0.8					-0.8		-0.8
<b>Equity on September 30, 2017</b>	<b>1.0</b>	<b>146.6</b>	<b>-6.7</b>	<b>-0.7</b>	<b>-3.2</b>	<b>100.0</b>	<b>237.1</b>	<b>0.4</b>	<b>237.4</b>

Equity attributable to owners of the parent									
EUR million	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Hybrid capital	Total	Non-controlling interest	Total equity
<b>Equity on January 1, 2017 (restated)</b>	<b>1.0</b>	<b>172.1</b>	<b>-5.6</b>	<b>-0.7</b>	<b>-3.2</b>		<b>163.6</b>	<b>0.4</b>	<b>163.9</b>
<b>Comprehensive income</b>									
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
<b>Comprehensive income, total</b>		<b>-25.3</b>	<b>-2.5</b>	<b>0.2</b>			<b>-27.6</b>	<b>0.0</b>	<b>-27.6</b>
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
<b>Equity on December 31, 2017</b>	<b>1.0</b>	<b>146.0</b>	<b>-8.0</b>	<b>-0.5</b>	<b>-3.2</b>	<b>100.0</b>	<b>235.3</b>	<b>0.4</b>	<b>235.6</b>

## Condensed consolidated statement of cash flows

EUR million	7-9/2018	7-9/2017 Restated	1-9/2018	1-9/2017 Restated	1-12/2017 Restated
<b>Cash flows from operating activities</b>					
Result for the period	5.3	0.7	-32.3	-25.6	-27.0
Adjustments to result	13.1	10.0	27.0	19.9	13.7
Change in working capital	-55.3	-48.2	-26.8	-69.9	4.6
<b>Operating cash flow before financial and tax items</b>	<b>-37.0</b>	<b>-37.5</b>	<b>-32.1</b>	<b>-75.6</b>	<b>-8.7</b>
Financial items, net	-0.7	-0.4	-1.3	-3.3	-4.6
Taxes paid	-0.6	-1.9	-2.4	-4.3	-3.4
<b>Net cash from operating activities</b>	<b>-38.2</b>	<b>-39.8</b>	<b>-35.8</b>	<b>-83.2</b>	<b>-16.7</b>
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries and businesses, net of cash		-1.5	-0.4	-1.5	-2.4
Disposal of businesses	-0.2		-1.5		23.1
Capital expenditure and other investments, net	-1.1	-2.8	-7.5	-9.1	-17.1
<b>Net cash used in investing activities</b>	<b>-1.3</b>	<b>-4.4</b>	<b>-9.4</b>	<b>-10.6</b>	<b>3.6</b>
<b>Cash flow from financing activities</b>					
Change in loan receivables, net		0.4	-4.2	1.4	1.2
Change in current liabilities, net		45.3	-5.0	25.0	-30.0
Repayments of borrowings	-3.3	-3.3	-17.7	-57.7	-68.7
Payments of financial leasing debts	-0.3	-0.5	-2.0	-1.7	-2.2
Share issue			60.0		
Share issue costs	-0.8		-0.8		
Share subscriptions			6.7		
Hybrid capital				100.0	100.0
Hybrid capital costs and interests			-4.6	-1.0	-1.0
Dividends paid and other distribution of assets			0.0	0.0	0.0
<b>Net cash used in financing activities</b>	<b>-4.5</b>	<b>41.8</b>	<b>32.3</b>	<b>66.0</b>	<b>-0.7</b>
<b>Change in cash and cash equivalents</b>	<b>-44.0</b>	<b>-2.4</b>	<b>-12.8</b>	<b>-27.8</b>	<b>-13.9</b>
Cash and cash equivalents at the beginning of the period	62.2	19.8	29.2	47.7	47.7
Change in the foreign exchange rates	0.5	0.9	2.3	-1.5	-4.6
<b>Cash and cash equivalents at the end of the period</b>	<b>18.7</b>	<b>18.4</b>	<b>18.7</b>	<b>18.4</b>	<b>29.2</b>

## Free cash flow

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017	1-12/2017
Operating cash flow before financial and tax items	-37.0	-37.5	-32.1	-75.6	-8.7
Taxes paid	-0.6	-1.9	-2.4	-4.3	-3.4
Net cash used in investing activities	-1.3	-4.4	-9.4	-10.6	3.6
<b>Free cash flow</b>	<b>-38.8</b>	<b>-43.8</b>	<b>-43.9</b>	<b>-90.5</b>	<b>-8.5</b>

## Notes to the Interim Report

### 1 Accounting principles

Caverion Corporation's Interim Report for January 1 – September 30, 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 third quarter, January-September and financial year 2017 is presented on pages 27-28.

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.

Group management has performed an initial assessment of the impacts of IFRS 16 standard. Based on the current analysis most of the operating leases will be recognised in the balance sheet. The new standard will have a significant impact on the Group's balance sheet and related key ratios, such as the equity ratio and gearing. The leasing standard will also have an impact on the Group's income statement. Operating lease cost will be divided into the depreciation of the right-of-use asset and interest cost associated with the lease liability resulting to improved EBITDA.

Caverion plans to adopt the standard as of the effective date of January 1, 2019. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

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 31.

## IFRS 15 restated figures

## Condensed consolidated income statement

EUR million	7-9/2017 Reported	IFRS 15 Resta- tement	7-9/2017 Restated	1-9/2017 Reported	IFRS 15 Resta- tement	1-9/2017 Restated	1-12/2017 Reported	IFRS 15 Resta- tement	1-12/2017 Restated
<b>Revenue</b>	<b>545.1</b>	<b>0.5</b>	<b>545.6</b>	<b>1,692.5</b>	<b>-9.0</b>	<b>1,683.5</b>	<b>2,282.8</b>	<b>-7.0</b>	<b>2,275.8</b>
Other operating income	3.0		3.0	3.3		3.3	15.9		15.9
Materials and supplies	-153.5		-153.5	-475.3		-475.3	-638.4		-638.4
External services	-106.9		-106.9	-316.6		-316.6	-433.0		-433.0
Employee benefit expenses	-211.7		-211.7	-701.0		-701.0	-940.4		-940.4
Other operating expenses	-67.3	0.5	-66.8	-200.5	0.0	-200.5	-275.8	-0.3	-276.1
Share of results of associated companies				0.0		0.0	0.0		0.0
Depreciation, amortisation and impairment	-7.4		-7.4	-22.6		-22.6	-30.4		-30.4
<b>Operating profit</b>	<b>1.2</b>	<b>0.9</b>	<b>2.2</b>	<b>-20.1</b>	<b>-9.0</b>	<b>-29.1</b>	<b>-19.3</b>	<b>-7.3</b>	<b>-26.6</b>
% of revenue	0.2		0.4	-1.2		-1.7	-0.8		-1.2
Financial income and expense, net	-1.4		-1.4	-4.2		-4.2	-5.7		-5.7
<b>Result before taxes</b>	<b>-0.2</b>	<b>0.9</b>	<b>0.8</b>	<b>-24.3</b>	<b>-9.0</b>	<b>-33.3</b>	<b>-25.1</b>	<b>-7.3</b>	<b>-32.3</b>
% of revenue	0.0		0.1	-1.4		-2.0	-1.1		-1.4
Income taxes	0.2	-0.3	-0.1	6.0	1.7	7.7	4.2	1.1	5.3
<b>Result for the review period</b>	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>	<b>-18.3</b>	<b>-7.3</b>	<b>-25.6</b>	<b>-20.9</b>	<b>-6.1</b>	<b>-27.0</b>
% of revenue	0.0		0.1	-1.1		-1.5	-0.9		-1.2
<b>Attributable to</b>									
Equity holders of the parent company	0.1	0.6	0.7	-18.3	-7.3	-25.6	-20.9	-6.1	-27.0
Non-controlling interests	0.0		0.0	0.0		0.0	0.0		0.0
Earnings per share attributable to the equity holders of the parent company									
Earnings per share, basic, EUR	-0.01		0.00	-0.16		-0.22	-0.19		-0.24
Diluted earnings per share, EUR	-0.01		0.00	-0.16		-0.22	-0.19		-0.24

## Condensed consolidated statement of financial position

EUR million	Sep 30, 2017 Reported	IFRS 15 Resta- tement	Sep 30, 2017 Restated	Dec 31, 2017 Reported	IFRS 15 Resta- tement	Dec 31, 2017 Restated
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	23.9		23.9	21.9		21.9
Goodwill	339.8		339.8	331.6		331.6
Other intangible assets	46.6		46.6	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	3.2		3.2	2.1		2.1
Deferred tax assets	22.2	10.4	32.5	17.6	9.8	27.4
<b>Current assets</b>						
Inventories	20.5		20.5	17.6		17.6
Trade receivables	331.3	-13.7	317.6	347.3	-13.4	333.9
POC receivables	321.1	-25.0	296.1	249.7	-23.2	226.5
Other receivables	40.1		40.1	47.5		47.5
Income tax receivables	8.4		8.4	7.5		7.5
Cash and cash equivalents	18.4		18.4	29.2		29.2
<b>Total assets</b>	<b>1,176.8</b>	<b>-28.3</b>	<b>1,148.5</b>	<b>1,120.0</b>	<b>-26.8</b>	<b>1,093.2</b>
<b>Equity and liabilities</b>						
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	100.0		100.0
Other equity	164.4	-28.3	136.1	161.4	-27.1	134.3
Non-controlling interest	0.4		0.4	0.4		0.4
<b>Equity</b>	<b>265.8</b>	<b>-28.3</b>	<b>237.4</b>	<b>262.7</b>	<b>-27.1</b>	<b>235.6</b>
<b>Non-current liabilities</b>						
Deferred tax liabilities	52.6		52.6	51.6		51.6
Pension liabilities	45.5		45.5	44.2		44.2
Provisions	6.9		6.9	7.0		7.0
Interest-bearing debts	70.0		70.0	57.7		57.7
Other liabilities	0.4		0.4	0.4		0.4
<b>Current liabilities</b>						
Advances received	192.4		192.4	179.9		179.9
Trade payables	201.8		201.8	215.5		215.5
Other payables	213.5		213.5	237.3		237.3
Income tax liabilities	8.2		8.2	5.8		5.8
Provisions	30.1	0.1	30.1	22.4	0.3	22.7
Interest-bearing debts	89.7		89.7	35.5		35.5
<b>Total equity and liabilities</b>	<b>1,176.8</b>	<b>-28.3</b>	<b>1,148.5</b>	<b>1,120.0</b>	<b>-26.8</b>	<b>1,093.2</b>

## 2 Key figures

	9/2018	9/2017 Restated	12/2017 Restated
Revenue, EUR million	1,616.5	1,683.5	2,275.8
EBITDA, EUR million	-7.5	-6.5	3.8
EBITDA margin, %	-0.5	-0.4	0.2
Adjusted EBITDA, EUR million	42.4	31.1	25.8
Adjusted EBITDA margin, %	2.6	1.9	1.1
Operating profit, EUR million	-27.2	-29.1	-26.6
Operating profit margin, %	-1.7	-1.7	-1.2
Result before taxes, EUR million	-29.2	-33.3	-32.3
% of revenue	-1.8	-2.0	-1.4
Result for the review period, EUR million	-32.3	-25.6	-27.0
% of revenue	-2.0	-1.5	-1.2
Earnings per share, basic, EUR	-0.27	-0.22	-0.24
Earnings per share, diluted, EUR	-0.27	-0.22	-0.24
Equity per share, EUR	2.0	1.9	1.9
Equity ratio, %	30.9	24.8	25.8
Interest-bearing net debt, EUR million	50.2	141.3	64.0
Gearing ratio, %	18.9	59.5	27.2
Total assets, EUR million	1,037.5	1,148.5	1,093.2
Operating cash flow before financial and tax items, EUR million	-32.1	-75.6	-8.7
Working capital, EUR million	-3.2	37.0	-30.8
Gross capital expenditures, EUR million	8.3	13.1	20.4
% of revenue	0.5	0.8	0.9
Order backlog, EUR million	1,552.3	1,460.4	1,491.0
Personnel, average for the period	15,790	16,690	16,607
Number of outstanding shares at the end of the period (thousands)	135,656	125,084	125,084
Average number of shares (thousands)	129,553	125,084	125,084

## 3 Financial development by quarter

EUR million	7-9/2018	4-6/2018	1-3/2018	10-12/2017 Restated	7-9/2017 Restated	4-6/2017 Restated	1-3/2017 Restated
Revenue	524.9	564.8	526.8	592.3	545.6	563.3	574.6
EBITDA	14.3	-31.7	9.9	10.3	9.6	-14.1	-2.0
EBITDA margin, %	2.7	-5.6	1.9	1.7	1.8	-2.5	-0.3
Adjusted EBITDA	18.5	12.9	10.9	-5.2	18.8	4.5	7.8
Adjusted EBITDA margin, %	3.5	2.3	2.1	-0.9	3.4	0.8	1.4
Operating profit	8.1	-38.7	3.4	2.5	2.2	-21.6	-9.6
Operating profit margin, %	1.5	-6.9	0.7	0.4	0.4	-3.8	-1.7

	7-9/2018	4-6/2018	1-3/2018	10-12/2017 Restated	7-9/2017 Restated	4-6/2017 Restated	1-3/2017 Restated
Earnings per share, basic, EUR	0.03	-0.32	0.01	-0.02	0.00	-0.14	-0.08
Earnings per share, diluted, EUR	0.03	-0.32	0.01	-0.02	0.00	-0.14	-0.08
Equity per share, EUR	2.0	1.9	1.9	1.9	1.9	1.9	1.2
Equity ratio, %	30.9	28.2	27.7	25.8	24.8	25.8	16.7
Interest-bearing net debt, EUR million	50.2	10.2	47.2	64.0	141.3	98.6	164.9
Gearing ratio, %	18.9	3.9	19.4	27.2	59.5	41.7	106.4
Total assets, EUR million	1,037.5	1,092.3	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	-37.0	-15.0	19.8	66.9	-37.5	-25.9	-12.1
Working capital, EUR million	-3.2	-57.2	-41.4	-30.8	37.0	-8.6	-21.3
Gross capital expenditures, EUR million	0.9	3.2	4.2	7.3	5.2	2.9	5.0
% of revenue	0.2	0.6	0.8	1.2	1.0	0.5	0.9
Order backlog, EUR million	1,552.3	1,596.8	1,540.0	1,491.0	1,460.4	1,512.7	1,543.5
Personnel at the end of the period	15,556	15,751	15,687	16,216	16,483	16,750	16,679
Number of outstanding shares at end of period (thousands)	135,656	135,656	126,132	125,084	125,084	125,084	125,084
Average number of shares (thousands)	135,656	127,477	125,438	125,084	125,084	125,084	125,084

## 4 Calculation of key figures

### Key figures on financial performance

Equity ratio (%) =	$\frac{\text{Equity} + \text{non-controlling interest} \times 100}{\text{Total assets} - \text{advances received}}$
Gearing ratio (%) =	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents} \times 100}{\text{Shareholder's equity} + \text{non-controlling interest}}$
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 =	$\frac{\text{Result for the period (attributable for equity holders)} - \text{hybrid capital expenses and accrued unrecognised interests after tax}}{\text{Weighted average number of shares outstanding during the period}}$
Earnings / share, diluted =	$\frac{\text{Result for the period (attributable for equity holders)} - \text{hybrid capital expenses and accrued unrecognised interests after tax}}{\text{Weighted average dilution adjusted number of shares outstanding during the period}}$
Equity / share =	$\frac{\text{Shareholders' equity}}{\text{Number of outstanding shares at the end of the period}}$

### 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. The German anti-trust fine and there-related legal and other costs fall under "Items affecting comparability (IAC)" in category (4) i.e. "other items that according to Caverion management's assessment are not related to normal business operations".

## 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 has granted the key employees participating in the plan interest-bearing loans in the total amount of EUR 4.7 million to finance the acquisition of the company's shares. The loans will be repaid in full on 31 December 2023, at the latest. Company shares have been pledged as a security for the loans.

## 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	11.5	26.9	30.5	68.9

## 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	Sep 30, 2018	Sep 30, 2018	Sep 30, 2017	Sep 30, 2017	Dec 31, 2017	Dec 31, 2017
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current liabilities						
Loans from financial institutions	39.9	40.6	59.9	60.7	49.9	50.6
Pension loans			7.7	7.6	6.7	6.6
Other financial loans	0.5	0.5	0.5	0.5	0.5	0.5
Finance lease liabilities	0.3	0.2	1.9	2.0	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	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Interest rate derivatives	40.0	60.0	50.0
Foreign exchange forwards	85.9	61.6	77.0

Fair values			
EUR million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Interest rate derivatives			
positive fair value			
negative fair value	-0.2	-0.3	-0.3
Foreign exchange forwards			
positive fair value	0.6	0.2	0.3
negative fair value	-0.2	-0.5	-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	Sep 30, 2018	Sep 30, 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	434.9	514.5	473.9
Other commitments			
- Operating leases	150.0	159.0	143.8
- Other contingent liabilities	0.2	0.2	0.2
Accrued unrecognised interest on hybrid bond	1.3	1.4	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 60.6 million at the end of September 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.