



Annual Report 2013
Business Review

Caverion

Caverion in brief

Caverion designs, builds and maintains user-friendly and energy-efficient building systems and provides industrial services in Northern and Central Europe.

Our services are used in offices, retail properties, housing, public premises, industrial plants and infrastructure, among other places.

Our strengths include technological competence and customer-oriented service, covering all building systems throughout the life cycle of the property.

Our revenue for 2013 was approximately EUR 2.5 billion. Caverion has approximately 17 700 employees in 13 countries. Our head office is located in Helsinki, Finland. The Caverion share (CAV1V) is listed on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Ltd).

New company, long history

Caverion was established through the demerger of Building Services and Industrial Services businesses from YIT Group in June 2013. Caverion is a new company, but all of our business areas already have a long history with a lot of valuable experience. Acquisitions in the Nordic countries and Central Europe have promoted the development of our revenue throughout the 2000s.

Strong market position in all key operating countries

- Building systems
- Industrial services

Finland	Russia
Sweden	Estonia
Norway	Latvia
Denmark	Lithuania
Germany	Poland
Austria	Romania
The Czech Republic	



Strong market position with good growth potential

The main objectives of our strategy include increasing profitability in Northern Europe, strong growth in Central Europe organically and through acquisitions and development of wide, new and advanced projects and services.

We aim to be the leading and most efficient building systems company in Europe. In Finland, we are the largest in our field of business and among the top five in all key operating countries. We have strong growth potential particularly in Central Europe.

Energy-efficient and user-friendly solutions for buildings and industry

We offer **building systems** in all our operating countries. Our services cover both the design and installation of technical systems, as well as their service and maintenance and facility management.

Caverion provides **industrial services** mainly in Finland and Sweden. Our industrial services include the design, prefabrication and project deliveries of technical systems and processes to industry, and related service and maintenance.

We continuously develop our products and services to help our customers reduce the environmental impact of their operations. **Energy efficiency** is an important part of all our services.

Caverion has special expertise as a provider of technical systems for demanding properties, such as clean rooms, hospitals and laboratories. Our own product development and solutions reinforce our role as a technical forerunner.

Reporting segments and organisation

From the very beginning, Caverion has been developing its service and maintenance business and project business across the country borders.

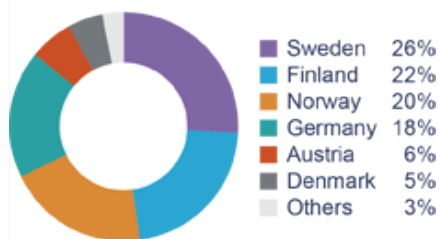
In 2013, we reported our financial performance in two segments: Building Services Northern Europe and Building Services Central Europe.

New reporting structure in 2014

Caverion Corporation has changed its external reporting structure as of January 1, 2014. The segments based on geographical areas (Building Services Northern Europe and Building Services Central Europe) are replaced by one single operative segment, that will also include the Group services and other items.

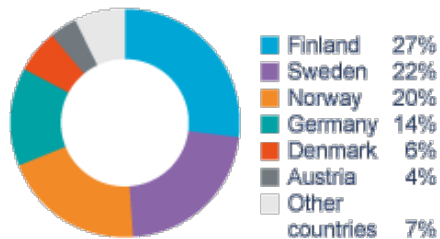
The first interim report based on the new reporting structure will be published on April 24, 2014 (interim report for January–March 2014). The change in reporting structure will have no effect on the Group's strategic targets.

Revenue by country in 2013



Revenue presented based on the Group company location.

Employees by country at the end of December 2013



In Finland, we are the leading company in our fields of business and among the top five in all key operating countries.

The new company provides an excellent opportunity for development



Caverion had a good and eventful year in 2013. It was characterised by great changes and new opportunities.

The most important event of the year was naturally the establishment of our new company at the end of June and the listing of our share in the Helsinki Stock Exchange. As an independent listed company, we can focus even better on what we excel in: providing user-friendly and energy-efficient solutions and services for properties and industry.

We started our independent journey from a good position and not from scratch: we already had a long history behind us and proven competence in our business segments and countries. A favourable outlook for service and maintenance, our position as a technical forerunner and the extensive potential for growth in German-speaking regions gave our new company a great start.

Developing the business across country borders

From the very beginning, our employees have received the new company with an open mind. I have been very happy to see the enthusiasm, energy and competence with which our employees have been building Caverion.

During the year we developed our business operations – service and maintenance business and project business – strongly across country borders. We initiated extensive development efforts to improve our efficiency but also to utilise the synergy that comes from the ideas and excellence that we have in our countries of operation.

Working together has already borne fruit: we have created joint processes, tools and service concepts. It is good to continue from here.

Positive signs in the market

The market for our services and solutions remained stable in 2013, despite the general uncertainty that characterised the world economy.

It is true that customers continued to be slow in making decisions on new investments, but positive signs could nevertheless be seen. After the stagnation experienced in 2012, new investments in building systems increased in 2013,

and the situation in the project business market was relatively good in most of our countries. Stable demand for service and maintenance continued. The uncertain economic circumstances were mainly reflected in the lower demand for additional service and maintenance work. Demand for energy efficiency services continued steadily.

EBITDA improving according to plan

In our first half year of operation, we mainly concentrated on building the new company and improving profitability in Northern Europe through our own efficiency measures. We cut our fixed costs by streamlining the organisation and improved the efficiency of the processes and methods in our service business. Even though our EBITDA decreased compared with 2012, our profitability improved according to plan quarter by quarter throughout the year.

We focused on releasing working capital that was tied to operations and on improving our cash flow by means such as more efficient invoicing. By year-end, we had already achieved a very strong cash flow, which supported our financial position.

In Northern Europe, we selected our projects more carefully than before. This had a positive effect on our profitability, but at the same time it also decreased our revenue. Revenue in service and maintenance was lower than expected and the postponement of project start-ups in Germany also had an impact on revenue.

However, our order backlog at the end of the year was stronger than in 2012; growth was seen particularly in Central Europe. We expect the strengthened order backlog to have a positive effect on revenue development in the first half of 2014.

Focus on business that provides genuine added value

The key objective of our strategy for 2014–2016 is to improve profitability. By achieving this fundamental goal, we will have good opportunities to seek growth in service and maintenance, Design & Build projects and new advanced projects and services. In addition, the fragmented market provides opportunities for growth through selected acquisitions, particularly in German-speaking regions.

Benefitting from the opportunities of digitalisation

We have advanced to a stage where we need new skills and ideas. We are opening a completely new chapter, in which we increasingly aim to make use of the opportunities provided by technological advances, digitalisation and building automation. I welcome my successor Fredrik Strand with a positive and expectant mind. I firmly believe that he will bring to the company exactly the experience we need, particularly in the use of information technology as part of service business.

Our aim is to be known for our technological special expertise and use it to enhance our competitiveness.

Digitalisation is one of the key megatrends in our business, as is the increase of technology in buildings and the climate change-driven, increasing need for energy-efficient solutions. In fact, automation and remote monitoring are the keys to energy efficiency. Remote monitoring and control of building systems will enable maintenance of properties to be genuinely based on actual conditions.

More than 10,000 properties in six countries are already connected to Caverion's property control room. We aim to expand the coverage of remote monitoring and systematically develop the content of these services.

Strong expertise

Our future looks good. We believe that the market for our services and solutions will develop favourably.

Alongside service business, we will continue to develop our project business and, particularly, Design & Build projects. In addition to comprehensive deliveries, our strengths include our own solutions and technologies and in-house product development. Our arrowhead know-how includes technical systems for demanding properties, such as laboratories, hospitals and clean rooms.

In industrial services, demand for outsourced service and maintenance has picked up in the market, which will provide us with good opportunities to develop our services for industrial customers.

Occupational safety heading in the right direction

Good financial performance is essential for our existence. However, this does not mean that we are not able or willing to act responsibly at the same time.

For us, responsibility means that we strive to promote a sustainable, energy-efficient living environment with the products and services we offer to our customers, among other issues.

For our employees, we want to first and foremost offer a safe and healthy working environment, where everyone feels good and healthy. We have been investing in occupational safety for many years, and the number of occupational accidents has steadily decreased each year. I am very happy to say that the positive development continued in 2013 and the number of occupational accidents decreased from the previous year. There is still work to be done in this field, but the direction is the right one.

I want to warmly thank Caverion's shareholders, customers, partners and employees for their trust and our journey together. Caverion's strategic direction is clear: we aim to be the leading and most efficient building systems company in Europe. This goal is not a modest one, but I firmly believe that our company has excellent possibilities to be successful also in the future.

Juhani Pitkääkoski



We are opening a completely new chapter, in which we increasingly aim to make use of the opportunities provided by technological advances, digitalisation and building automation.

Key events in 2013

The highlights of the year included the establishment of the new company at the end of June and the listing of our share at Helsinki Stock Exchange in early July.

February

- February 4: YIT's Board of Directors decides to start **the demerger preparations** of YIT Group into two separate independent groups. Building Services and Industrial Services are to form a new independent listed company, Caverion Corporation.
- February 21: YIT's Board of Directors approves **the demerger plan**.

March

- We announce the delivery of heating and cooling systems, sanitation and fire extinguishing technology and electrical engineering to **Franz-Josef Strauss Airport** in Munich, Germany. The value of the contract is over EUR 35 million.

Case gallery 

May

- May 3: YIT Corporation's Board of Directors conditionally appoints **President and CEO and Management Board** for Caverion Corporation.

Governance 

June

- June 5: **The registration document** (prospectus) of Caverion Corporation is published, containing key information about the new Caverion Group: carve-out financial information for 2010–2012 and pro forma information for the first quarters of 2012 and 2013, the Group's strategic goals for 2014–2016 and guidance for the second half of 2013.
- June 17: **YIT's Extraordinary General Meeting** decides on the demerger and the composition of Caverion's Board of Directors.
- June 30: **Caverion is established** and its share is separated from YIT share. YIT's shareholders receive as demerger consideration one Caverion share for each YIT share owned.

July

- July 1: Caverion's share is listed and **trading begins** at Helsinki Stock Exchange (NASDAQ QMX Helsinki). The starting price of Caverion's share is EUR 3.00 and the closing price on the first day is EUR 4.50.
- In July–August we celebrate the start of the new company by arranging local **Caverion Days** in each of the 13 countries in which we operate. We wished our employees welcome to build the new company and shared the company's values, operating principles and common goals.
- July 26: Caverion's **interim report for January–June 2013** is published.

August

- Caverion announces a EUR 16 million life cycle project to be delivered to the **Lintuvaara school** and day care centre in Espoo, Finland. The contract includes the delivery of building systems and a 25-year service and maintenance agreement.

Case gallery ▶

September

- Caverion announces that it will deliver **Kalmar municipality** one of the largest energy saving projects in Sweden. Caverion guarantees savings of EUR 21 million for the customer during the guarantee period of 20 years.

October

- Caverion announces a EUR 30 million delivery to **Jena University Hospital** in Germany. The Design & Build project covers the total delivery of all building systems.

Case gallery ▶

November

- November 1: Caverion publishes its **first interim report** as an independent company.
- We publish our **updated financial targets**. The target for operating cash flow after investments is replaced with a target for working capital. The targets for revenue and EBITDA remain unchanged and are: average annual growth of revenue more than 10% and EBITDA over 6% of revenue.

Financial targets ▶

- Caverion arranges its first **Capital Markets Day** in Frankfurt.

December

- **Kemijoki Oy** announces the outsourcing of the operations and maintenance of 16 hydropower plants to Caverion. Under the agreement, approximately 80 employees will transfer to Caverion in March 2014.
- **Caverion's first half-year** as an independent company ends. The closing price of Caverion share at the NASDAQ OMX Helsinki on December 30, 2013 is EUR 8.90.

Shares and shareholders ▶

Financial development in 2013

- **EBITDA** for January–December decreased from previous year. However, profitability developed during the year according to plan, while the efficiency programme progressed in Northern Europe. In Sweden and Denmark, profitability developed according to plan. In Norway, the profitability of project business was weak in the latter half of the year, and results from the profitability improvement measures are expected to be seen in 2014. In Central Europe, EBITDA decreased mainly due to reduced volumes in Germany. The Group's EBITDA was burdened by M&A-related project costs, one-off items related to restructuring and costs related to the demerger of YIT.
- **Revenue** decreased from previous year, mainly due to more careful selection of projects in Norway and Sweden, lower revenue from service and maintenance and the postponement of Caverion's project start-ups in Germany. Changes in foreign exchange rates decreased the revenue for January–December by EUR 21 million.
- The **order backlog** at the end of the year increased by 6% from December 2012, taking into account the effect of foreign exchange rates. In Central Europe, the order backlog increased by 25%. The order backlog strengthened in Germany in 2013, which is expected to have a positive effect on revenue development in the first half of 2014. The decrease in the order backlog in Northern Europe was partly due to Caverion's more careful selection of projects.
- **Operating cash flow** after investments was very strong in the final quarter of 2013. The cash flow was burdened by demerger-related IT investments of EUR 21 million in January–December.
- The Board of Directors proposes to the Annual General Meeting that a **dividend** of EUR 0.22 per share be paid, representing 78% of the Group's net profit for the period.

Key figures

EUR million	1–12/13	1–12/12 ¹⁾	Change
Revenue	2,543.6	2,803.2	-9%
EBITDA	70.9	85.3	-17%
EBITDA margin, %	2.8	3.0	
Operating profit	49.4	61.1	-19%
Operating profit margin, %	1.9	2.2	
Net profit for the period	35.5	40.8	-13%
Working capital	46.0	94.0	-51%
Operating cash flow after investments	74.2	40.5	83%
Interest-bearing net debt, end of period ²⁾	86.5		
Gearing, end of period, % ²⁾	34.6		
Earnings per share, basic, EUR ³⁾	0.28	0.32	-13%
Personnel, average for the period	18,071	19,132	-6%

1) The effects of the revised IAS 19 standard on the consolidated income statement 1–12/2012 are presented in the tables to the Financial Statements Bulletin.

2) Interest-bearing net debt and gearing in 2012 are not comparable with the 2013 figures, because of the new credit facility transferred to Caverion Corporation as a result of the partial demerger as per June 30. Interest-bearing net debt on as per June 30, 2013 was EUR 194.0 million.

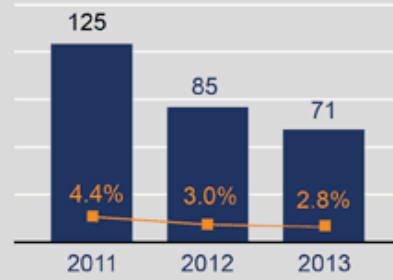
3) Excluding the financial cost effect in January–June 2013 of the new financing arrangements transferred to Caverion Corporation as a result of the partial demerger. If the refinancing under the new loan agreement had been drawn down at the beginning of the financial year, the net financing expenses in January–December would have amounted to approximately EUR 8.4 million.

Revenue (EUR million)



EBITDA

■ EBITDA (EUR million)
— EBITDA margin (%)



Working capital (EUR million)



Order backlog at year's end (EUR million)



Earnings per share, basic, EUR



Key figures in responsibility

Carbon footprint

- CO₂ emissions/revenue ratio:
18.5 (2012: 17.5)
- ISO 14001 certified operations:
82% of revenue (2012: 77%).

Quality

- ISO 9001-certified business:
100% of revenue (2012: 96%).

Occupational safety

- Accident frequency rate
(number of accidents per one million working hours):
9 (2012: 11)
- OHSAS 18001-certified operations:
75% of revenue (2012: 70%).

[Read more about Caverion's corporate responsibility](#) ▶

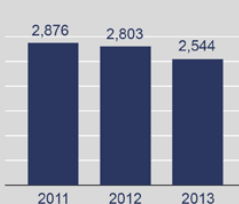
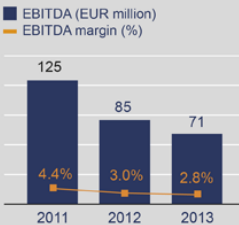

Financial targets

We updated our financial targets with a new target for working capital.

Caverion announced its updated financial targets for the strategy period 2014–2016 on November 1, 2013. The new targets replaced the ones announced on June 4, 2013 that YIT's Board of Directors had at that time specified for Caverion.

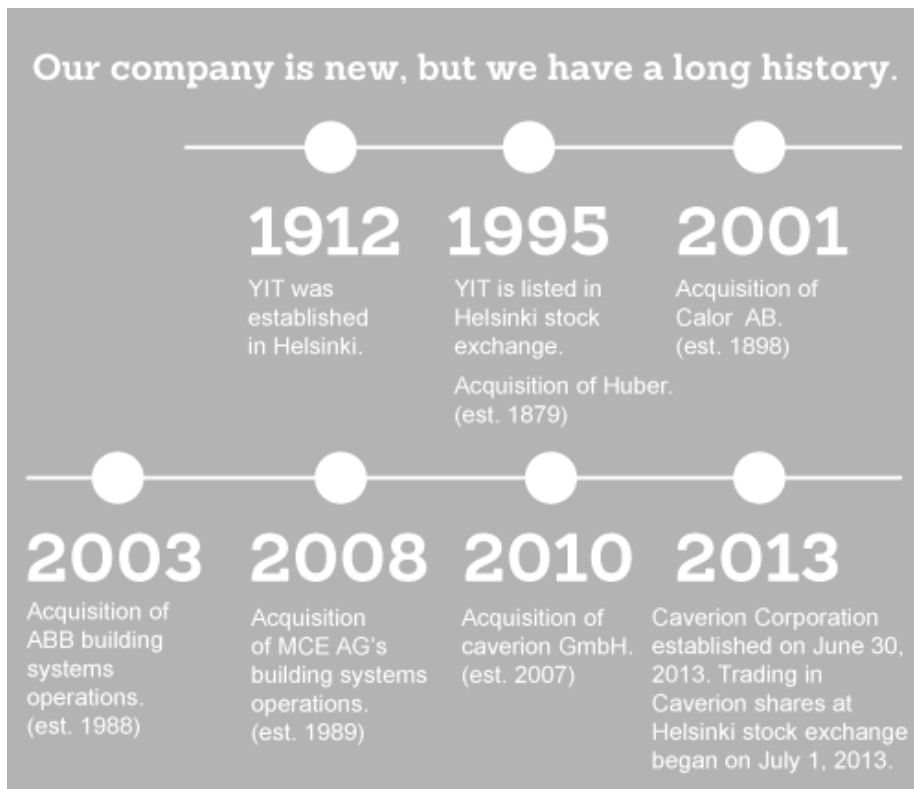
The target for operating cash flow after investments was replaced with a target for working capital. The targets for revenue and EBITDA remained as announced previously on June 4, 2013.

Our updated targets reflect our determination to focus not only on increasing the profitability and efficiency of our business, but also on more efficient use of capital. By addressing this, we can free up capital and further improve our cash flow.

Financial targets until the end of 2016														
Target	Actual 2013	Development 2011–2013												
<p>Average annual growth in revenue more than 10%</p>	-9.3%	<p>Revenue (EUR million)</p>  <table border="1"> <tr><th>Year</th><th>Revenue (EUR million)</th></tr> <tr><td>2011</td><td>2,876</td></tr> <tr><td>2012</td><td>2,803</td></tr> <tr><td>2013</td><td>2,544</td></tr> </table>	Year	Revenue (EUR million)	2011	2,876	2012	2,803	2013	2,544				
Year	Revenue (EUR million)													
2011	2,876													
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<p>EBITDA over 6% of the revenue</p>	2.8%	<p>EBITDA</p>  <table border="1"> <tr><th>Year</th><th>EBITDA (EUR million)</th><th>EBITDA margin (%)</th></tr> <tr><td>2011</td><td>125</td><td>4.4%</td></tr> <tr><td>2012</td><td>85</td><td>3.0%</td></tr> <tr><td>2013</td><td>71</td><td>2.8%</td></tr> </table>	Year	EBITDA (EUR million)	EBITDA margin (%)	2011	125	4.4%	2012	85	3.0%	2013	71	2.8%
Year	EBITDA (EUR million)	EBITDA margin (%)												
2011	125	4.4%												
2012	85	3.0%												
2013	71	2.8%												
<p>Negative working capital</p>	EUR 46.0 million	<p>Working capital (EUR million)</p>  <table border="1"> <tr><th>Year</th><th>Working capital (EUR million)</th></tr> <tr><td>2011</td><td>145</td></tr> <tr><td>2012</td><td>94</td></tr> <tr><td>2013</td><td>46</td></tr> </table>	Year	Working capital (EUR million)	2011	145	2012	94	2013	46				
Year	Working capital (EUR million)													
2011	145													
2012	94													
2013	46													
<p>Dividend policy</p> <p>The objective is to distribute at least 50% of the result for the year after taxes, excluding changes in fair value, as dividend and capital redemption to the company's shareholders.</p>	<p>The Board of Directors' proposal for dividend distribution to the Annual General Meeting:</p> <p>EUR 0.22 per share, (78% of the Group's result for the year)</p>													

Caverion's history and establishment

Caverion was established through the demerger of building services and industrial services businesses from YIT Group in June 2013.



As part of YIT, Caverion's roots go back to 1912 when the Swedish company Allmänna Ingeniörsbyrå (AIB) established a branch office in Helsinki. Over the years, YIT developed into Finland's leading builder of water supply and sewerage systems. In the 1970s, YIT started providing service and maintenance in properties, later followed by maintenance of industrial pipelines. The origins of Caverion's business in building systems and industrial services lie in this business.

Revenue development supported by acquisitions

The building systems and industrial services business has grown over the years both organically and through acquisitions. In 2001–2010 the business was strongly expanded to cover totally new geographical areas. Through the acquired companies, the roots of our company go back even further in history.

Acquisitions have supported our revenue development: In 2000–2012, the revenue of our building systems and industrial services increased by 15% annually on average.

Our strategy is to continue expanding. In particular, the Central European market provides many opportunities for acquisitions.

Caverion was established in a partial demerger of YIT in 2013

February 4

YIT's Board of Directors decided to start preparations for the demerger.

February 21

YIT's Board of Directors approved the demerger plan.

May 3

YIT Corporation's Board of Directors conditionally appointed President and CEO and Management Board for Caverion Corporation.

June 5

The demerger circular including Caverion's strategic goals for 2014–2016 was published.

June 17

YIT's Extraordinary General Meeting decided on the demerger and the composition of the Board of Directors on the basis of the proposal by YIT's Personnel Committee.

June 30

Caverion was established and its share was separated from YIT share.

July 1

Trading in Caverion Corporation shares started on NASDAQ OMX Helsinki.



Through the acquired companies, our history goes back a long way.

Growth drivers and megatrends

The increase of technology in buildings, energy efficiency requirements, increasing digitalisation and automation all promote demand for Caverion's services.



Increase of technology in buildings

The role of building systems in the construction industry is increasing. At the same time, increasingly advanced technology makes investments in building systems less expensive for customers.

Demand for energy-efficient building systems, among others, has contributed to this growth. In the future, the role of building systems will be further emphasised, along with the advancement of technical systems.

There is growing demand for specialised technical expertise, continuous service and maintenance and automation of building systems.

Customers want to purchase extensive service packages from one single partner.

Customers' efficiency targets promote the outsourcing of services.



Climate change and energy efficiency

Stricter new legislation, increasing energy consumption and the need for modernisations and investments in the energy sector promote demand for energy-efficient solutions and services.

Energy efficiency is a critical factor for customers when choosing the service provider. The significance of environmental certificates is growing.



Digitalisation

Automation and remote monitoring are increasing.

Property maintenance is preventive and based on actual conditions and real needs.

Automation is the key to energy efficiency.



The use of renewable energy sources is increasing

Solar power is already relatively widely in use, particularly in Central Europe.

Wind power and biofuel-based forms of energy are emerging.

The use of renewables requires new, advanced technology.

The market needs a service provider that can cover all the areas of building systems.



Building systems market is heavily fragmented

Consolidation of the market, with large and increasingly global companies acquiring smaller local companies, provides opportunities.

There are many smaller players in the market, which benefits the larger ones.

Comprehensive services are a competitive advantage particularly in large projects.

Potential for growth exist particularly in German-speaking areas.

Market position

Caverion is among Europe's leading companies in building systems and industrial services.

Strong market position in all key operating countries

- Building systems
- Industrial services

Finland	Russia
Sweden	Estonia
Norway	Latvia
Denmark	Lithuania
Germany	Poland
Austria	Romania
The Czech Republic	



Source: Management estimate

Caverion's market position remained strong in 2013. Based on revenue, we were the sixth largest among European building systems companies. We also ranked among the five largest players in all the countries in which we are present.

In Finland and Norway we continued to be the largest and in Denmark we maintained our third position. In Sweden, we have ranked second or third over the past couple of years.

Our position in Germany has remained stable. After the acquisition of caverion GmbH in 2010, we became the second largest provider of building systems project deliveries in Germany. After the acquisition, we have focused on increasing our service and maintenance business in Germany. In 2013, Caverion was the fifth largest player in the field in Germany, taking into account both the project business and the service and maintenance market.

Germany is the largest market area

In 2013, the size of the target markets in our operating countries totalled more than EUR 70 billion.

Germany was clearly our largest market in 2013, equalling the combined size of the Nordic market. Therefore, our largest potential for growth is in Germany, based on the size of the market alone, among others.

Fragmented market offers growth potential

The European building systems market is very fragmented. Most players in the field are smaller companies with only a few dozen employees and a relatively limited range of services. The fragmented market provides opportunities for growth, particularly in German-speaking areas.

Building systems target market



■	Germany	EUR 30.1 bn
■	Russia*	EUR 9.5 bn
■	Sweden	EUR 9.0 bn
■	Czech Republic, Poland, Romania	EUR 6.7 bn
■	Norway	EUR 6.2 bn
■	Finland	EUR 6.1 bn
■	Denmark	EUR 5.5 bn
■	Austria	EUR 3.6 bn
■	Estonia, Lithuania, Latvia	EUR 3.6 bn

*(St. Petersburg and Moscow)

The figures do not include the industrial services market, which is described separately.

Source: Euroconstruct, December 2013

Competitors and competitive landscape

Comprehensive services are a clear competitive advantage that enable us to stand out from the crowd in the building systems market.

Caverion's key competitive advantage is the mastery of all areas of building systems and the competence required in demanding total deliveries.

We can take on responsibility of building systems throughout the building's life cycle, from design to delivery of the systems to their service and maintenance. Due to our own product development, we can provide our customers with innovative and cost-saving solutions.

Competition in the market typically takes place on the local level. Building systems companies in the European market can roughly be divided into three categories:

The largest building systems companies in the European market

Large companies with global or European-wide presence	European-wide, medium-sized companies	Local companies and companies with more limited geographical presence
Extensive range of services both in project business and service and maintenance. <i>GDF Suez Energy Services, Europe, Vinci Energies, Bilfinger</i>	Provide both building systems projects and service and maintenance. <i>Imtech, Caverion</i>	Typically provide either projects or service and maintenance. <i>Bravida, Coor and Strabag PFS</i>

Caverion's main competitors by country in 2013

Finland	Sweden	Norway
Lemminkäinen ARE L&T Imtech	Bravida Imtech Coor Midroc Europe	Gunnar Karlsen Bravida Oras Imtech
Denmark	Germany	Austria
Kemp & Lauritzen Bravida Lindpro Wicotec	Imtech Bilfinger FS Strabag PFS Hochtief	Ortner Alpine Energie Cofely Stolz

Customers

We provide services and solutions for many types of properties: offices, retail premises, schools, hospitals, residential buildings, airports, traffic tunnels and industrial plants.

Caverion has an extensive and varied customer base. Our main customer groups are developers and construction companies (especially in project deliveries) and users of properties (especially in service and maintenance). Our other customers include property investors and owners, property service companies and property managers, public institutions and industrial companies.

Extensive customer base supports steady cash flow

Our objective is to foster long-term customer relationships with our competence and local presence. Long-term relationships with customers and a wide customer base support the stability of cash flow. Caverion is not dependent on individual customers: the 10 largest customers make up only approximately 10% of the Group's revenue.

In addition, different customer groups in the private and public sectors and geographically extensive presence reduce our dependency on economic cycles.



Our aim is to maintain long customer relationships through our expertise and local presence.

Market development and outlook

Demand for building systems and services in the market continues to be stable and even increases in some countries. This will provide Caverion with opportunities for growth.

Caverion is present in 13 countries in Northern and Central Europe. Extensive geographical presence and a wide range of services consisting of both project deliveries and service and maintenance balance the effects of changes in the general economic situation.

Market development in 2013

The general uncertainty in the global economy continued in 2013. However, the market situation for building systems and services remained stable.

Demand for service and maintenance remained stable

Stable demand for service and maintenance continued throughout the year in all Caverion's operating countries. Due to the uncertain economic situation, customers especially in Finland and Sweden carried out only the most necessary work related to securing the continuity of their core business and postponed additional service and maintenance work not included in the service agreements.

Demand for energy efficiency services continued to be stable, due to stricter legislation and increasing energy prices, among others. In Sweden, the demand for technical facility services and energy efficiency services developed well. In Russia, the market for service and maintenance continued to grow further. In the Baltic countries, demand remained at a low level.

Positive signs emerging in new investments

In Sweden, Norway, Germany and Austria, the market situation for new investments was relatively good in 2013.

In Sweden, the project business market developed relatively well and improved towards the rest of the year, despite the weaker prospects in the beginning of the year. In Finland, demand in the non-residential construction market remained low, and the decline continued towards the rest of the year. In Norway, demand in the project market was good throughout the year. In Denmark, development of the project market was slow with a low level of activity.

In Russia, the project market remained stable, but in the Baltic countries demand remained at a low level.

In Central Europe, demand remained favourable and uncertainty in the project market eased in Germany and in Austria. Decision-making on new investments was still slow, but positive signs were emerging. After stagnation in 2012 new building system investments grew in 2013. The building systems market in the rest of Central Eastern Europe developed slowly with a low level of activity.

The demand for outsourced industrial maintenance picked up

In 2013, the demand in the industrial project market remained at a low level in Finland and Sweden. This also had an impact on the demand for industrial maintenance. However, demand for outsourcings improved in the market.

Market outlook for 2014

Market outlook for Caverion's business

Service and maintenance

- Growth opportunities favorable in all of Caverion's operational areas.
- As technology in buildings is increasing, the need for new services and demand for energy efficiency services is expected to remain stable.

Energy efficiency


- Demand for energy efficiency services is expected to remain stable.
- Increasing energy costs and tightening legislation will improve the growth potential for energy-efficient solutions and services.
- Environmental certification and energy efficiency are gaining importance, and an increasing number of properties will be connected to remote monitoring.

Project business

- Decision-making on new investments is still slow, but positive signs can be seen.
- New investments in building systems are expected to increase slightly.
- The growing public sector investments and the need for renovation and repair are the key factors behind the growth.
- Service and project business related to the maintenance of traffic infrastructure is also expected to develop favourably.

Source: Euroconstruct, December 2013, and Caverion's own estimate.

Short-term prospects in Caverion's operating countries



Prospects by country for 2014		
	Service and maintenance	Projects
Sweden	→	→
Finland	→	→
Norway	→	→
Germany	→	→
Austria	→	→
Denmark	→	→
Russia	→	→

Source: Euroconstruct, December 2013, and Caverion's own estimate.



Growth opportunities in service and maintenance are favorable in all of our operational areas. New investments in building systems are expected to increase slightly in 2014.

Industrial services market

Caverion is the leading industrial service company in Finland, operating in all branches of industry, including the energy, forest, mining, process and marine industries, among others.

Caverion is the market leader in Finland in industrial maintenance and industrial project deliveries. We are also one of the leading providers of industrial services in Sweden. We have special expertise in high-pressure pipelines, in which we are the market leader in Northern Europe.

In 2013, the size of the industrial services target market was EUR 2.3 billion in Finland and EUR 3.8 billion in Sweden.

Our largest customer segments are the forest industry (approx. 30%), energy industry (approx. 20%) and chemical industry (approx. 15%). The share of the forest industry has decreased in recent years, while the share of the energy and petrochemical industry has increased.

Competitors

Our most important competitors in Finland include Maintpartner, BIS Production Partner (Bilfinger Industrial Services), Empower and ABB Service. In addition, there are small local players in the market.

Megatrends supporting the demand

Megatrends that support demand for industrial services include global transfers of production, the reducing amount of clean water and the objectives to reduce the use of fossil fuels. Energy efficiency is highly valued, and waste is increasingly being used as an energy source.

Market development in 2013

In 2013, the demand in the industrial project market remained at a low level in Finland and Sweden. This also had an impact on the demand for industrial maintenance. However, demand for outsourced industrial maintenance improved in the market.

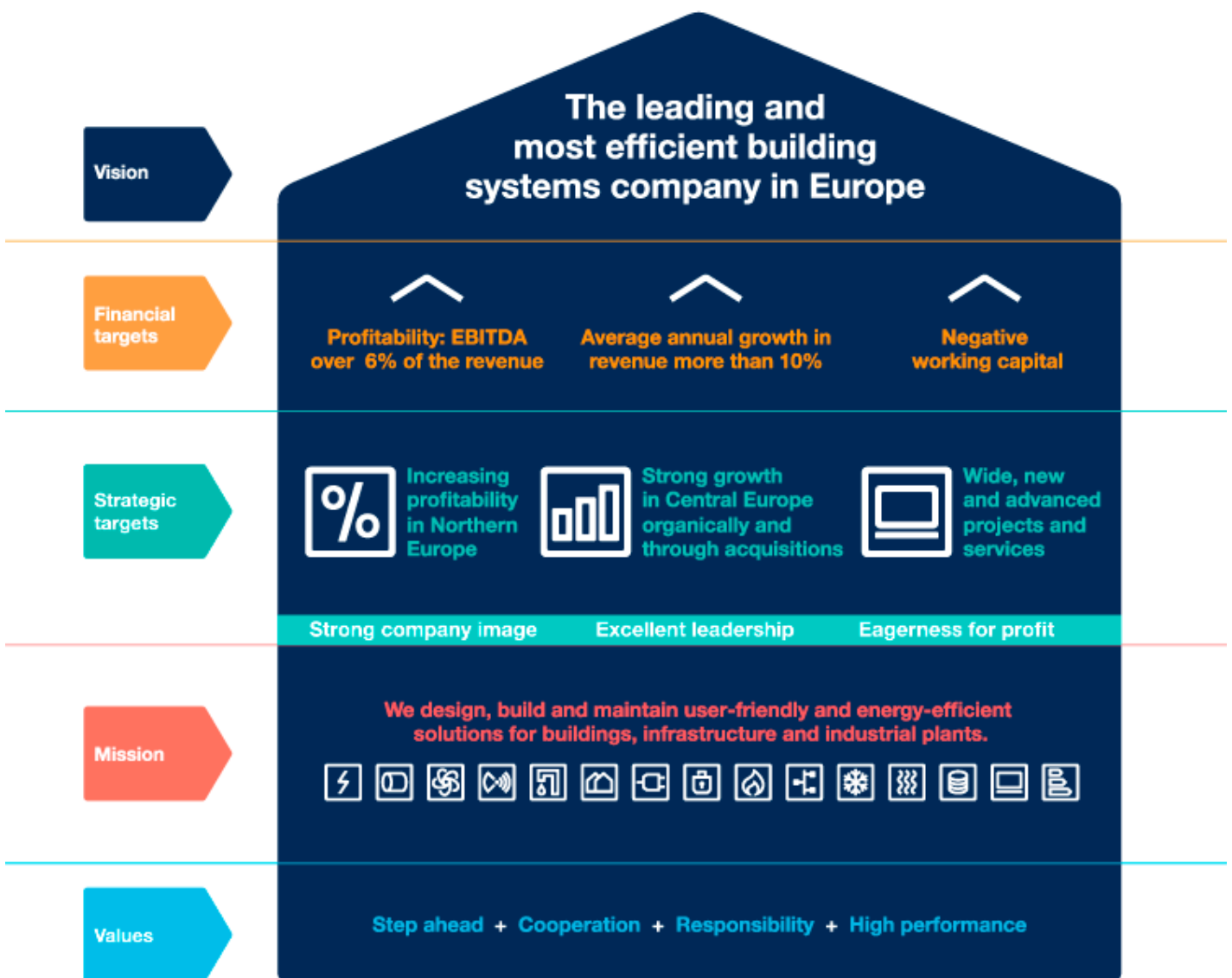


We are the market leader in Finland in industrial maintenance and industrial project deliveries, and also one of the leading providers of industrial services in Sweden.

Group's strategy

We design, build and maintain user-friendly and energy-efficient solutions for buildings, infrastructure and industrial plants. Our vision is to be the leading and most efficient building systems company in Europe.

Strategy until the end of 2016



Caverion's strengths

- **Comprehensive services**, covering all areas of building systems throughout the property's life cycle

- **Geographically extensive operations** in 13 countries and strong market position in all key countries
- **Strong technical competence** and own innovative solutions
- **Energy efficiency** always integrated into all services and solutions
- **Preconditions for strong and stable cash flow:** Low capital employed, extensive customer base and significant share of service and maintenance business
- Solid experience and competence in **growing through acquisitions**

Key megatrends

- Increasing amount of technology in buildings
- Energy efficiency, digitalisation, automation

Read more about the megatrends [▶](#)

Key strategic targets for 2014-2016

We focus on improving profitability through more efficient operations. Alongside profitability, we seek growth through service and maintenance, Design & Build projects and new, advanced projects and services.

Increasing profitability in Northern Europe

- Service efficiency
- Lean, efficient organisation
- Centralised project business
- More careful project selection

[Read more](#) ▶

Strong growth in Central Europe organically and through acquisitions

- Selected acquisitions, especially in German-speaking areas
- Increasing the share of service and maintenance
- Long-term service agreements
- Design & Build projects

[Read more](#) ▶

Developing wide, new and advanced projects and services

- Service and maintenance concepts
- Energy efficiency and control room services
- Special technical expertise and product development

[Read more](#) ▶



Our strategic focus is on operational efficiency.

Increasing profitability in Northern Europe

Aiming for a lean organisation and an efficient service process

Caverion aims to increase the Group's EBITDA to more than 6% of revenue by the end of 2016.

We will focus on improving the profitability especially in Northern Europe, where it has in the recent year been burdened by high fixed costs and lower project margins.

We aim for a **lean, efficient organisation** by cutting fixed costs, closing down unprofitable units, reducing organisational levels and concentrating project business to centres of excellence.

We have already carried out most of this restructuring. In addition, we continuously aim to increase **service efficiency** by upgrading our methods, processes and tools. Our target is to reach negative working capital by the end of 2016, particularly through more efficient invoicing. We will speed up the back office process of invoicing and facilitate reporting from the field by using mobile technology, among others.

Completion of less profitable projects is also important for improving profitability. We will be **more selective in choosing our projects** with regard to both profitability and risks.

Strong growth in Central Europe organically and through acquisitions

We aim for selected acquisitions, increasing the share of service and maintenance and developing Design & Build projects.

Caverion targets the average annual growth in revenue of more than 10 % until the end of 2016. Approximately half of the growth across the cycle is sought organically, but also acquisitions are necessary in order to achieve the target.

Half of the growth from acquisitions

The larger acquisitions are sought especially in Germany and German-speaking countries. As the sixth largest building systems company in Europe, Caverion has good opportunities to strengthen its position in the fragmented Central European markets through acquisitions. In these markets, most of the competitors are smaller companies offering typically only a few individual technical systems.

Caverion has a clear track record in growing through acquisitions: in 2001–2010, it made four important acquisitions (Calor, ABB Building Systems, MCE AG, caverion GmbH), which contributed to the improvement of its revenue. From 2002 to 2010, revenue in building systems and industrial services increased by 15% annually on average (cumulative annual growth).

The objective is to continue making selective acquisitions on a regular basis.

Foundation for organic growth: long-term service agreements

Caverion is seeking organic growth particularly in service and maintenance, which accounted for 55% of our business in 2013. In particular, we aim to increase the share of long-term service and maintenance agreements. They are less susceptible to economic cycles and a good source of additional work.

We focus on the development of service and maintenance concepts, such as facility management and productization of service packages. ServiFlex is our service concept which enables our customers to combine a wide variety of building services in one single agreement, flexibly according to their needs. By developing uniform processes, service descriptions, documentation and marketing tools we are able to facilitate the sales of our services. At the same time, consistent quality of our services is guaranteed across the countries.

Opportunities for growing service and maintenance are favorable in all the countries in which we are present. However, its lower share of business in Central Europe will open up particular opportunities for us.

Focus on developing Design & Build projects

In project business, Caverion aims to increase the share of total deliveries of building systems and Design & Build projects.

Currently, approximately one-third of our project revenue comes from Design & Build projects, in which Caverion is involved in the project from the very beginning, responsible for the design and delivery of the systems and for subcontractors. Our goal is increase their share, as projects that require extensive competence and resources are where we excel, enabling us to stand out from our competitors.

Wide, new and advanced projects and services

We develop our energy efficiency services and remote monitoring of buildings and focus on our technological expertise.

Caverion's main strengths are related to special technological expertise and comprehensive services that cover all areas of building systems throughout the property's life cycle.

In the future, we aim to exploit the full potential of this expertise. We focus on business that provides customers with genuine added value, such as energy efficiency services and remote monitoring of buildings.

Forerunner in energy efficiency services

We have good potential for organic growth, particularly due to increasing demand for energy-efficient solutions in the market. Our target is to strengthen our position as a forerunner and develop energy efficiency in all our services, both in project business and service and maintenance.

Utilising the full potential of digitalisation

Automation and remote monitoring of building systems is central to improving the energy efficiency of properties. Round-the-clock remote monitoring can considerably increase the efficiency of energy consumption in properties and achieve cost savings as unnecessary service visits can be eliminated.

Today, Caverion's control room services cover approximately 10,000 properties in six countries, and we are planning to further expand these services. For instance, we aim to use the condition data collected from remote monitoring more efficiently to improve the services we provide to our customers.

Continuous product development

Continuous product development and own solutions are crucial for the success of our business and we will keep investing in them. Our R&D centre in Aachen, Germany, specialises in the development of advanced products related to ventilation, cooling and heating. We also develop solutions for the use of renewable energy sources, such as solar and wind power.

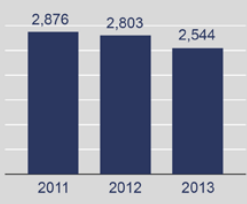


Financial targets

We updated our financial targets with a new target for working capital.

Caverion announced its updated financial targets for the strategy period 2014–2016 on November 1, 2013. The new targets replaced the ones announced on June 4, 2013 that YIT's Board of Directors had at that time specified for Caverion.

The target for operating cash flow after investments was replaced with a target for working capital. The targets for revenue and EBITDA remained as announced previously on June 4, 2013.

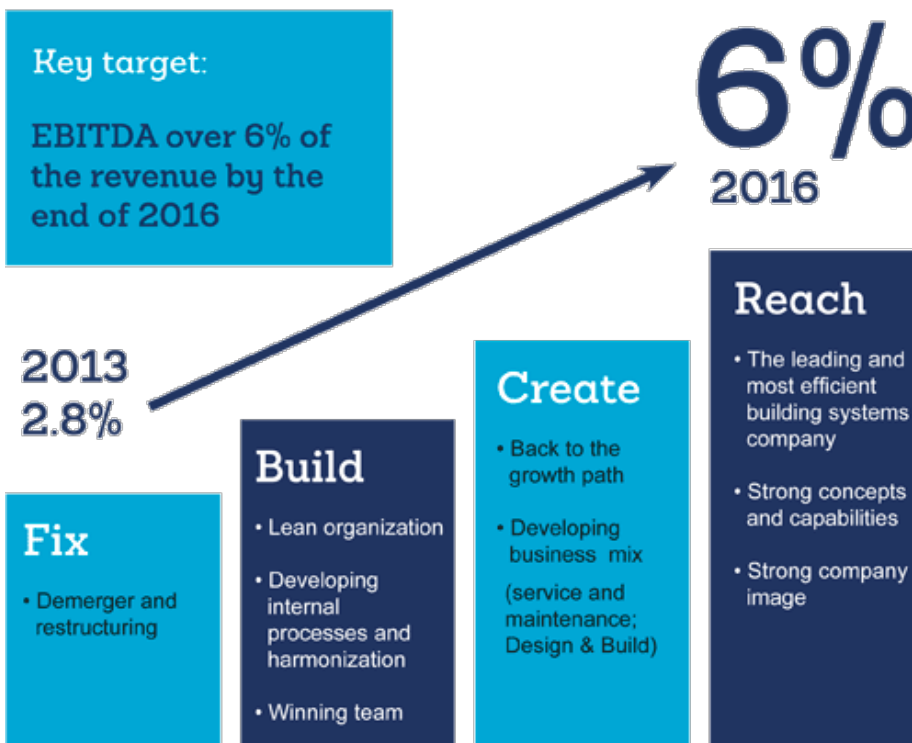
Our updated targets reflect our determination to focus not only on increasing the profitability and efficiency of our business, but also on more efficient use of capital. By addressing this, we can free up capital and further improve our cash flow.

Financial targets until the end of 2016														
Target	Actual 2013	Development 2011–2013												
<p>Average annual growth in revenue more than 10%</p>	-9.3%	<p>Revenue (EUR million)</p>  <table border="1"> <tr><th>Year</th><th>Revenue (EUR million)</th></tr> <tr><td>2011</td><td>2,876</td></tr> <tr><td>2012</td><td>2,803</td></tr> <tr><td>2013</td><td>2,544</td></tr> </table>	Year	Revenue (EUR million)	2011	2,876	2012	2,803	2013	2,544				
Year	Revenue (EUR million)													
2011	2,876													
2012	2,803													
2013	2,544													
<p>EBITDA over 6% of the revenue</p>	2.8%	<p>EBITDA</p>  <table border="1"> <tr><th>Year</th><th>EBITDA (EUR million)</th><th>EBITDA margin (%)</th></tr> <tr><td>2011</td><td>125</td><td>4.4%</td></tr> <tr><td>2012</td><td>85</td><td>3.0%</td></tr> <tr><td>2013</td><td>71</td><td>2.8%</td></tr> </table>	Year	EBITDA (EUR million)	EBITDA margin (%)	2011	125	4.4%	2012	85	3.0%	2013	71	2.8%
Year	EBITDA (EUR million)	EBITDA margin (%)												
2011	125	4.4%												
2012	85	3.0%												
2013	71	2.8%												
<p>Negative working capital</p>	EUR 46.0 million	<p>Working capital (EUR million)</p>  <table border="1"> <tr><th>Year</th><th>Working capital (EUR million)</th></tr> <tr><td>2011</td><td>145</td></tr> <tr><td>2012</td><td>94</td></tr> <tr><td>2013</td><td>46</td></tr> </table>	Year	Working capital (EUR million)	2011	145	2012	94	2013	46				
Year	Working capital (EUR million)													
2011	145													
2012	94													
2013	46													
<p>Dividend policy</p> <p>The objective is to distribute at least 50% of the result for the year after taxes, excluding changes in fair value, as dividend and capital redemption to the company's shareholders.</p>	<p>The Board of Directors' proposal for dividend distribution to the Annual General Meeting:</p> <p>EUR 0.22 per share, (78% of the Group's result for the year)</p>													

Profitability improvement measures in 2014–2016

Fix. Build. Create. These are the key milestones that will help us achieve our profitability target by the end of 2016.

Milestones for improving profitability in 2014–2016



Strict criteria for acquisitions

The main criteria for acquisitions include potential for profitability turnaround, strategic compatibility and the opportunities to strengthen our presence in Central Europe.

Each year, Caverion scans up to 100 potential acquisition targets as part of its normal process.

Instead of acquiring equipment or premises, we first and foremost focus on **purchasing competence**. We look for companies that can complement our competence in service and maintenance and in advanced building systems, such as automation or cooling.

We look for companies with a broad customer base. The price must be right and the company must have potential for profitability improvement.

We focus on large companies with revenue typically over EUR 200 million. In addition, we also make smaller acquisitions. However, recruitment is often a better alternative than an acquisition when looking for the necessary competence.

Acquisition criteria

- Good strategic fit (geographical coverage, business portfolio, customer sectors)
- Complementary skills and resources
- Business culture
- Value creation potential
- Potential for profitability turnaround
- Strong local market position



We look for companies that complement our skills in service and maintenance and offer expertise in advanced building systems such as automation or cooling.

Implementation of the strategy in 2013

In our first half year of operation, we concentrated on building the new company and improving profitability in Northern Europe.

Increasing profitability in Northern Europe

Key measures	Actions in 2013	Results in 2013
Lean and efficient organisation	<ul style="list-style-type: none"> We reduced our fixed costs by closing unprofitable units, streamlining the organisation and centralising project business particularly in Sweden and Norway. The previously announced personnel reductions of 600 employees in the Nordic countries were completed during the year. 	<ul style="list-style-type: none"> The Group's EBITDA was 2.8% of revenue (2012: 3.0%) In Building Services Northern Europe, EBITDA was 2.7% of revenue (2012: 2.8%) Profitability improved during the year according to our plan as the efficiency improvement measures proceeded in Northern Europe. Restructuring measures were mostly completed by the end of the year. In Norway, profitability of project business was still weak, and the impact is expected to be seen during 2014.
Efficient process for service: development of common tools and operating methods	<ul style="list-style-type: none"> We enhanced the efficiency of service and maintenance processes and developed tools for resource planning and advance planning of work. Reporting of work from the field (working hours, materials used, etc.) by maintenance personnel was facilitated by expanding the use of mobile solutions. 	<ul style="list-style-type: none"> The Group operating cash flow after investments was very strong in the final quarter of 2013, amounting to EUR 106 million (10–12/2012: EUR 79 million).
More careful selection of projects in terms of profitability and risks	<ul style="list-style-type: none"> Most projects with low profitability were completed. 	
Strengthening of cash flow	<ul style="list-style-type: none"> We improved the efficiency of invoicing and paid attention to the monitoring of lead times, the duration and quality of work, additional sales and customer satisfaction. 	

Strong growth in Central Europe organically and through acquisitions

Key measures	Actions in 2013	Results in 2013
Selected acquisitions	<ul style="list-style-type: none"> We continued identifying potential acquisitions, especially in German-speaking regions and in service and maintenance business. During the year, we reviewed approximately 100 possible acquisition opportunities. We made an initial, non-binding offer to acquire German company HOCHTIEF Service Solutions and started the related due diligence process. However, the negotiations ended without result. 	<ul style="list-style-type: none"> The share of service and maintenance of the Group's revenue developed steadily and was 56% for the final quarter of 2013 (10–12/2012: 55%). The share of service and maintenance of our Central European business increased according to plan and was 40% in the final quarter of 2013 (10–12/2012: 33%). Design & Build projects accounted for approximately one-third of the Group project business revenue.
Organic growth: Increasing the share of service and maintenance business Long-term service agreements Increasing the share of Design & Build – projects	<ul style="list-style-type: none"> Closer co-operation between countries and business areas in developing both project and service and maintenance business. 	

Developing wide, new and advanced projects and services

Key measures	Actions in 2013	Results in 2013
Development of service package products and concepts for service and maintenance across country borders	<ul style="list-style-type: none"> We developed uniform service descriptions for our ServiFlex service concept, as well as tools for tender pricing and marketing, among others. The development of our facility management concept progressed. 	<ul style="list-style-type: none"> The ServiFlex concept was in use in all 13 countries with uniform service descriptions and processes. The total number of remotely monitored properties increased: approx. 10,000 properties in six countries were connected to Caverion control room.
Strengthening technical expertise and continuous product development Development of energy-efficiency services and control room services	<ul style="list-style-type: none"> We expanded our property control room services and further developed the use of monitoring data. 	<ul style="list-style-type: none"> We carried out vast energy-efficiency projects for a number of municipalities in Finland, Sweden and Germany.

Reporting segments in 2013

In 2013, Caverion had two reporting segments: Building Services Northern Europe and Building Services Central Europe.

Building Services Northern Europe

Building Services Central Europe

Countries	Finland, Sweden, Norway, Denmark, Russia, Estonia, Latvia, Lithuania	Germany, Austria, Czech Republic, Poland, Romania
Services	Building systems <ul style="list-style-type: none"> • Project deliveries • Service and maintenance Industrial services <ul style="list-style-type: none"> • Project deliveries • Service and maintenance 	Building systems <ul style="list-style-type: none"> • Project deliveries • Service and maintenance
Revenue	EUR 1,923 million (2012: 2,089)	EUR 621 million (2012: 714)
EBITDA, %	2.7% (2.8%)	3.8% (4.7%)
Order backlog	EUR 765 million (819)	EUR 476 million (380)
Personnel	14,259 (15,159)	3,328 (3,380)

Business mix, share of segment revenue, 2013



Reporting structure in 2014

Our external reporting structure is changing as of January 1, 2014. The segments based on geographical areas (Building Services Northern Europe and Building Services Central Europe) are replaced by one single operative segment, that will also include the Group services and other items.

The first interim report based on the new reporting structure will be published on April 24, 2014 (interim report for January–March 2014).

The change in reporting structure will have no effect on the Group's strategic targets.



We changed our external reporting structure as of January 1, 2014, and now have only one operative segment.

Business operations and services

Our business operations are divided into building systems and industrial services. In both of them, we provide project deliveries and service and maintenance.

- The majority of Caverion's revenue for 2013 came from **building systems** that we provide in all of our operating countries. These services cover the design and installation of building systems and their service, maintenance and facility management.
- Caverion provides **industrial services** mainly in Finland and Sweden. Industrial Services include project deliveries of technical systems and processes to industry, as well as their service and maintenance.
- We continuously develop our products and services in order to help our customers reduce the environmental impact of their operations. **Energy efficiency** is incorporated in all of our services.

Our services

	Building systems ~90% of Group revenue	Industrial services ~10% of Group revenue
Countries	All 13 countries	Finland and Sweden
Services	<p>Project deliveries</p> <p>Design and installation of technical systems for buildings, industrial plants and infrastructure</p> <p>From individual systems to total deliveries of all technology in the building</p> <p>Design & Build projects</p> <p>Tender-based contracting</p> <p>Energy-efficient building systems</p>	<p>Project deliveries</p> <p>Deliveries of technical systems and processes to all branches of industry</p> <p>Design and manufacturing of prefabricates (piping, tanks and boilers) in own workshops, exports also worldwide.</p>
	<p>Service and maintenance</p> <p>From comprehensive maintenance and facility management of the entire property to ad hoc service calls</p> <p>ServiFlex service concept: over 100 services in more than 20 technical disciplines</p> <p>Remote monitoring of buildings and control room services</p> <p>Energy efficiency services</p> <p>Life cycle model: project delivery followed by maintenance for up to twenty years</p>	<p>Service and maintenance</p> <p>Maintenance of processes and machinery in production plants</p> <p>Comprehensive property maintenance and outsourcings</p> <p>Also single measures such as valve maintenance or boiler repairs</p> <p>ServiFlex concept for industrial maintenance: ~50 services in six disciplines</p>
Technologies	All building systems: HVAC, sanitation, cooling, electricity, tele and ICT, automation, security and fire-safety etc.	Piping, tanks, boilers, electrical automation, industrial ventilation and heat recovery systems etc.

Reporting segments ►

”

In 2013 approximately 55% of the revenue came from service and

maintenance and 45% from project deliveries. ” Caverion designs, builds and maintains user-friendly and energy-efficient solutions for buildings, infrastructure and industrial plants.

Reporting segments in 2013

In 2013, Caverion had two reporting segments: Building Services Northern Europe and Building Services Central Europe.

Building Services Northern Europe

Building Services Central Europe

Countries	Finland, Sweden, Norway, Denmark, Russia, Estonia, Latvia, Lithuania	Germany, Austria, Czech Republic, Poland, Romania
Services	Building systems <ul style="list-style-type: none"> • Project deliveries • Service and maintenance Industrial services <ul style="list-style-type: none"> • Project deliveries • Service and maintenance 	Building systems <ul style="list-style-type: none"> • Project deliveries • Service and maintenance
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Business mix,
share of segment
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Reporting structure in 2014

Caverion Corporation's external reporting structure was changed as of January 1, 2014. The segments based on geographical areas (Building Services Northern Europe and Building Services Central Europe) were replaced by one single operative segment, that also included the Group services and other items.

The first interim report based on the new reporting structure will be published on April 24, 2014 (interim report for January–March 2014).

The change in reporting structure will have no effect on the Group's strategic targets.

Service and maintenance of building systems

Our services cover all building systems and range from individual service measures to comprehensive property maintenance and facility management.

Highlights in 2013

- **The Group revenue** in service and maintenance business decreased by 9% in 2013. Demand remained relatively stable in all of our operating countries. Due to the uncertain economic circumstances, customers focused on carrying out the most necessary service related to securing the continuity of their core business and postponed additional service and maintenance work that was not included in the service agreements. As a result, service and maintenance revenue decreased in Northern Europe.
- In Central Europe, the revenue grew by 7% from the previous year and the share of service and maintenance increased according to our plan. In 2013 approximately 38% of revenue in Central Europe came from service and maintenance (2012: 31%). The possibilities for growing service and maintenance remain favorable in Central Europe, as its share of business is still low compared to Northern Europe.
- Approximately one third of Group service and maintenance revenue came from **long-term service agreements**. Our aim is to increase their share by developing our service concepts and services related to remote monitoring of properties, among others. In 2013 our ServiFlex concept was offered in all of our operating countries, and the development of our facility management concept progressed as well. Furthermore, we initiated the conceptualisation of other maintenance services. A total of approximately 10,000 properties in six countries were connected to Caverion's remote monitoring service, operational 24/7.
- We aim to constantly improve **the efficiency of our service operations**. In 2013, we focused on improving profitability particularly in the Nordic countries. We developed processes and tools for the advance planning of work, expanded the use of mobile devices for the reporting in the field and improved the efficiency of invoicing. In addition, we paid attention to the monitoring of lead times and additional sales.
- **In 2014**, we estimate the opportunities to grow service and maintenance business to remain favorable in all Caverion's operating areas. Demand for energy efficiency services is expected to remain stable. In the years to come, tightening environmental legislation and remote monitoring of buildings will generate further potential for growth.

New agreements

Lintuvaara school and day care centre, Espoo, Finland. Delivery of building systems and service followed by maintenance agreement for 25 years in accordance with the life cycle model. Value of the agreement: EUR 16 million. [Read more in the case gallery](#) ▶

Holmen Paper, Braviken, Sweden. Facility management of the production facilities and office premises of the paper mill and maintenance of external areas. Agreement period: 3 years.

Burger King restaurants, St Petersburg and Moscow, Russia. Extension of the service and maintenance collaboration to cover more than 70 restaurants.

Bank of Finland, premises in Helsinki and Vantaa, Finland. Service and maintenance of the heating, plumbing, ventilation, electrical and automation systems; improvement of energy efficiency.

Helsinborg municipality, Sweden. Facility management covering more than a hundred buildings. Agreement period: 3 years.

Revenue

1,409

EUR million

55%

of Group revenue

Share of revenue in
Northern Europe

61%

(2012: 63%)

Share of revenue in
Central Europe

38%

(2012: 31%)

Business model and goals

Our aim is to increase service and maintenance business and long-term service agreements by conceptualising our services and developing facility management, remote monitoring of properties and energy efficiency services.

In 2013, the service and maintenance of technical systems accounted for 55% of Caverion's total revenue. The figure includes also industrial maintenance.

By growing our service and maintenance business, we can contribute to the profitability of the entire Group, as the margins in service and maintenance are typically better than in project business. In addition, demand for service and maintenance is less susceptible to economic cycles than project business, promoting the stability of our business.

Our goal is to increase the service and maintenance of our business in all regions in which we operate but particularly in Central Europe, where its share of total business has been considerably lower (historically around 30%) compared with Northern Europe. However, the share of service and maintenance revenue has been steadily increasing in Central Europe, reaching 38% at the end of 2013.

Long-term agreements bring steady cash flow

Caverion provides a wide range of service and maintenance, ranging from single service visits to comprehensive maintenance of the property and facility management.

While a typical project delivery takes one year, service and maintenance agreements typically cover two to three years and include the option for an extension of one to two years. In life cycle projects, the duration of the agreement may be up to twenty years. Long-term agreements help to smooth out the cyclical nature of the business.

About one third of the service and maintenance revenue comes from long-term service agreements, one third from additional work for existing contractual customers and the remaining one third from ad hoc service orders from individual customers.

Long-term service agreements often cover only daily maintenance at a fixed rate. Additional service and maintenance work is typically invoiced at hourly rates specified in the framework agreement.

Additional work is profitable for us, but it is more susceptible to the effects of economic cycles. By increasing the proportion of long-term agreements, we can smooth out the cyclical nature of work and acquire more additional work.

Remote monitoring: Utilising the full potential of digitalisation

Caverion has been providing property control room services for more than a decade. In 2013, these services were available in six countries: Finland, Sweden, Norway, Denmark, Germany and Austria.

Altogether 10,000 properties are connected to Caverion's 24/7 remote monitoring service. Our customers include retail premises, industrial plants, data centres and student dormitories, among others. Caverion monitors their heating, plumbing, ventilation, electrical and security systems.

In the control room, we use remote connections to monitor and analyse the functioning of the technical equipment and the conditions inside the properties. In addition, we ensure that the performance of each system is as optimal as possible and within the agreed limits.

The condition data from remote monitoring helps us to improve energy management in the property and increase its value.

Remote monitoring decreases the need for on-site visits, which means savings in property maintenance costs. For Caverion, remote monitoring creates bond with the customer, and the availability of condition data generates potential additional work.

We have systematically developed our control room services over the past years. In the future, additional information from public sources, such as information about the weather, the functioning of the power and heat distribution network and energy prices, can be introduced into Caverion's control room data flow. Property owners and users will receive reports into their own portals, containing information about the building systems and energy consumption in their property.

Focus on facility management

In 2013, we actively developed our facility management concept. We aim for a uniform concept that can be used in all countries in which we operate.

Facility management is strategically important area for us as it provides the opportunity for more extensive service agreements and, thus, has potential to increase our revenue. In addition, extensive facility management agreements are subject to less competition than smaller and local maintenance contracts.

The value of a typical agreement varies from 1 to more than 10 million euros, and the agreement period is two to three years. Agreements often include the option for an extension; therefore, the average duration is about five years.

In facility management, we take care of all the services related to the property. In addition to maintaining and managing technical systems and ensuring energy efficiency in the property, we may also be in charge of other services related to the use of the property. These include reception, maintenance of external areas, security, cleaning, or restaurant services. We purchase these services from subcontractors and take care of the tendering process for the desired services on behalf of the customer. We can take on responsibility for the operational management of the entire property, as well as the planning and management of property-related costs.

Some of our customers have completely outsourced their building systems service and maintenance to Caverion. In outsourcing, Caverion is responsible for all building systems, and the customer's service and maintenance staff become Caverion employees.

ServiFlex facilitates sales of services

Caverion has developed the ServiFlex concept in which the customers can flexibly combine an individual package from an extensive range of services. More than 100 services in more than 20 technical disciplines can be covered in one single agreement. The content of the agreement is tailored to the customer's individual needs, and one contact person is in charge of all the services.

The agreement enables the customers to choose exactly the services they need and define service targets that best suit the property.

ServiFlex focuses on preventive maintenance. Quality-assured processes and standardised service descriptions guarantee uniform quality in all the countries. The concept based on preventive maintenance also helps customers to anticipate their operational expenses.

From Caverion's perspective, the conceptualisation facilitates the sales of services and helps in contract management. In addition, it increases cross-sales and co-operation between technical disciplines. The service is easily scalable because it includes common service descriptions and work instructions, sales and marketing materials and tools for tender calculation, among others. A comprehensive agreement also provides greater opportunities for additional sales.

In 2013, the ServiFlex concept was in use in all countries in which we operate. In addition to ServiFlex, during the year we also initiated the conceptualisation of our other maintenance services.

Service orders per year

1,000,000

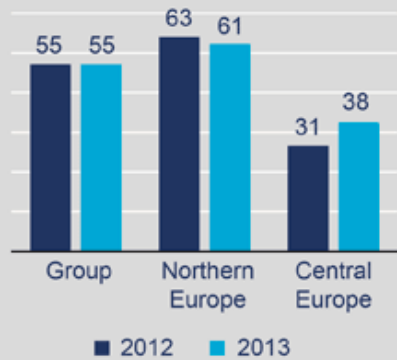
Over

30,000
spaces serviced

3,000

mobile devices in use in
the field

The share of service and maintenance (% of segment revenue)



Service and maintenance revenue by contract type



Remote monitoring has potential to improve the building's energy efficiency and increase its value.

Caverion's competitive advantages in service and maintenance

- We offer **comprehensive services**, covering all areas of building systems throughout the life cycle of the property, from design of the system to its delivery and maintenance.
- We are **close to our customers** in 13 countries. 250 locations ensure swift service and fast response times 24/7.
- Caverion provides **advanced building automation, remote monitoring** and control room services. Such special expertise is not widely available on the market, even though demand for it is expected to grow.
- Our human resources largely consist of our own **employees**, which guarantees a high standard of service in all circumstances.
- The aspect of **energy efficiency** is always integrated into Caverion's services, and we seek to include it in all service agreements.

Read more: [Caverion's energy efficiency services](#) ▶

Trends supporting the growth of service and maintenance

- While the service and maintenance market is changing, property owners and users are no longer merely focusing on fixing acute problems. Instead, they favour **preventive maintenance**. The measures are based on actual conditions: reduced performance, not breakdowns or prescheduled periodic maintenance.
- **Automation** of building systems is increasing, and a growing number of buildings are equipped with remote monitoring connections.
- The increase of technology in buildings increases demand for new services. The **outsourcing of services** is expected to increase.
- **Demand for energy efficiency services** can be expected to increase over the upcoming years due to stricter environmental legislation. Environmental certificates and energy efficiency will become increasingly important. They will help property owners to increase the value of their properties, which further promotes growth opportunities.



The maintenance is increasingly based on actual conditions: reduced performance, not breakdowns or prescheduled periodic maintenance.

Aiming for a more efficient service process

The principle for service efficiency is that we aim for the work that is done at once and within target time and costs.

Improving profitability is Caverion's priority in the strategy period of 2014–2016. We are targetting EBITDA of more than 6% of the revenue by the end of the strategy period by means such as improving the efficiency of the service process. In 2013, we focused on the improving the profitability particularly in Northern Europe, where our efficiency improvement measures had a positive impact on profitability.

New solutions and more efficient invoicing

In an efficient service process, we aim for the work that is done at the first customer visit and withing the target time and costs.

In 2013, we created common processes and tools for resource planning and scheduling, among others. Reporting from the field was facilitated by expanding the use of mobile solutions. In addition, we improved the efficiency of invoicing, and paid attention to the monitoring of lead times, the duration and quality of work, additional sales and customer satisfaction.

Project business

We design and deliver building systems for both new and existing properties. The scope of our deliveries varies from individual solutions to total deliveries, covering all technology in the property.

Highlights in 2013

- Due to the challenging general economic environment, customers continued to be slow in decision-making, but **positive signs** could nevertheless be seen in the market for building systems project deliveries. Uncertainty in the market eased in Germany and Austria, in particular.
- **The Group revenue** in project business decreased by 10 percent compared to the previous year. The revenue decreased mainly in Central Europe, especially due to postponements in German project start-ups. However, we expect the improved order backlog in Germany in 2013 to contribute favorably to the revenue development during the first half of 2014.
- In Northern Europe, we have selected new projects with more careful consideration for profitability and risks. This had a positive effect on profitability, but at the same time decreased our revenue.
- Our goal is to increase the share of total deliveries of building systems and **Design & Build projects**. In 2013, Design & Build projects accounted for approximately one third of our project business revenue.
- We developed our project business **expertise, tools and processes** more strongly across the country borders. Our goal is to introduce common tools and processes for project design and planning as well as project management, among others.
- We estimate that in 2014 decision-making on new investments is still slow, but positive signs can be seen. New investments in building systems are expected to increase slightly. The growing public investments and the need for renovation and repair work are expected to be the key factors behind the growth. High energy costs and tightening legislation support the demand for energy-efficient building solutions.

New agreements

Jena University Hospital, Germany. Total delivery of building systems as a Design & Build project, including HVAC systems for the operating theatres and laboratories, among others. Contract value: approx. EUR 30 million.

Franz-Josef Strauss Airport, Munich, Germany. Heating and cooling systems, sanitation, fire extinguishing technology and electrical engineering for the expansion of the airport. The goal is to reduce CO2 emissions by 40 percent compared with the current terminals. Contract value: EUR 35 million.

[Read more in case-gallery](#) ▶

Forum Hanau shopping centre, Germany. HVAC systems, sprinklers, electrics and building automation. A Design & Build project. Contract value: EUR 17 million.

Düsseldorf University of Applied Sciences, Germany. General contractor for the new building of the Electrical Engineering and Mechanical Engineering departments. Several building systems, including clean room technology. Includes service and maintenance. Contract value: EUR 10 million.

Raiffeisen Informatik GmbH, Vienna, Austria.

Several building systems for the new SPACE data centre, including energy efficient refrigeration systems in server rooms. Contract value: EUR 8.5 million.

Stockholm City Line, Sweden. Power, lighting and automation at the Odenplan station and railway section. Contract value: EUR 7.5 million.

[Read more in case gallery](#) ▶

VVO's residential building in Tikkurila, Vantaa, Finland. Total delivery of building systems (heating, plumbing, ventilation, electrical installations and automation) as a Design & Build project. Energy efficiency. Automatic demand-controlled ventilation. Utilisation of solar power. Contract value: EUR 4 million.

Read more in case gallery ►

K29 business centre, Vilnius, Lithuania. Design and installation of HVAC and firefighting systems, building automation. Design & Build project. Contract value: EUR 4 million.

SINTEF Energy Laboratory, Trondheim, Norway. Total delivery of building systems (design and installation). Contract value: EUR 2.75 million.

Revenue

1,134

EUR million

Share of Group revenue

45%

Share of revenue in
Northern Europe

39%

(2012: 37%)

Share of revenue in
Central Europe

62%

(2012: 69%)

Business model and goals

Our aim is to grow as a provider of Design & Build projects and to strengthen our technological expertise and product development.

Our project business mainly consists of a high volume of smaller projects that typically have an individual value of up to a couple of million euros. Our largest target markets - and thus also our largest individual projects - are located in Central Europe, especially in Germany. In 2013, the individual value of our largest orders there was more than 30 million euros. In the Nordic countries, the focus of Caverion's operations was more on smaller project deliveries and service and maintenance.

Design & Build projects: involved from planning to implementation

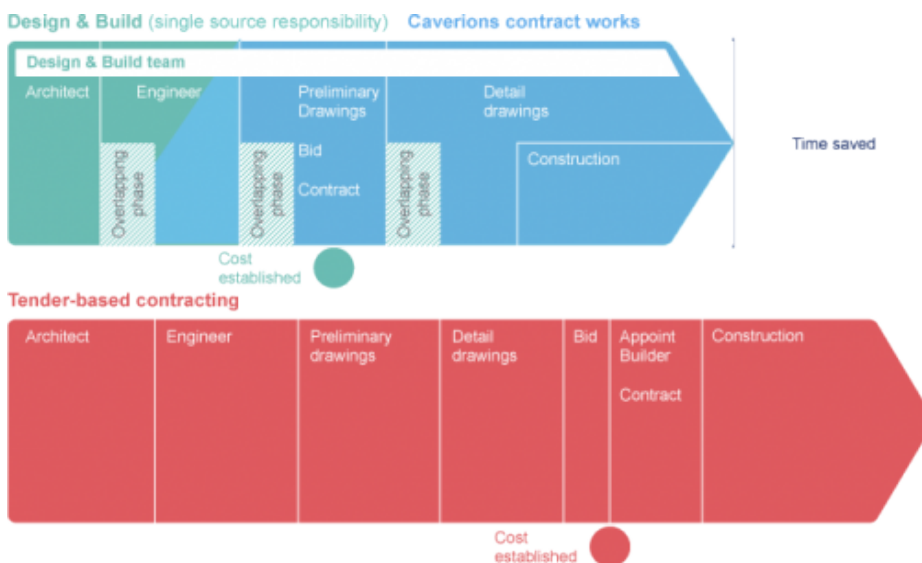
Currently approximately two-thirds of our project business revenue comes from tender-based projects, that typically include the delivery of one or more building systems often based on the ready-made plans from the customer. In these projects, customers may purchase the property's building systems from several different suppliers chosen through tendering processes.

Approximately one-third of our project business revenue comes from Design & Build projects, in which Caverion is involved in the project from the very beginning, responsible for the design and delivery of the systems and for subcontractors. Our goal is increase their share, as projects that require extensive competence are where we excel.

By granting the responsibility for the whole project to one contractor, customers can considerably reduce their project-related risks. In addition, partially simultaneous planning and installation work reduces the duration of the implementation. Project costs are foreseeable, because they are specified during the planning stage.

By being involved in the process from the very beginning, we can also influence the choice of systems and technologies in the planning phase and, thus, improve the quality and efficiency of the final delivery. After the project delivery, we can provide the customer with service and maintenance as well as energy efficiency services.

Main differences between Design & Build and tender-based contracting



Comprehensive services a competitive advantage

Caverion's key strengths are related to its special technological expertise and comprehensive services that cover all areas of building systems. Caverion has competence in extensive, multi-discipline projects that are long-lasting and require a lot of resources.

We have a thorough expertise in all building systems technologies, and can thus ensure that the final result is an efficient assembly of compatible systems. We provide services throughout the lifecycle of the property. This allows us to use the information we receive from service and maintenance operations also in designing the building systems in project deliveries.

Smaller contractors can deliver individual solutions, but cannot provide comprehensive expertise and services that combine all building systems and the whole life cycle of the building.

Our strategy for winning projects is special expertise and proven track record, instead of offering the lowest price. By focusing on this we will also take care of our margins. We aim to choose projects carefully with regard to risks, profitability and our own expertise and resources.

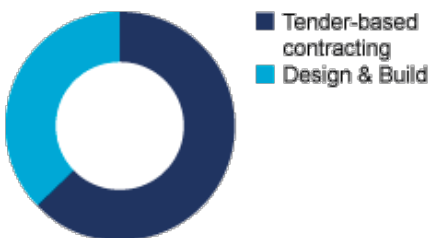
We develop common processes and tools

We are developing our project business competence strongly across borders. By exploiting this synergy, we will improve our efficiency and, consequently, our profitability.

We aim to share the best practices, process expertise and tools from individual countries, so that they benefit all the countries at the same time. By forming an international network of our project business experts, we can use the competence and experience accrued in different countries for steering individual projects.

Our research and development centre in Aachen, Germany, will continue to promote our special technical expertise and product development in all the countries where we operate.

Distribution of project business revenue



”

For customers, granting project responsibility to one contractor means less project related risks, shorter time needed for implementation and more

predictable costs. ” We have a thorough expertise in all building systems technologies, and can thus ensure that the final result is an efficient assembly of compatible systems.

Arrowhead technology

We have special expertise in technologies for demanding properties and in energy-efficient solutions.

Our arrowhead competencies include clean room technology, cooling, building automation, security and fire safety systems.

Continuous product development and own products are essential for our business; we are investing even more than before in this area. Our research and development centre in Aachen, Germany, specialises in the development of advanced products related to ventilation, cooling and heating. In the test stations of the centre we can simulate the functioning of building systems in demanding properties, such as operating theatres, laboratories and large exhibition halls.

Solutions for utilising renewable sources of energy

We want to help our customers improve their energy efficiency. Our energy efficiency projects often include both the delivery of the building systems and service and maintenance.

We have own product development in technological solutions related to renewable energy sources and competence in seawater cooling, solar and wind power, among others.

We have developed our own products and solutions based on phase change materials (PCM) that reduce the need for coolers and considerably improve the building's energy efficiency. PCM materials turn to liquid or solid depending on the temperature in and outside the building. At the same time, they release or store large amounts of energy.

Some of our own products and brands:

- **LuxCool and KlimaTak** are suspended ceiling elements that integrate all the technology needed for office premises: lighting, heating, cooling, ventilation and their adjustment and control.
- **The Krantz brand** develops, designs, manufactures and distributes throughout the world air distribution systems, cooling and heating systems, among others. It also offers clean air solutions for the reduction of operation-related emissions in properties such as laboratories and nuclear power plants.



Our special expertise includes clean room technology as well as cooling, automation, security and fire safety systems.



We have an in-house R&D Centre in Aachen, Germany.

Caverion's competitive advantages in project business

- Expertise in **all building technologies** throughout the life cycle of the property
- Competence also for the most demanding **total deliveries** of building systems, from design to installation
- Own **product development** and own solutions
- **Special expertise** in technical systems for demanding properties such as laboratories, hospitals or clean rooms
- **Energy-efficient solutions**

Read more: [Energy-efficiency services and solutions](#) ▶

Trends supporting growth in project business

- **The use of technology in buildings is increasing** due to increasing demand for energy-efficient building systems and the expansion of automation, among others. Technical systems are becoming more advanced, while, at the same time, becoming less costly for the customer.
- There is increasing demand for **specialised technical expertise** and automaton of building systems. A service provider that can cover all the areas of building systems is needed in the market.
- Tightening legislation, **increasing energy consumption** and the need to modernise the energy sector support the demand for energy-efficient solutions. Energy efficiency is a critical factor for customers when choosing the service provider. The importance of environmental certification is growing.
- **The use of renewable energy sources** is increasing. Solar energy is already used relatively widely, particularly in Central Europe. Wind power and biofuel-based forms of energy are emerging. The use of renewable energy sources requires new, advanced technology.



Demand for specialised technical expertise such as automaton of building systems is increasing.

Industrial services

We provide industrial services mainly in Finland and Sweden. Our services include project deliveries of technical systems and processes for industry, as well as their service and maintenance. We also deliver prefabricates worldwide.

Highlights of 2013

- In recent years, industrial investments have decreased and seasonal fluctuations of demand have increased. Tight competition continued in the market in 2013, particularly in project deliveries.
- Despite the challenging market conditions, demand for industrial maintenance was relatively stable. **The market for outsourcing of maintenance picked up.** We signed outsourcing agreements for many new sites, including Altia's Koskenkorva plant, UPM's sawmills in Alholma and Korkeakoski, hydropower plants for Pohjolan Voima and Kemijoki Oy and Metsä-Fibre's Äänevoima power plant.
- We expanded our **ServiFlex service range**. Our customers can now include approximately 50 different industrial services in one service agreement.
- We invested in occupational safety: occupational safety observation, identification of risks and elimination of dangerous working methods.
- The organisation of Industrial Services changed as of the beginning of 2014: in Sweden, mechanical industrial installation and maintenance were included as part of the new company Caverion Industria Sverige AB. Electric automation services for industry were included as part of Caverion Finland. This unifies our service structure in Finland and Sweden and strengthens Caverion's services for industry in Sweden.

New agreements

Altia, Koskenkorva, Finland. Outsourcing of service and maintenance at the Koskenkorva plant.

Kemijoki Oy, Finland. Outsourcing of the operation and maintenance of 16 hydropower plants. Under the agreement, approximately 80 employees will transfer to Caverion in March 2014.

Metsä Fibre, Äänekoski, Finland. The maintenance partnership agreement for the Äänekoski pulp mill was extended to cover maintenance of processes and process equipment at the bio power plant.

Neste Oil, Porvoo and Naantali, Finland. Heat exchanger maintenance services in the Neste Oil refineries in Porvoo and Naantali during operation and unit shutdowns. Three-year contract.

PVO-Vesivoima, Finland. Partnership agreement on the outsourcing of operation and maintenance at PVO Vesivoima's hydropower plants in Northern Finland.

Peab, Linköping, Sweden. Total delivery of electrical, telecommunications, ventilation and heating installations at the new heating plant in Linköping, Sweden. The value of the order is approximately EUR 7 million.



The market for outsourcing of maintenance services picked up, and we signed outsourcing agreements for many new sites.

Business model and goals

We aim to develop our concepts for industrial maintenance and to increase the number of extensive service contracts.

Our mission is to help our customers improve the efficiency of production throughout industrial plant's lifecycle. In 2013, 38% of the revenue in our industrial services came from project deliveries of technical systems and processes, while their service and maintenance accounted for 62% of the revenue.

Industrial services accounted for approximately 10% of the total revenue of Caverion Group. Its financial development was reported as part of the Building Services Northern Europe segment.

An extensive service chain is our key strength

Caverion has solid process expertise in industrial services. The key competitive advantage is an extensive service chain, covering design, material deliveries, prefabrication at our own workshops, installation as well as service and maintenance. Our service range is one of the largest in the Finnish market.

We provide services for all fields of industry. Our largest customer segments are the forest industry and the energy industry.

Even though the share of the forest industry has considerably decreased in recent years, there is still a need for maintenance and modernisation projects. On the other hand, emission restrictions enforced by the EU, increased energy consumption and ageing power plants will provide opportunities for growth in the future in the European energy sector. There is potential demand also in the mining, metal and chemical industries.

The stable industrial maintenance market balances our business in industrial services. Our business is cyclical in nature. Summer is clearly the high season for us, due to maintenance shutdowns in industry.

Comprehensive maintenance and outsourcing

Our industrial service and maintenance covers customers' all needs from individual assignments, such as valve maintenance or boiler repair, to comprehensive maintenance of production processes and outsourcing services.

Caverion has developed the ServiFlex concept for industrial maintenance. Customers can choose from approximately 50 different services representing six technical fields to compose an optimal package, under one agreement. Maintenance focuses on the prevention of problems and helps customers foresee their costs. Detailed service descriptions and standardised services guarantee high quality.

A maintenance partnership is strategic cooperation, in which the operations in the customer's plant is developed and efficiency is improved. We take on the overall responsibility for maintenance, including its development, in accordance with jointly agreed goals. In addition, we are in charge of the supplier and subcontractor network.

In 1997, we established a joint industrial maintenance company with Metsä Fibre. This company, Botnia Mill Service, is today responsible for comprehensive maintenance of Metsä Fibre's four pulp mills.

Maintenance outsourcing services generate a steady cash flow, thus reducing susceptibility to the effects of economic cycles. In 2013, we initiated operations at many new sites, including Altia's Koskenkorva plant, UPM's sawmills in Alholma and Korkeakoski, hydropower plants of Pohjolan Voima and Kemijoki Oy and the Äänevoima power plant.

Market leader in high pressure pipelines in Northern Europe

Industrial project deliveries are based on special expertise in design and extensive industrial prefabrication in our own workshops. Prefabrication improves the efficiency of installation work on site, ensures uniform quality and improves technicians' safety at work.

We manufacture prefabricates in three workshops in Finland. In addition, we have units to support local service that manufacture piping, tank and boiler prefabricates to be delivered to projects around the world. In addition, Caverion

supplies industrial plants with building systems, such as electrical, automation and ventilation systems.

Service and
maintenance
62%
of revenue

Project deliveries
38%
of revenue



Caverion's competitive advantages

- Proven expertise in industrial production processes and manufacturing and installation techniques
- Through knowledge of industrial plants and service outlets located in close proximity to customers
- An extensive range of services, covering the production plant's entire life cycle: design of technical systems, material deliveries, prefabrication at our own workshops, installation as well as service and maintenance

Case gallery

Life cycle project stretches into 2040

Lintuvaara school

The renovation and expansion of the Lintuvaara school and day care centre in Espoo, Finland, will start in 2014. We are responsible for the delivery of building systems to the vast project. However, our work for facilitating a better learning environment will not stop there, as we will also provide the maintenance for the buildings during the 25-year life cycle period. We will also be responsible for the effectiveness, usability, condition and energy management in the premises. The project was initiated, as there were indoor air issues in the old school premises built in 1956.

Geothermal energy

The building's energy efficiency is improved by utilising geothermal energy for heating and cooling, together with demand-controlled ventilation and lighting as well as partial LED lighting. The value of the contract for us is over EUR 16 million.

- **Project delivery, service and maintenance**
- **HVAC and lighting, among others**

Light and power

Stockholm Citybanan

Caverion will install power, lighting and automation systems to the Odenplan station on the Stockholm Citybanan railway. Citybanan is a commuter train tunnel being built between Tomtebodavägen and Söder. The delivery also includes high-voltage installations and the standby supply system. In addition, we are designing the power, telecommunications and security equipment as well as sprinkler systems for the bike garage to be located adjacent to the Odenplan station. The value of the delivery is approximately EUR 7.5 million, and the work will be completed in 2016.

- **Project delivery**
- **Technology for the tunnel**

Energy efficiency guaranteed

Mora municipality

Mora municipality has taken an important step towards becoming one of the most energy-efficient municipalities in Sweden. The objective is to reduce the municipality's energy costs by nearly EUR 500,000 per year through more efficient energy use.

Reduced financial risk

Caverion is participating in the project by analysing the energy consumption of the municipality's property stock. We will draft a detailed proposal for each building on measures concerning building systems, such as their replacement with new ones or their adjustments. The total value of the investment is approximately EUR 9 million. However, the financial risks are reduced as the project is implemented as an EPC (Energy Performance Contracting) agreement

in which Caverion guarantees the municipality the savings specified in the agreement within the contract period. If the savings are not achieved, Caverion will assume responsibility for the difference.

- **EPC energy savings project**
- **Heating, ventilation, electrical and automation systems**

Energy-efficient housing

VVO residential building

The building systems for the VVO residential building to be built in Vantaa's Tikkurila district in Finland are designed with a focus on energy efficiency and tightening energy regulations. The building will have nearly 200 flats, which means a high savings potential. In the design of the building systems, we have paid particular attention to heat management and automatic demand-controlled ventilation.

Automation and solar electricity

The advanced building automation system enables highly specific control, such as the adjustment of the ventilation or floor heating in wet rooms of an individual flat while the residents are away. A considerable proportion of the electricity required for the ventilation equipment and pumps is covered with solar energy. Energy consumption in the building will be accurately measured by consumption category. The delivery includes design and implementation and its value is about EUR 4 million.

- **Project delivery (design and implementation)**
- **All building systems (HVAC, electricity, automation)**

Sustainable airport

Franz-Josef Strauss airport

Following the completion of the construction work of its new satellite terminal, the Franz-Josef Strauss International airport in Munich will be able to serve some 11 million additional passengers per year. Caverion is providing the satellite with 20,000 m² of underfloor heating and 30,000 m² of chilled ceiling, among others, which will ensure comfortable temperatures with low primary energy consumption.

Compared to the existing terminals, the satellite will generate 40% lower relative CO₂ emissions. Caverion's contract is worth over EUR 35 million.

- **Project delivery**
- **Heating and cooling, sanitation, fire extinguishing technology, electrical engineering**

Efficient ventilation on stage

Cologne opera and theatre

In Cologne, Germany, actors will no longer sweat on stage, despite full houses or heat radiating from spotlights. As part of a larger renovation project, we are delivering ventilation and heating equipment to the Opera House and theatre in Cologne.

Own product development

Conditional supply air and various heat recovery systems generate pleasant indoor air. In addition, the ventilation system developed in Caverion's own R&D centre in Aachen efficiently prevents draught and minimises energy costs. The total value of the order is approximately EUR 7.5 million.

- **Project delivery**
- **Ventilation and heating**

Advanced technology for a hospital

Jena University Hospital

We are delivering a wide range of building systems for the second construction phase of the Jena University Hospital, one of the largest hospital projects in Germany. The value of our delivery is approximately EUR 30 million and the duration approximately three years.

We design and build

The project includes designing and delivering the building systems that take care of the ventilation, heating and cooling in the patient rooms, operating theatres and laboratories, among others. In addition, we are responsible for the delivery of water and gas extinguishing equipment as well as the solutions for the production of steam used for sterilisation. Caverion has strong track record of deliveries to similar demanding properties and in clean room technology for hospitals and laboratories.

- **Project delivery (design and implementation)**
- **Total delivery, including HVAC, fire extinguishing and automation**

Operating a hydropower plant with skill

PVO Vesivoima

PVO Vesivoima has 12 hydropower plants in Finland, of which Caverion is operating seven under a partnership agreement. We are responsible for the comprehensive maintenance of the Iijoki and Kemijoki hydropower plants. This includes responsibility for the buildings and machinery as well as the electrical and automation systems.

Hydropower production is increased or decreased quickly in accordance with changes in the consumption of electricity. This requires a thorough knowledge of the operations of the plant, as well as the ability to quickly solve various problems. Due to the partnership agreement, about 30 professionals in hydropower plant maintenance from PVO Vesivoima joined Caverion in autumn 2013.

- **Industrial maintenance**

Control room keeps an eye on energy consumption

Kesko retail chain

In 2013, we renewed our collaboration with Kesko concerning the maintenance of its retail outlets in the Helsinki

region and the nationwide facility control room services. Approximately 150 Kesko properties around Finland are connected to our 24/7 property control room, and our HelpDesk services cover more than 700 retail outlets.

Through remote connections, we monitor the operation of building systems at Kesko's grocery stores, supermarkets and hardware stores, among others. Remote monitoring enables us to take corrective action without delay, sometimes even directly from the control room. False alarms and unnecessary maintenance visits can be eliminated. Correctly adjusted and properly functioning systems also promote energy efficiency.

- **Service and maintenance**
- **Technical facility management, control room services**

Management of corporate responsibility

Trust and appreciation are earned through responsible conduct.



It is essential for the continuity of our business that our stakeholders, such as customers, shareholders, personnel and partners, trust us. Trust and appreciation are earned through responsible conduct.

For us, responsibility means that we strive to promote a sustainable, energy-efficient living environment with our products and services, to secure a safe and healthy working environment and, for our part, to ensure good business conduct throughout our supply chain.

Good financial performance is the key precondition for our existence. However, we do not try to achieve it at any price.

Management of responsibility is integrated into all management

The objective is that everything we do reflects responsible way of working. The corporate responsibility activities are included in the normal management of the Group on all organisational levels.

Responsible conduct is guided and defined by the following elements:

- Our values, leadership principles and corporate culture
- Our Code of Conduct
- Our governance principles

We are committed to good corporate governance and comply with all of the recommendations of the Finnish Corporate Governance Code issued by the Finnish Securities Market Association.

Steering group promotes responsibility at the Group level

The Management Board member who is in charge of business development in the Group is also in charge of the management of corporate responsibility. The **responsibility steering group** is responsible for the development and co-ordination of corporate responsibility matters at the Group level. The Vice President, Business Development acts as a chair of the steering group, and the members are the Vice President, Marketing and Communications, the Corporate General Counsel, the Senior Vice President, Human Resources.

The responsibility steering group reports to the Group's Management Board and forwards to it any matters that require action from business areas and countries. The CEOs in each country are locally responsible for the enforcement of decisions.

We follow the GRI guidelines in reporting

We report corporate responsibility-related information normally once a year in our Annual Report and on our website. The 2013 report has been compiled in applying the G3 guidelines of the Global Reporting Initiative (GRI).

According to our own estimate, we apply the guidelines at C level. An independent third party, PricewaterhouseCoopers Oy, has checked that reporting meets GRI's Application Level C requirements.

We are included in the OMX GES Sustainability Finland index

The index includes those companies listed on NASDAQ OMX Helsinki that meet the international criteria for environmental and social responsibility and corporate governance. GES Investment Services, the leading North European research institute and service provider in responsible investment, performs an assessment once a year.

[Values and leadership principles](#) ▶

[Code of Conduct and reporting of suspected misconduct](#) ▶

[Corporate Governance Statement](#) ▶

Key themes of corporate responsibility

We strive to promote a sustainable, energy-efficient living environment with our products and services, to reduce emissions of our own operations and to secure a safe a working environment.

Products and services that help our customers reduce their environmental impact

- Our energy-efficient building systems and energy efficiency services are still our most important means of affecting the global carbon footprint.

[Read more](#) ▶

Reduction of our own carbon dioxide emissions

- We aim also to reduce CO₂ emissions from our own business operations. Most of our own emissions are caused by the fuel used in our service vehicles. Thus, our most important means of reducing carbon dioxide emissions are reduction of the kilometres driven and promotion of an economical way of driving.
- Our objective is that the majority of our business operations have an environmental certificate. In 2013, 82% of our revenue came from ISO 14001-certified operations (2012: 77%).

[Read more](#) ▶

Occupational health and safety

- We focus on improving occupational safety with the target of zero accidents. There has been positive development in occupational safety during the recent years and accident frequency rate (H factor) has decreased steadily. In 2013 the H factor was 9 accidents per one million work hours (2012: 11 and 2011: 12)
- We aim to increase the share of OHSAS 18001-certified operations of our revenue. Certification helps us promote our employees' well-being and prevent accidents. In 2013, OHSAS 18001-certified operations accounted for 75% of revenue (2012: 70%).

[Read more](#) ▶

Responding to customers' needs

- Our customers trust the quality of our services and products, and we want to continue looking after customer satisfaction. We want high quality to be visible in everything we do, from the first contact with a customer to the final delivery. Our aim is to provide customers with added value through new and advanced services and solutions, and we strive to continuously improve our service attitude. We also ensure a good price-quality ratio.
- In 2013, all our business operations (100% of revenue) were ISO 9001 certified. We developed service efficiency and increasingly better service was developed across country borders.

[Read more](#) ▶

Ethical conduct

- We aim to increase awareness of ethical conduct and the prevention of grey economy and corruption throughout the company. We also aim lower the threshold for reporting any suspected misconduct.
- We published our updated Code of Conduct in 2013. In order to facilitate whistleblowing, we are using a web-based service maintained by an external service provider.

[Read more](#) ▶

We specified the key aspects of our responsible conduct, while we were still part of YIT Group. The materiality matrix for YIT was compiled based on interviews in 2011. In 2013 we used it for updating the themes that concern Caverion.

Key stakeholders

From the perspective of corporate responsibility, our three most important stakeholder groups are customers, shareholders and employees. Our other stakeholders include the authorities, suppliers and subcontractors, media and business partners.

	Customers	Current and future personnel	Shareholders and the capital market	Subcontractors and partners	Media	Public administration
Expectations	<ul style="list-style-type: none"> Healthy and pleasant conditions in the building Quality at a reasonable price Energy-efficient products and services Professional skills and expertise. New, advanced solutions, product development All building systems throughout the life cycle of the building from one supplier Short response times Reliability and compliance with ethical principles. Delivery as agreed and on schedule. Smooth interaction and friendly service 	<ul style="list-style-type: none"> Stability of employment relationship Fair and competitive remuneration A safe working environment Fair and equal treatment Strong company image, a responsible company 	<ul style="list-style-type: none"> Good return on investment, good risk management Future growth potential Predictability Good governance Equal and timely information 	<ul style="list-style-type: none"> Stability of business, reliability, predictability Clear, transparent procurement criteria, price is not the only criterion Willingness to develop long-term partnerships Safe working methods 	<ul style="list-style-type: none"> Reliable, comprehensive and up-to-date information News topics that have wider significance for the society Good availability 	<ul style="list-style-type: none"> Taxes Healthy and pleasant conditions in school, hospital and office buildings, among others. Savings through energy efficiency in the public finances.
Channels for interaction	<ul style="list-style-type: none"> Customer meetings and events Customer satisfaction surveys Various types of feedback Websites 	<ul style="list-style-type: none"> Daily management Performance reviews Internal training programmes and inductions Materials and channels for internal communication 	<ul style="list-style-type: none"> Financial reporting and financial communications Investor meetings and events Other materials for investor communications 	<ul style="list-style-type: none"> Various audit and evaluation processes Various meetings and events Participation in the activities of co-operation bodies 	<ul style="list-style-type: none"> Interviews Info events Social media Releases 	<ul style="list-style-type: none"> Personal meetings Public communications Workshops, seminars

Environmental responsibility

In co-operation with our customers, we can best influence the global carbon footprint.

As an international provider of building systems and industrial services, we can significantly contribute to the sustainable development of the built environment.

Our own operations have certain environmental impacts, for which we want to take responsibility. However, in co-operation with customers, we can best influence the global carbon footprint. We continuously develop our products and services to help our customers reduce their environmental impacts.

Energy efficiency is strategically important business for Caverion.

Today, buildings account for 40% of energy consumption and 36% of carbon dioxide emissions within the EU. The European Union aims to improve energy efficiency and reduce emissions by 2020 as follows:

- 20% reduction in greenhouse gas emissions within the EU compared with 1990
- 20% of energy consumption from renewables
- 20% reduction in primary energy consumption

Energy-efficient building systems, automation and the appropriate operation and maintenance of technical systems can reduce energy consumption in existing properties by up to 10–20%.

Caverion provides its customers with energy efficiency-promoting services and solutions of varying extents. They include energy inspections and analyses, energy-efficient building systems and modernizations of existing systems, as well as adjustments and automation of systems, among others.

Energy efficiency is an integral part of our services and solutions. We always propose an energy-efficient option to our customers.

Energy efficiency is strategically important business for us. By developing this area, we demonstrate the added value we can offer our customers. At the same time, we aim for growth and profitability of our business through energy efficiency.

The increasing use of renewables

The EU directive on the energy efficiency of buildings requires that by the end of 2020, all new buildings should be nearly zero-energy buildings. The majority of energy should come from renewable natural sources, particularly from sources located closeby or produced in the building itself.

The use of renewables requires new, advanced technology. We provide our customers with technologies that enables the use of renewable energy sources, such as solar and wind power and seawater cooling, among others.

Increasingly important environmental certificates

Energy efficiency and environmental building certification are critical factors for customers when choosing the service provider.

The environmental classification of buildings makes it possible for investors, authorities and users to compare the energy efficiency of buildings using uniform methods. Classification enables transparent demonstration of the environmental impacts of buildings. Buildings must meet certain minimum requirements that are usually related to the consumption of energy, water and materials.

Environmental classification is considered to increase the building's value, the return on invested capital, the utility rate and the rental income. In addition, a company on green premises has a responsible image.

LEED and BREEAM are two of the most important certificates in the countries in which Caverion operates.

- **LEED** (Leadership in Energy and Environmental Design) is awarded by the U.S. Green Building Council. Depending on the points earned, the building is given one of the following LEED grades: Certified, Silver, Gold or Platinum.
- **BREEAM** (Building Research Establishment's Environmental Assessment Method) is a British green building classification system, which is developed by a local research organisation. The BREEAM grades are pass, good, very good and excellent.

Energy efficiency promoted in co-operation

Co-operation with other players in the field further improves Caverion's possibilities to strengthen its competence in energy-efficient and eco-friendly building systems.

- We participate in the local activities of the international **Green Building Council** network in several countries: In Finland, Sweden, Norway and Germany, among others. The network promotes practices related to sustainable development in built environments, as well as the environmental classification of buildings.
- In Norway, we co-operate with **ENOVA**, which has provided financial support to many of our customers. ENOVA is an agency of the Norwegian Ministry of Petroleum and Energy. It promotes efficient energy use and the production of renewable energy.



**SWEDEN
GREEN BUILDING
COUNCIL**



DGNB®

Deutsche Gesellschaft für Nachhaltiges Bauen e.V.
German Sustainable Building Council

Caverion's energy efficiency services

Energy efficiency is part of all of our services and solutions, both in service and maintenance and projects deliveries.

We offer a wide range of services and solutions that promote energy efficiency:

Services and solutions that improve energy efficiency:

- Energy inspections and analyses in buildings
- Energy-efficient building systems and their modernization
- Optimisation of energy efficiency through the adjustment of systems
- Automation and remote monitoring of systems
- Technology for utilising renewable energy sources: solar and wind power, seawater cooling, ground heat, phase-changing materials for the cooling and heating of buildings
- Automatic collection of waste for entire residential areas
- ESCO and EPC energy savings projects

Energy-efficient building systems, the correct operation and maintenance of systems as well as building automation can reduce energy consumption in existing buildings by as much as 10–20%.

Demand-controlled ventilation and efficient heat recovery can reduce the energy consumption considerably, even in older buildings. And the energy efficiency of lighting can be improved by using LED lights or demand-controlled lighting, among others.

However, the majority of energy savings is achieved during operation and use. We scale, adjust and control systems to ensure correct conditions and efficient use of energy in the building. Service and maintenance ensures optimal performance and energy use of the systems.

Savings and predictable energy consumption through automation

Automation is an important factor in saving energy, because it controls the conditions in buildings. Customers can control and monitor the energy consumption in the building and use the available real-time condition dataflow from the remote monitoring system.

By connecting the building systems to Caverion's 24/7 remote monitoring service, any deviations can be corrected and systems readjusted without delay, sometimes even using remote control. The monitoring data is useful for the planning of corrective measures.

Total deliveries of energy-saving projects attract interest in public sector

ESCO (Energy Service Company) and EPC (Energy Performance Contracting) are energy-saving contracts where Caverion guarantees the customer energy savings specified in the contract. We take on the overall responsibility for the planning, delivering, financing and maintenance of the energy savings investment during the contract period.

No initial investments are needed from the customer: The project is financed with the energy savings, which are typically split between the customer and Caverion. If the savings are not achieved, Caverion is responsible for the difference. The savings guarantee is one of our competitive strengths, as few service providers can offer such a service.

The project starts with an energy use analysis. Our specialists analyse the consumption of heat, electricity and water in the building and inspect any detected deviations. On the basis of this analysis, we design corrective measures for the building, which typically include upgrading or adjustment of building systems and training related to their energy efficient use, among others. During the operational stage, we guarantee that the energy consumption is within the set limits. The total duration of the agreement may be up to twenty years.

There has been increasing demand for energy-saving projects particularly in the public sector. In 2013, we agreed on energy-saving project deliveries with Siilinjärvi municipality in Finland, the city of Beckum in Germany and Kalmar and Mora municipalities in Sweden, among others.

Public buildings, such as schools and offices, have significant potential for energy savings as they stand empty much of the time. Therefore it is possible to achieve savings by simply checking the performance of the building systems and connecting them to remote monitoring. Investments in energy-efficient building systems will further improve the building's energy efficiency.

Technology for renewable energy

Along with rising energy prices, the need for energy-efficient heating of buildings and service water increases. We continuously develop new solutions related to the use of renewables, such as solar, wind and ground power and seawater cooling. In addition, we develop alternative heating methods, such as pellet-based solutions.

We have developed phase change materials (PCM) that turn into liquid or solid form depending on the temperature of the outside of the building. At the same time, they release or store large amounts of energy. These renewable materials reduce the need for coolers in buildings, considerably improving their energy efficiency.

Hi-tech of waste management

Caverion is a forerunner as a supplier of automatic waste collection systems. We have delivered Finland's first vacuum waste collection system in Suurpelto, Espoo. In early 2014, similar system was operational in Jätkäsaari residential area in Helsinki, and another one is being built in Kalasatama area of the same city.

Using an underground pipe network, waste travels to the waste collection station. From there the waste is transported onwards and utilized as recycled material, incinerated for energy or turned into compost soil.

The residents sort out the waste and take them to the appropriate waste collection point located either in the yard or inside the house. The waste collection points empty themselves, automatically, traveling to the waste collection station to their designated waste containers. Trucks pick up the full containers from the station and transport the waste for further processing.

When fully operational, the vacuum system in Jätkäsaari will include approximately 165 waste collection stations and 10 kilometres of underground pipe network. About 19 tonnes daily travel through the system.

Caverion's delivery includes the design and installation of the system as well as the operation and maintenance services.

The system can be connected to Caverion's control room for monitoring and control.

Energy-saving contracts in 2013:

The town of Beckum, Germany. A 12-year contract that aims for savings of 20% in the energy and water consumption in more than 50 buildings, including schools and public swimming pools, among others. ESCO agreement. Value of project EUR 4.8 million.

Kalmar municipality, Sweden. One of Sweden's largest energy-saving projects; the customer is guaranteed savings of EUR 21 million during the guarantee period of 20 years. Includes upgrading of building systems in schools, day care centres and administrative buildings. The project employs up to 70 persons during the initial implementation phase of 2013–2016.

Siilinjärvi municipality, Finland. The project covers nine properties and involves upgrading of automation, modification of heating methods and the use of ground heat and LED lighting. The buildings will be connected to Caverion's control room through remote monitoring.

Söderhamn municipality, Sweden. EPC energy-saving contract that covers a total of over 400 000 m² in rental housing, schools, preschools and other municipal buildings. Starts in January 2014 with energy analysis, includes required investments in building systems as well as training of their correct operation.



We offer a savings guarantee as a part of our total deliveries of energy-saving projects. This is a rare offering in the market.



In 2013, we signed agreements for several new total deliveries of energy-saving projects.

Caverion's own carbon dioxide emissions

Our own emissions are mainly due to the fuel consumption of our service cars.

Caverion's business does not involve any significant environmental risks.

Our business operations involve project deliveries of technical systems and their service and maintenance, which consume little non-renewable natural resources and energy. Environmental impacts of our business mainly consist of locally induced noise, dust or vapours.

In addition, our operations generate waste, which we recycle and dispose of in an appropriate manner.

The risk of environmental damage is low. Possible mistakes during work seldom lead to a risk of severe damage; usually they reduce the efficiency of the process or equipment.

We promote economical driving

We have some 5,500 service cars that are among the most important tools in our daily work. Mostly we drive service vans, but passenger cars are also used at work. Materials are also mainly transported by car.

For the transport of material and people, we use logistical solutions that help reduce greenhouse gas emissions. Environmental aspects are also considered in the selection of company cars.

We emphasise efficient planning of routes and an economical way of driving, because carbon dioxide emissions from a car directly depend on the vehicle's fuel consumption. Economical driving can reduce fuel consumption and, consequently, carbon dioxide emissions by approximately 5–15%. We have increased the use of mobile devices in field, which for its part reduces unnecessary driving.

In 2013, Caverion's CO₂ emissions amounted to approximately 47 thousand tonnes. Proportioned to revenue, the ratio was 18.5. In 2013, about 82% of revenue came from ISO 14001 certified operations (in 2012: 77%). Through certification, the company improves the management of environmental issues and environmental conservation performance.

Caverion's energy consumption and CO₂ emissions in 2013

Consumption of direct energy sources, GWH	
Petrol	7.7
Diesel	121.3
Light fuel oil	0.2
Natural gas	2.3
Total	131.5

Consumption of indirect energy sources, GWH	
Electricity	41.8
District heating	59.4
Total	101.2

Emissions of direct energy sources, tons	
CO ₂ emissions, petrol	1,947.2
CO ₂ emissions, diesel	32,379.3
CO ₂ emissions, light fuel oil	56.5
CO ₂ emissions, natural gas	445.5
CO ₂ emissions, other direct sources of energy	1,860.5
Emissions of indirect energy sources, tons	
CO ₂ emissions, electricity	4,803.4
CO ₂ emissions, district heating	5,474.4
Direct and indirect CO₂ emissions in total, tons	46,966.9

Ratio	
Direct and indirect CO ₂ emissions/revenue	18.5

The figures cover the entire business operations of Caverion Group. The calculations are mainly based on real consumption data. In some countries total consumption has been estimated, if exact data is available for only some of the consumption.

CO₂-emissions
47
 thousand tonnes

ISO 14001-certified
 operations
82%
 of revenue



We pay attention to the choice of fuel for service vans, careful route planning and economical way of driving.

Caverion as an employer

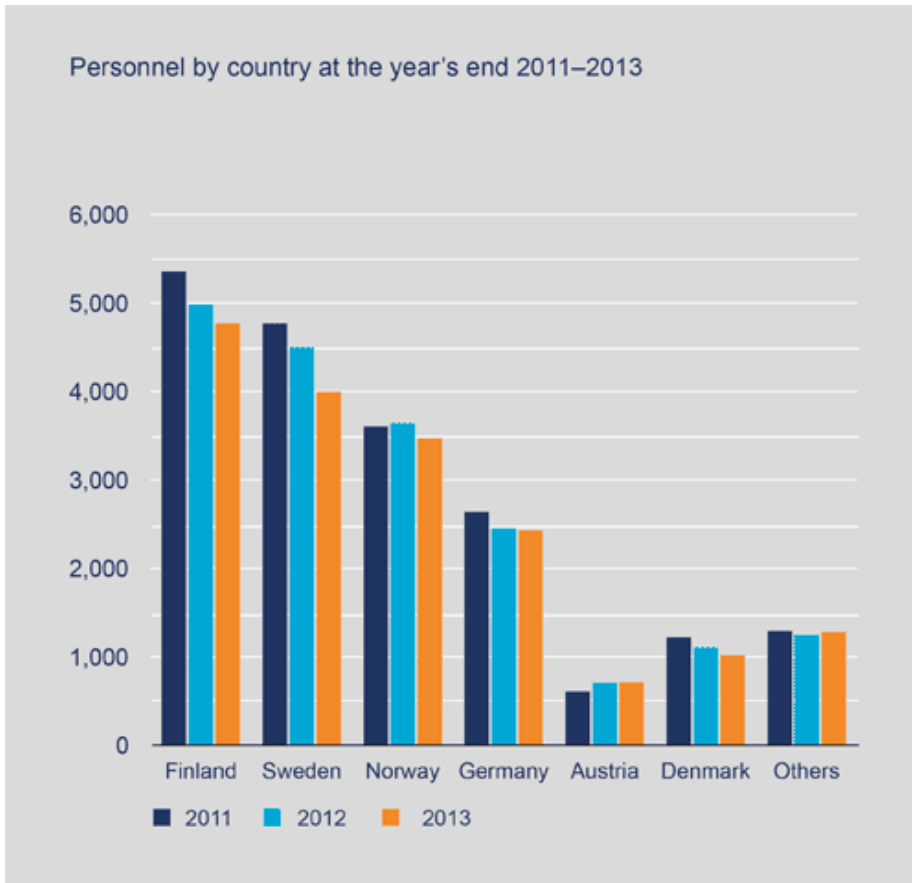
Caverion is a new company, but we already have a long history behind us and valuable competence in all of our operating areas. We operate in a personnel intensive industry. Instead of machinery, equipment or properties our most valuable assets are our people – nearly 18,000 employees in various fields of expertise in 13 countries.

Highlights in 2013

- We celebrated **the start of the new company** and established a strategy, corporate culture and values for it.
- We focused on areas such as the development of HR policy, payroll function and occupational health services, as well as questions related to personnel development, training models, recruitment and employment contracts.
- We continued our efforts in the field of occupational safety **towards the goal of zero accidents**. The number of occupational accidents has decreased steadily during the recent years, and 2013 was no exception in the positive trend: the accident frequency was 9 compared with 11 in 2012.
- We published our updated **Code of Conduct**, defining our common way of operating.
- We invested in **young talent** and employed a total of approximately 800 summer employees, thesis students and trainees in different countries.
- We developed our business across country borders as a uniform company.
- We identified key persons in the company management and started planning the further development of their competence. We aim to train all supervisors in all operating countries. In this way we will promote good management practices and goal-setting, as well as a positive attitude towards development-oriented corporate culture.

Key figures

	2013	2012	2011
Personnel on average	18,071	19,132	19,731
Non-salaried/salaried employees (%)	67 / 33	67 / 33	67 / 33
Women/men (%)	10 / 90	9 / 91	9 / 91
Fixed-term employees (%)	6	n/a	n/a
Average duration of employment, years	11.1	12.4	12.2
Age on average	42.1	41.8	42.1
Under 26 years of age (%)	13	n/a	n/a
26-55 years of age (%)	70	n/a	n/a
Over 55 years of age (%)	17	n/a	n/a
Employees that had performance/development discussions (%)	75	n/a	n/a
Response rate in personnel survey	66	n/a	n/a
Sick leave rate (%) (Hours of sick leave/ total available hours)	4.4	n/a	n/a
Accident frequency rate (accidents per one million work hours)	9	11	12
Fatal accidents	0	0	0
OHSAS 18001 -certified business (%)	75	70	n/a



Nearly 18,000 employees in 13 countries

Caverion is present in 13 countries. In each one of these countries, we comply with the local legislation in matters pertaining to social security and employment. Our employees have the freedom of association, the freedom to form and join trade unions for the protection of their interests and the right of collective bargaining.

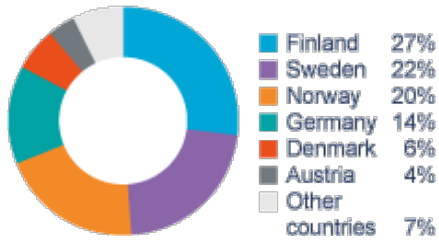
We pay particular attention to developing voluntary collaboration between the company and its employees, on the local, national and European levels. The EWC (European Works Council) agreement promotes active dialogue between employee representatives and the company management. It forms the basis for international collaboration at Caverion.

At the end of 2013, Caverion had 17,673 employees (12/2012: 18,618). In 2013, the improvement of operational efficiency in Northern Europe required measures such as closing down unprofitable units and streamlining the organisation. Lay-offs were unavoidable in order to improve profitability and ensure the continuity of business operations. The previously announced personnel reductions of 600 employees were completed by the autumn. Overall, the number of personnel decreased from January to December by a total of 945 employees (-5%), taking into account both new and leaving employees. Number of employees decreased the most in Sweden, Norway and Denmark.

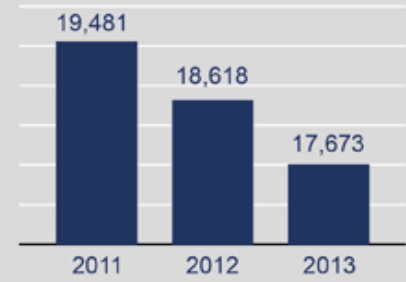
We always aim to find alternative solutions and arrangements for lay-offs through, for example, pension arrangements and internal transfers, ending fixed-term agreements and implementing temporary redundancies.



Employees by country at the end of December 2013



Personnel at year's end 2011–2013, Group total



Corporate culture, values and management

We are building a strong corporate culture and lead the company in accordance with our values. The new company provides a good opportunity for development.

Caverion is operating an employee-intensive business, and our competence is strongly based on the experience and skills of our nearly 18,000 employees. A good service experience for customers depends on each employee's attitude, professional skills and desire to solve the customer's problems at once.

Our actions are always based on our joint values: a step ahead, cooperation, responsibility and high performance.

Our values	
<h3>Step ahead</h3> <ul style="list-style-type: none"> ● Continuous learning ensures our high competence ● We develop sustainable solutions for a better future ● Our approaches are innovative 	<h3>Cooperation</h3> <ul style="list-style-type: none"> ● Customer focus guides our actions ● We work as a team, respecting our partners ● We cooperate and share our knowledge
<h3>Responsibility</h3> <ul style="list-style-type: none"> ● We have high ethical standards ● We do what we promise ● We take the initiative 	<h3>High Performance</h3> <ul style="list-style-type: none"> ● We create added value for different interest groups ● We go beyond expectations ● Our objective is to be best in our industry

Our leadership principles

- We lead courageously by example
- We set challenging goals
- We provide honest and constructive feedback
- We encourage personal and professional development of competences
- We support innovative approaches
- We care about our people
- We remain approachable and open whichever position we are in
- We give responsibility and authority

Sharing the values and goals of the new company

Our employees have mostly responded positively to the establishment of the new company. The change had the greatest impact on Group services personnel. The business operations itself, the country organisations and the units were less affected by the change and business more or less went on as usual. Our name and image are new, but we already have a long history behind us and strong competence in all of our operating areas. The new company is also seen as an opportunity to develop our operations.

As a new company, it is important for us to ensure that our employees, regardless of country and unit, have a similar understanding of our corporate culture and values. In the second half of 2013, we communicated our values, strategy and leadership principles to the personnel through various internal communication channels. The most important of these is the intranet, which was in use on the first day of business.

All of our employees in each country received a letter from the CEO, delivered to their homes, as well as a Welcome to Caverion leaflet that introduced our new company. We arranged local Caverion Day events to celebrate the new company and to explain more about our future together.

We promote eagerness for profit

We aim to arrange regular info events for our employees in each country. At these events, the local management will provide information on important matters, such as the financial development, the progress towards strategic goals and the measures taken in order to achieve them.

We want to promote a culture of Eagerness for Profit on all organisational levels and substantiate the importance of each employee for the achievement of the profitability goal. By explaining how the strategic goals affect our daily work, we hope to motivate our employees to commit themselves to the achievement of these goals. In 2013, we paid particular attention to strengthening the cash flow through faster invoicing.

We aim to develop our business operations even more strongly across the borders between countries. Countries and business areas work in close cooperation to develop operating models, processes and concepts, and to increase profitability and operational efficiency. In 2013, we initiated two strategic development programmes (Project Excellence and Service Efficiency) to facilitate the common development work.



Our employees have responded positively to the establishment of the new company.

Competence development

We aim to provide our employees with the opportunity for continuous learning. Competence development is based on learning at work, supported by various courses and trainings.

Learning through daily work is the main means of competence development at Caverion. This on-the-job learning includes sharing competence and knowledge inside the team and company as well as learning through collaboration with customers. Job rotation, mentoring, giving and receiving feedback and self-assessment are other ways of continuous learning.

In addition to continuous learning at work, we arrange various training and coaching events for developing professional competence:

- orientation events for new employees
- trainings in managerial work
- coachings in sales, services and project management
- language and internationalisation training
- professional and specialist professional degrees and qualifications through in-service programmes

In 2013, training was arranged on, among other things, occupational safety, managerial work and leadership, sales and customer service and social media. We organised trainings in connection with the induction of new employees. In addition, we arranged plenty of training to improve professional skills. Some training programmes, such as the occupational safety and hot work permit programmes, were statutory.

Our goal: better service culture

Our success depends on our ability to respond to customers' needs. We promote a good customer service attitude and organise trainings to facilitate it.

In 2013, we launched a coaching programme in Finland, emphasising the understanding of customers' needs and the importance of good service in customer experience. All employees working in service and maintenance business in Finland are expected to participate in this coaching and pass the Service Pass test at the end of the course. The Service Pass culture will be developed further and we aim to include it as part of performance reviews, among others.

Performance reviews – an essential element of performance management

Management by key results (MBKR) and performance reviews are central components of our management system. In 2013, 75% of our employees had a performance review with his/her superior. Our aim is to increase their share. The objective is to conduct a performance review discussion with every employee at least once a year.

The purpose of the performance reviews is to ensure employees' commitment to achieving our joint goals. Our strategic goals are broken down into company, business division, unit and individual-level goals.

During the performance review, the achievement of goals set for the review period and the content of the employee's current job are assessed. In addition, the discussion includes setting goals for the next period. The goals are aligned with the company strategy and clear indicators are specified for them.

In future, goals will be set for a year at a time, so that they comply with the Group's annual planning and budgeting cycle. The goals will consist of Group, division and individual-level goals. The weight of each of these three will be specified and communicated during the first half of 2014. A performance-based bonus will be paid once a year, providing that the goals

are reached. Halfway through the year, we will perform an interim assessment of the goals that also includes discussion on goals related to professional development.



”

In Finland, we expect all employees working in service business to participate in the service culture training.

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In 2013, 75% of our employees had development discussions with their supervisors.

Occupational health and safety

We actively work on prevention of occupational accidents. Our goal is to be an accident-free workplace.

Occupational safety is important throughout our business. Our employees work in different types of properties and industrial plants in varying conditions that may involve ongoing and interrupted production, fault situations and temporarily bypassed protective measures. Processes and equipment can be fatally powerful in the event of an accident. In addition, our employees may work in places that involve special security planning, such as nuclear power plants and process plants.

Occupational safety is built on knowledge and attitude

We require both our employees, subcontractors and partners to strictly comply with safety regulations. In addition, we require all of our employees to wear protective clothing at all of Caverion's work sites. Accidents are seldom caused by outsiders. Usually they result from dangerous working methods or insufficient assessment of risks.

We aim to improve occupational safety by persistently aiming at changing attitudes and operating methods. Each employee in his or her own actions is responsible for safety at work.

We have promoted safety at work by developing and renewing guidelines, clarifying risk assessment on site and easier reporting of any shortcomings. All supervisors should ensure that their employees know their jobs and possible related risks and hazards. We arrange occupational safety training for different professional groups.

In cooperation with our customers, we systematically intervene whenever we notice safety-related shortcomings or neglect. Serious neglect of occupational safety may lead to termination of employment without warning.

Preventive safety measures

Preventive safety measures aim for the identification of risks and intervention before an accident happens.

They include:

- The Group's common safety regulations
- Work orientation for new employees, occupational instruction and guidance
- Safety trainings
- Risk assessment and safety plans before starting work
- Safety audits and inspections
- Supervisors' safety rounds at work sites and presentations at site meetings, regular safety inspections, safety discussions and quick safety infos
- Safety observations: reporting of incidents and close calls
- Active communication

Developing tools and ergonomics

In addition to the prevention of occupational accidents, we aim to prevent musculoskeletal disorders, which are a considerable risk in our field of business.

Our preventive measures include development of tools and ergonomics, among others. For instance, sometimes even the smallest changes can be significant in improving occupational health and safety. In Norway, for example, our maintenance staff have replaced ladders with walking stilts and gotten rid of some of their back and knee pains. Another pilot included moving heavy toolboxes on wheels.

The reporting of safety observations encouraged

We aim to continuously promote the reporting of safety observations, because the number of observations is inversely proportional to the number of accidents.

In some units and countries, teams are awarded for a zero accident rate. Individuals or teams can be awarded for reporting safety observations. The payment of a bonus can also be tied to the achievement of the occupational safety goals.

Cooperation with subcontractors

In order to ensure occupational safety at a site, we must collaborate seamlessly with our customers and partners.

In Finland, we have introduced an open-for-all safety website in Industrial services. Through this website, we report all safety observations and notifications from our employees and those subcontractors that we supervise. We receive the notifications for further processing and, at the same time, our customers are informed about them.

The accident frequency rate followed continuously

Our goal over the long run is zero accidents. We continuously monitor the accident frequency rate (the number of occupational accidents per one million working hours) on all organisational levels. The number of occupational accidents has decreased steadily during the recent years. In 2013, the accident frequency was 9 compared with 11 in 2012 and 12 in 2011.

We are heading in the right direction, but there is still a lot of work to be done. Despite active preventive measures dangerous situations and accidents still happen more than our goal permits.

We take every accident seriously. All accidents happening to our employees and subcontractors are immediately reported and inspected, in order to identify the reasons and learn from them.

We aim to increase the proportion of occupational health and safety-certified operations. In 2013, 75 % of our revenue came from OHSAS 18001-certified operations (2012: 70%).

9

Accident frequency
rate in 2013 (2012: 11)

75%

OHSAS 18001-
certified operations of
revenue



The number of occupational accidents has decreased steadily during the recent years.



Identification of risks and intervention before an accident happens are essential. We also aim to make reporting of safety observations easier .

Job satisfaction

Personnel survey and performance reviews are key channels for collecting our employees' views and measuring job satisfaction.

Job satisfaction and well-being of our employees are important factors for us: in addition to recruiting new talents, we wish to keep the existing ones and motivate them to do their best.

Personnel survey will be renewed in 2014

Our goal is to conduct personnel surveys annually in order to find out about our employees' opinions and experiences of areas such as well-being at work and the quality of management.

We aim to carry out Caverion's first actual personnel survey in autumn 2014. The survey is planned to be implemented across all countries in identical, electronic format, and it will cover all of our employees.

At the beginning of 2013, Caverion employees' job satisfaction was still surveyed as part of YIT's personnel survey. 66% of our employees took part in the survey.

A high level of work safety was mentioned as one of our strengths. In addition, respondents genuinely felt that they were part of the working community and were collaborating with others in order to get the work done.

Supervisors trained on conducting performance reviews

In the survey, the quality and usefulness of performance reviews were mentioned as the areas that need most improvement. Employees hoped that their superiors would encourage and inspire them to perform their best and provide all the information they need in order to achieve the goals of the working community.

On the basis of the results of the personnel survey, in 2013 we arranged performance review info meetings for supervisors. The meetings discussed topics such as the importance of goals and how to set them.



Our employees consider the high level of work safety as one of Caverion's strengths. They also feel that they are genuinely part of the working community.

Recruitment and employer image

We aim to be the most attractive employer in our field of business. We particularly focus on the recruitment of young students and graduates by offering them jobs and traineeships and by developing cooperation with educational institutes.

Competition for building systems and industrial services professionals is rather fierce in some areas. In particular, there is a major shortage of qualified service men and technicians in regions with a low unemployment rate.

We actively aim to recruit the most qualified and suitable professionals. Furthermore, we want to hold on to our good employees and motivate them by providing opportunities for career advancement and competence development. We offer fair and motivating compensation in order to ensure our competitiveness in the local market.

Need for young talent

In 2013, the average age of our employees was 42 years. Approximately 70% of our employees were aged 26–55. 13% were young, under 26 years of age, and 17% were aged over 55, so there is a clear need for young skilled employees. We believe it is important to have young people actively taking part in working life and we want to offer them work experience already during their studies.

We offer various summer jobs, traineeships and other fixed term jobs to young people. In 2013, we employed a total of approximately 800 summer employees, thesis students and trainees in different countries.

Cooperation with schools and institutes

We support cooperation with schools and higher education institutes, so that we will be able to train future employees and develop our image as an employer.

In many countries, apprenticeship is a common way of providing trainee jobs to young people. They involve alternating periods of study and work. An apprenticeship may last from three to four years.

We participate in the development of education programmes related to our field of business. In addition, our employees teach at educational institutions. In particular, we cooperate with vocational schools and universities of applied sciences in engineering.



**VASTUULLINEN
KESÄDUUNI**

Building a strong employer image

In addition to offering trainee jobs, we promote Caverion by attending recruitment fairs arranged by educational institutes and by arranging student excursions.

In Finland, Caverion is participating in the campaign promoting responsible summer jobs. Taking part in the Vastuullinen

kesäduuni ('Responsible summer job') campaign, we undertake to comply with the principles of good summer employment. These principles include suitable, motivating jobs, reasonable pay, good treatment of applicants, sufficient work orientation and guidance, and fair and equal treatment, among others.

In Germany, Caverion is participating in the Möglichmacher ("The Enabler") campaign that aims to promote employment in the field of building services and facility management. In 2013, Caverion also received an award as one of the best employers in Munich.



In 2013, we employed approximately 800 summer employees, thesis students and trainees.

Code of Conduct

The objective of our Code of Conduct is to ensure we comply with our values in daily decision-making and work.

We published our updated Code of Conduct in early autumn 2013. It defines our way of working with different stakeholders, such as shareholders, customers, competitors, subcontractors and other partners.

The key content of the Code of Conduct:

- We do not exercise or tolerate any form of corruption, extortion or bribery.
- We support open and fair competition in all markets.
- We do not make financial contributions to political parties, groups or individual politicians.
- We comply with local labour laws and regulations in the countries in which we operate.
- We strive to provide a safe working environment for our employees and subcontractors.
- The marketing of our products and services is always truthful and our quality can be trusted.
- Environmentally friendly business is a strategically important activity for our company, and energy efficiency is incorporated in all of our services and solutions.
- We are committed to minimising the energy consumption and waste generation of our own operations, as well as our greenhouse gas emissions.

Suspected misconduct must be reported without delay

We expect every employee to report to their immediate superior or other member of the company management if they suspect misconduct. Employees can also report by e-mail to the Corporate General Counsel and head of Internal Audit.

In November 2013, we opened a web-based reporting channel through which employees can confidentially report their observations of suspected misuse, also anonymously. By the end of the year, no suspected cases of misconduct were reported through the reporting channel.

In 2013, there was an indication of anti-competitive practices at Caverion's Lier branch in Norway. Two of the employees at this branch had breached our Code of Conduct, and as a result, their employment was terminated. The authorities' investigation is still ongoing.

We support the authorities in their work

We will immediately take any necessary measures if signs of illegal or unethical action are detected in our business operations or supply network. If a breach of the Code of Conduct involves any illegal action, the incident will be reported to the authorities for further investigation and action. We support the authorities in their investigations to the best of our ability.



The Code of Conduct concerns all Caverion employees in all the countries of operation, and it is available in all our languages.

Sponsoring

Our sponsoring is open and transparent.

Caverion has Group-wide sponsoring guidelines, the purpose of which is to help our employees in defining the targets for sponsoring. Sponsoring is a channel for marketing that enable us to make ourselves known and gain visibility.

In line with the company values and targets

All sponsoring at Caverion is open and transparent. The sponsored organization must be chosen according to Caverion's targets and values. We support teams, not individual persons.

Caverion does not sponsor any non-environmental friendly sport, event or team, such as motor sports. Neither do we sponsor political parties or politicians. If a customer or own employees apply for sponsorship, their applications are evaluated critically, and they are handled in the same manner as any other applications. As a rule, we do not sponsor any team, group or event that is directly linked to our business.

If the sponsoring reaches the set limits for value, it should always be approved by the Group. The final decisions are made by our CEO.

Decisions on smaller-scale sponsoring is usually made in the country level. However, all countries should have a written process description, according to which requests are processed and decisions made.

Caverion's Board of Directors makes the decisions regarding all donations.



The organisation we sponsor must not have a direct link to our business.

Customers, quality and product development

Our objective is to foster good customer relationships based on our competence, high quality, local presence and service attitude.

Caverion has an extensive and varied customer base. Our main customer groups are construction companies and developers (especially in project deliveries) and users of properties (in service and maintenance). Our other customers include property investors and owners, property service companies, property managers, public corporations and industrial companies.

Our objective is to foster good customer relationships based on our competence, high quality, local presence and service attitude.

Own product development at in-house R&D centre in Aachen, Germany

Our in-house research centre in Aachen, Germany, develops products and services for us, particularly focusing on the manufacture and product development of advanced ventilation, cooling and heating products.

In the test stations of the research centre, we can simulate the functioning of building systems in challenging conditions, such as in hospitals, laboratories, ice stadiums, fair centres or TV studios.

Our countries and units have initiative and development programmes in place that enable the further development of our employees' business and technology-related ideas.

Caverion's investments in research and development was EUR 12.7 million or 0.5% of revenue (2012: EUR 14.0 million and 0.5% of revenue). ISO 9001 quality certification covered 99.7% of our revenue (2012: 96%).

Creating a better service culture

We collect customer feedback and use it for the development of our operations to match our customers' needs.

Our customers expect from us:

- Service as agreed, carried out on schedule
- Professional skills and expertise
- Quality and reliability
- Good value for money
- Smooth interaction and friendly service

We measure customer satisfaction throughout our business operations, but the methods and extent vary depending on the country and unit. In some countries, we carry out less extensive surveys on a weekly basis, concerning specific deliveries, and annually more comprehensive surveys on general customer satisfaction. In some countries, these surveys are carried out each quarter or twice a year. Customer satisfaction surveys are often included in the terms and conditions of the service agreement.

It is the attitude that counts

We promote a good customer service attitude by means such as service culture-related training. We have traditionally focused on our strong technical competence. However, customer satisfaction cannot be achieved solely through technological solutions; the service experience plays a central role in it. Our target is a service level that is so good that the customer's experience is a competitive advantage for us.

In 2013, we launched the 10+ Asenne ratkaisee ('It is the attitude that counts') coaching programme in the Finnish services business. The coaching programme, targeted at our employees in service and maintenance business, emphasises the understanding of customers' needs and the importance of good service for the customer experience. In addition, the service readiness and service quality are addressed in the coaching.

We expect that all our employees working in service and maintenance business participate in this coaching and pass the final test. In 2013, more than a thousand employees in Finland took the test. The coaching continues in 2014. The Service Pass culture will be developed further and included as part of performance reviews, among others.

ISO 9001 quality
certification covered

100%

of our revenue



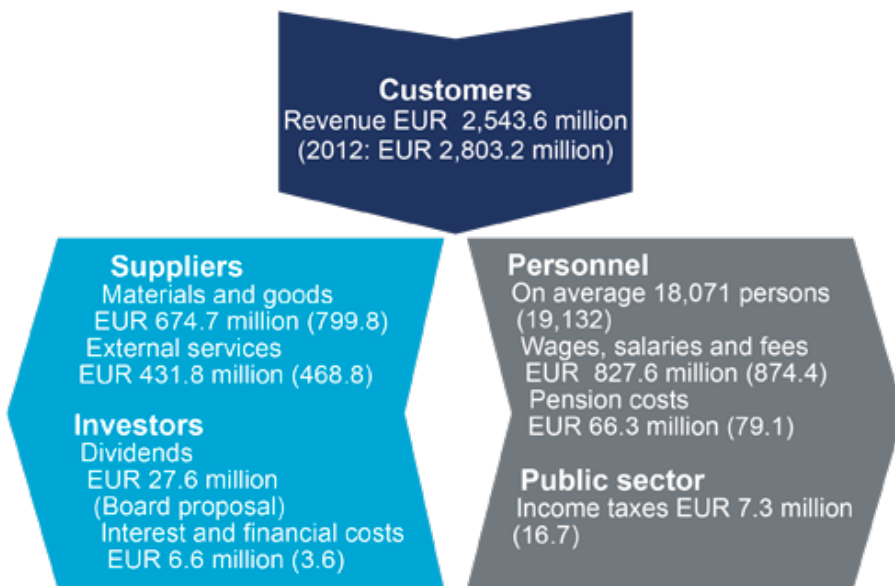
In the test stations of our research centre, we can simulate the functioning of building systems in different conditions, such as in hospitals, laboratories, ice stadiums, fair centres or TV studios.

Direct financial effects

Good financial performance is essential for long-term continuity of our our operations. It provides the foundation for all responsible conduct.

We are a large employer with nearly 18,000 employees in 13 countries. Most of our human resources are our own employees. Subcontractors are used mainly in project business to respond to demand peaks.

Direct financial effects 2013 (2012)



GRI table

According to our own estimate, we apply the G3 guidelines of the Global Reporting Initiative (GRI) at C level in our 2013 reporting. An independent third party, PricewaterhouseCoopers Oy, has checked that reporting meets GRI's Application Level C requirements.






Reported fully













Reported partially


GRI Content	Reported	Page	Remarks
1. Strategy and Analysis			
1.1 CEO's statement		From the CEO	
1.2 Key impacts, risks and opportunities		Group strategy, Operating environment, Risks and risk management	
2. Organizational Profile			
2.1 Name of the organization		Corporate governance statement	
2.2 Primary brands, products and services		Business	
2.3 Operational structure		Board of directors report, Subsidiaries	
2.4 Location of organization's headquarters		Caverion in brief	
2.5 Number of countries and locations of operations		Caverion in brief	
2.6 Nature of ownership and legal form		Shares and shareholders	
2.7 Markets served		Caverion in brief	

2.8	Scale of the reporting organization		Financial development	
2.9	Significant changes regarding size, structure or ownership		Board of directors report	
2.10	Awards received in the reporting period			No such awards during the reporting period.













3. Reporting Principles

3.1	Reporting period		Accounting principles	1.1.-31.12.2013
3.2	Date of most recent report			This is Caverion's first Annual Report.
3.3	Reporting cycle		Responsibility	Once a year.
3.4	Contact point for questions regarding the report			email: communications (at) caverion.com. Contact details available at Caverion's website
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)		Key themes of corporate responsibility in 2013, Responsibility	
3.6	Boundary of the report			Our reporting covers only Caverion's own operations. Subsidiaries are included in the reporting scope.
3.7	Limitations on the report's scope or boundary		Emissions from our operations	This report covers all of the Group's functions unless otherwise stated. The figures for energy consumption and emissions cover all of the Group's business operations. The calculations are mainly based on actual consumption figures, but in some countries, it has also been necessary to make estimates of total consumption in situations where accurate information has been available for only part of the consumption. Our reporting covers only Caverion's own operations. Subsidiaries are included in the reporting scope.
3.8	Basis for reporting subsidiaries, joint ventures, leased facilities, outsourced operations and other entities affecting comparability		Emissions from our operations	This report covers all of the Group's functions. If the reported figures deviate in terms of coverage, this is specified separately for each figure.
3.10	Explanation of the re-statements			This is Caverion's first Annual Report.
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods			This is Caverion's first Annual Report.

GRI content index

3.12 GRI content index  GRI table





4. Governance, Commitments and Engagement

4.1	Governance structure of the organization		Corporate governance statement, Board of directors and committees
4.2	Position of the Chairman of the Board		Board of directors and committees
4.3	Independence of the Board members		Board of directors and committees
4.4	Mechanism for shareholder and employee consultation		Corporate governance statement
4.5	Impact of organisation's performance on executive compensation (inc. social and environmental performance)		Remuneration statement
4.6	Processes for avoiding conflicts of interest		Corporate governance statement
4.7	Processes for determining Board members' expertise in strategic management and sustainability		Corporate governance statement
4.8	Implementation of mission and values statements, code of conduct and other principles		Code of conduct, Corporate culture, values and management
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management		Board of directors and committees, Risks and risk management
4.10	Processes for evaluating the Board's performance		Board of directors and committees
4.11	Addressing precautionary approach		Risks and risk management
4.13	Memberships in associations		Emissions from our operations





We are taking part in the activities of the local working groups of the international Green Building Council in some of our operating countries.








4.14	List of stakeholder groups		Key stakeholders
4.15	Identification and selection of stakeholders		Key stakeholders
4.16	Approaches to stakeholder engagement		Key stakeholders, Customers, quality and product development, Investor relations, Employer image and recruitment
4.17	Key topics raised through stakeholder engagement		Job satisfaction

Economic Performance Indicators

	Management approach to economic responsibility		Financial targets, Risks and risk management, Internal control and risk management systems in relation to the financial reporting process
EC1*	Direct economic value generated and distributed		Direct financial effects
EC3*	Financial implications, risks and opportunities due to climate change		Employee benefit obligations
EC4*	Significant subsidies received from government		No significant subsidies during the reporting period.







Environmental Performance Indicators

	Management approach to environmental responsibility		Key themes of corporate responsibility in 2013, Environment and energy, Responsibility
EN3*	Direct energy consumption		Emissions from our operations
EN4*	Indirect energy consumption		Emissions from our operations
EN6	Initiatives to provide energy-efficient or renewable energy based products and services		Environment and energy, Energy efficiency for customers, Customers, quality and product Own product development in Aachen R&D centre, own products such as solutions based on PCM materials

		development	
EN16*	Total direct and indirect greenhouse gas emissions		Emissions from our operations
EN17*	Other relevant indirect greenhouse gas emissions		The calculations take into account both direct and indirect (scope 1 and scope 2) sources of CO2 emissions. In addition, other indirect (scope 3) CO2 emissions have been identified, related to the operations of subcontractors, waste and air travel. Compared to the direct and indirect emissions, air travel and waste account for only a minor share of the total emissions.
EN18	Initiatives to reduce greenhouse gas emissions		Emissions from our operations
EN23*	Total number and volume of significant spills		No significant spills during the reporting period.
EN26*	Mitigating environmental impacts of products and services		Energy efficiency for customers
EN28*	Significant fines and sanctions for non-compliance with environmental regulations		No significant fines or sanctions during the reporting period.
EN29	Environmental impacts of transportation		Emissions from our operations




Social Performance Indicators

Labor Practices and Decent Work





	Management approach to labor practices and decent work		Responsibility, Key themes of corporate responsibility in 2013, Caverion as an employer, Occupational safety and well being at work
LA1*	Total workforce by employment type, employment contract and region		Caverion as an employer
LA2*	Total number and rate of employee turnover by age group, gender and region		Caverion as an employer
LA5*	Minimum notice period regarding operational changes		Caverion as an employer Caverion complies with the local legislation.
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism		Caverion as an employer
LA11	Programmes for skills management and lifelong learning		Competence development

LA12	Employees receiving regular performance and career development reviews		Competence development
LA13*	Composition of governance bodies and breakdown of employees		Caverion as an employer, Board of directors on December 31-2013, Management board on December 31-2013


Human Rights



	Management approach to human rights		Responsibility
HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor		No significant risks for child labor identified in own operations.
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor		No significant risks for forced or compulsory labor identified in own operations.

Society

	Management approach to society		Responsibility, Key themes of corporate responsibility in 2013
SO4*	Actions taken in response to incidents of corruption.		Code of conduct
SO6	Public policy positions and participation in public policy development and lobbying		Code of conduct No political contributions during the reporting period. Caverion does not make contributions to political parties or individual politicians.
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly		Code of conduct In 2013, there was an indication of anti-competitive practices at Caverion's Lier branch in Norway. The authorities' investigation is still ongoing.

Product Responsibility

	Management approach to product responsibility		Key themes of corporate responsibility in 2013, Sponsoring
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PR5	Practices related to customer satisfaction and results of customer satisfaction surveys.		Customers, quality and product development
PR9*	Fines for non-compliance concerning the provision and use of products and services		No fines or sanctions during the reporting period.

Management and governance

Caverion is committed to good corporate governance.

The administration of Caverion Corporation and the Caverion Group complies with valid legislation, the company's Articles of Association and the rules and regulations of bodies that regulate and supervise the operations of Finnish listed companies.

In addition, Caverion's operations are guided by the common values and internal operating principles confirmed in the company. Caverion fully complies with regulation of The Finnish Corporate Governance Code issued by the Securities Market Association.

We annually publish the following statements:

- [Corporate Governance Statement](#) ▶
- [Remuneration Statement](#) ▶

These documents are published in connection with the publication of our Annual Report.

We constantly update information regarding corporate governance on our website. This information includes the CVs and up-to-date share ownership data of the members of our Management Board and Board of Directors, among others. In addition, the Charters of the Board of Directors and their committees.

Annual General Meeting 2014

The Annual General Meeting will be held on March 17, 2014 at Finlandia Hall in Helsinki. The registration for the meeting has begun and it will end on March 12, 2014 at 10 a.m. EET.

[More information and registration](#) ▶

Information Caverion's website:

- [Annual General Meeting](#) ▶
- [Caverion's governance bodies](#) ▶
- [Articles of Association](#) ▶
- [Code of Conduct](#) ▶

Elsewhere on the internet:

- [Limited Liability Companies Act](#) ▶
- [Rules of NASDAQ OMX Helsinki](#) ▶
- [Finnish Corporate Governance Code](#) ▶

Caverion Corporation's Corporate Governance Statement 2013

This Caverion Corporation's Corporate Governance Statement has been prepared pursuant to the Securities Market Act and recommendation 54 of the Finnish Corporate Governance Code as an independent document from the Report of the Board of Directors. This statement is published on Caverion Corporation's website http://www.caverion.com/investors/Corporate_Governance.

Caverion Corporation was established on June 30, 2013 by the entry of YIT Corporation's partial demerger in the trade register. In that partial demerger the assets, debts and liabilities of YIT Building Systems business were transferred to Caverion Corporation.

The administration of Caverion Corporation complies with valid legislation, the company's Articles of Association and the rules and regulations of bodies that regulate and supervise the operations of Finnish listed companies. Caverion Corporation also complies with all recommendations of the Finnish Corporate Governance Code issued by the Securities Market Association. The Code took effect on October 1, 2010 and is publicly available on the website www.cgfinland.fi.

Caverion Corporation's statutory auditor, PricewaterhouseCoopers Oy, has checked that this Statement is issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process included in this statement is consistent with the Financial Statements.

The Audit Committee of the Board of Directors reviewed the Statement in its meeting on January 27, 2014.

Annual General Meeting

Caverion Corporation's highest decision-making body is the Annual General Meeting of the Shareholders. The matters to be handled at the General Meeting are determined on the basis of the Articles of Association of Caverion Corporation and the Finnish Limited Liability Companies Act

The Annual General Meeting makes decisions on adopting the financial statements, the payment of dividends, discharging the members of the Board of Directors and the President and CEO from liability, the election of the members of the Board of Directors and auditor and their remuneration and other matters requiring resolutions by the Annual General Meeting under the Limited Liability Companies Act.

The Annual General Meeting is convened at least once a year. The Annual General Meeting is held annually by the end of March. The Annual General Meeting is convened by the Board of Directors.

Board of Directors

According to the Articles of Association, the Board of Directors of Caverion Corporation consists of the Chairman, Vice Chairman and 3-5 members elected by the Annual General Meeting.

The Board of Directors is responsible for the administration and the proper organization of the operations of the company as well as for the appropriate arrangements of bookkeeping and financial administration. The Board of Directors has an approved charter, and it regularly assesses its validity. According to its charter, the Board of Directors controls and supervises the operations of the Company and the Group and approves the key operating principles, objectives and strategies. The Board of Directors oversees the operations, financials and risk management of the Group.

In particular, the following duties are handled and decided on by the Board of Directors;

- Appointment and dismissal of the CEO and his/her optional deputy and senior management and the terms of their employment
- The Group's strategy and long-term objectives
- Group budgets and business plans and overseeing their implementation
- Approving the financial statements and interim reports
- Significant acquisitions and divestments with a value more than 10 million euros and investments with a value of 5 million euros
- Bids and agreements with a value of more than 50 million euros
- Key Policies
- Organization of the Group and
- Principles of risk management

The Board of Directors convenes approximately once a month according to a pre-determined schedule, or whenever it deems it necessary. The Board of Directors assesses its performance annually.

The Annual General Meeting of Caverion Corporation elects the Chairman and Vice Chairman and 3-5 members to the Board of Directors. The term of office of the Board members is the time period between the end of the Annual General Meeting in which the member is elected and the end of the next Annual General Meeting.

The first Board of Directors of Caverion Corporation was elected by the Extraordinary General Meeting of YIT Corporation that decided on the partial demerger of YIT Corporation on June 17, 2013.

Board members and meetings in 2013

The members of Caverion Corporation's Board of Directors during the financial year that ended December 31, 2013 were;

- **Henrik Ehrnrooth** (Chairman), born 1954, M.Sc. Forest Economics, B.B.A.
- **Michael Rosenlew** (Vice Chairman), born 1959, M.Sc. (Econ), Managing Director of Mikaros AB
- **Anna Hyvönen** born 1968, Tech.Lic., Executive Vice President of Finland and Baltics, Ramirent Plc.
- **Ari Lehtoranta** born 1963, M.Sc. (Eng.), Executive Vice President of Kone Corporation, Central and North Europe & Customer Experience, and

- **Eva Lindqvist** born 1958, M.Sc. (Eng.)

All board members were independent of Caverion Corporation and, excluding Henrik Ehrnrooth, also of its major shareholders. Henrik Ehrnrooth along with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth indirectly holds a controlling interest in Structor S.A., which is the largest shareholder in Caverion Corporation.

The Board of Directors convened eight times in 2013 and the members' total average attendance rate was 97%. The secretary to the Board was Corporate General Counsel.

The focus areas of the Board's work in 2013 included e.g. enhancing the maintenance business, strengthening and development of the project business processes, improving cash flow and measures taken to decrease operating capital.

Committees to the Board of Directors

The Board of Directors adopted its charter at the meeting of June 17, 2013 and formed two committees; Audit Committee and Personnel Committee, and approved charters for both of them at the meeting of June 17, 2013.

Audit Committee in 2013

The Audit Committee assists the Board in the supervision of Caverion Group's reporting and accounting processes including controls, risk management, internal audit activity as well as monitoring and assessing external auditing.

The Audit Committee consists of three members. The Board annually appoints the Chairman and the members. The committee convenes at least four times a calendar year as stated in its charter, prior to approving each interim report and the financial statements.

The members of the Audit Committee of Caverion Corporation in 2013 were Michael Rosenlew (Chairman), Anna Hyvönen and Eva Lindqvist. All committee members attended the meetings of 2013. The Audit Committee convened two times during 2013, prior to the approval of the interim reports of Q2 and Q3. The secretary to the committee was Group CFO.

The Audit Committee discussed e.g. its task areas, development of internal and external reporting, efficiency of financing, monitoring and ensuring risk management, and litigation and claim processes.

Personnel Committee in 2013

The Personnel Committee assists the Board of Directors in the matters regarding appointment and remuneration of key persons to the Company. The Personnel Committee prepares among others proposals for development of corporate culture and Group Human Resources strategy, compensation and incentive schemes including those for key executives. Further, the committee tasks include identification of key talents, development of management and key personnel as well as succession plans for the management.

The Personnel Committee consists of a maximum of five persons. The Board of Directors decides on the number of committee members and appoints the Chairman and the members annually. The Personnel Committee carries out all the duties of the Nomination Committee and the Remuneration Committee as stated in the Finnish Corporate Governance Code.

The members of Caverion Corporation's Personnel Committee in 2013 were Henrik Ehrnrooth (Chairman) and Michael Rosenlew and Ari Lehtoranta.

The Personnel Committee convened in 2013 once and all members were present. The secretary to the committee was the Group Senior Vice President, HR.

The Personnel Committee prepared in its meeting the implementation plan of a long-term incentive scheme, approval of management bonuses and planning of the next annual bonus principles, initiative of the talent pool process and preparation of the proposal for Board member candidates for the Annual General Meeting.

Attendance of the board members in the meetings held 2013

Board of Directors

Audit Committee

Personnel Committee

Henrik Ehrnrooth	7/8	-	1/1
Michael Rosenlew	8/8	2/2	1/1
Anna Hyvönen	8/8	2/2	-
Ari Lehtoranta	8/8	-	1/1
Eva Lindqvist	8/8	2/2	-
Average attendance rate, %	98	100	100

President and CEO

The President and CEO is in charge of the day-to-day management of the company in accordance with the instructions laid down by the Board of Directors. He also ensures that the company's accounting practices comply with the law and that the financial matters are handled in a reliable manner. The President and CEO is also the Chairman of the Group Management Board and is responsible for reporting to the Board of Directors.

The Board of Directors decides on the CEO's remuneration and other terms of employment.

The President and CEO of Caverion Corporation in 2013 was Juhani Pitkääkoski, LL.M., born in 1958. The Board of Directors has not appointed a deputy to the President and CEO.

Main features of the internal control and risk management systems in relation to the financial reporting process

The goal of the internal control and risk management systems is to provide reasonable assurance regarding the achievement of Caverion's strategic targets, reliability and integrity of financial and operational information, efficiency and transparency of operations, and compliance with applicable laws, regulations and internal policies and guidelines.

Caverion's business operations are organized into two business segments: Building Services Northern Europe and Building Services Central Europe and supporting Group functions.

Control environment

The Board of Directors approves Group level policies including Code of Conduct, Risk Management Policy, Treasury Policy, and Disclosure Policy.

The Audit Committee assists the Board in fulfilling its oversight responsibilities by monitoring the efficiency, adequacy and appropriate functioning of Caverion Group's internal control and risk management systems. In addition, it supervises the financial reporting and consolidated financial statement process.

The President and CEO is responsible for defining the strategies, processes and focus areas for risk management and internal control systems.

The Group Internal Audit function reports frequently on its results to the Audit Committee and to the President and CEO. The purpose, authority and responsibility of the Group Internal Audit is defined in a charter approved by the Board. The Audit Committee confirms the internal audit plan periodically.

Group Finance Management defines and communicates the principles related to financial reporting, maintains the common tools for accounting and reporting and prepares the financial information to be disclosed. The financial management of subsidiaries is responsible for ensuring that reporting is carried out in accordance with the Group's policies, guidelines and instructions.

The main internal control components at Caverion in relation to the financial reporting process include the Code of Conduct, approval policies, accounting manual, treasury policy as well as central application of accounting principles, centrally managed budgeting and monthly reporting process, common chart of account, common accounting tool (SAP) and reasonably automated interfaces between different systems in the monthly reporting process. Treasury, ICT, and mergers and acquisitions (M&A) are centralized functions in the Group.

Service efficiency process management and accounting, management of working capital and controlling of the cash flow have been focus areas of internal control development in 2013.

Caverion's Code of Conduct defines the behavioural manner in which Caverion people acts in business occasions and in relationship with other stakeholders. Each individual employee is expected to comply with the principles laid out in Code of Conduct in their daily duties.

There is a channel in place to report on breaches of Caverion Code of Conduct. Any person who notices such breaches may confidentially report them as indicated in the Code of Conduct document. Group's Ethics Committee manages the investigation process of such cases.

Risk assessment

In accordance with Group Risk Management Policy, Financial management on Group and subsidiary levels are responsible for identifying and assessing risks related to financial reporting and reporting on them to Group management. Development of the financial reporting process with related risk management and internal control systems will continue in 2014.

Internal Information and communication

Information related to the main internal control components, i.e. accounting manual, treasury policy, code of conduct, approval policies, and operating instructions for common tools and practices are available on Caverion intranet. Group's financial management is responsible for the development and maintenance of the information.

Caverion Group Financial Management has scheduled meetings with financial management of divisions in order to share the information and communicate the development in group policies and instructions. CEO, CFO and Group's financial management as well as Group Internal Audit function visit regularly in business units and share knowledge of Group's best practices.

Monitoring

The management of Caverion Group's subsidiaries are responsible for the accuracy of financial information reported to the Group.

The President and CEO and Caverion Group Financial Management are responsible for accuracy, extent, compliance and timely readiness of consolidated, external and internal, financial information prepared.

Group's financial controllers supervise and monitor the consistency of the reporting from divisions.

Caverion Group's financial performance is monitored monthly using a common planning and reporting system.

CEO, CFO and Group's financial management analyse monthly subsidiaries' performance, and deviations from previous month's forecasts. The monthly performance review practice represents the key monitoring procedure and it focuses both on the management and on financial reporting.

The Group Internal Audit function assesses the adequacy and efficiency of risk management, internal control systems and governance regarding the audit area under review. In addition, Group Internal Audit promotes the development in those areas. The scope of the Group Internal Audit covers all organisational levels and businesses.

The Board's Audit Committee reviews any information that will be published and submits it to the Board of Directors for approval.

Board of Director's Report

The Board of Directors has approved the report on 2013 at its meeting on January 27, 2014. The Board of Directors' Report, the Corporate Governance Statement and the Remuneration Statement are published on the company's website www.caverion.com/investors latest on February 21, 2014.

Caverion Corporation remuneration statement

The aim of Caverion's remuneration systems is to reward good performance, increase the personnel's motivation and commit the company's management and employees to the company's objectives over the long term.

Decision-making procedure regarding remuneration

Caverion Corporation's Annual General Meeting decides on the remuneration for the Board of Directors and its committees. The Board of Directors decides on the salary and benefits and other terms of employment of the President and CEO and other key Group employees, such as the members of the Group's Management Board.

The Board of Directors appoints the President and CEO and approves the President and CEO's terms of employment and remuneration. The Board of Directors also appoints the members of the Group's Management Board, approves their salaries and other remuneration and decides on the bases of the Group's remuneration system. The Personnel Committee of the Board of Directors is responsible for preparing these matters.

Remuneration of the Board of Directors in 2013

The Annual General Meeting decides on the remunerations for the Board of Directors. The Personnel Committee of the Board of Directors prepares the proposals to the General Meeting concerning the remuneration of members of Board of Directors.

Based on the decisions of the Extraordinary General Meeting that decided on the demerger of YIT on June 17, 2013, the members of the Board of Directors are entitled to the following fees:

- Chairman of the Board of Directors: EUR 6,600 per month (EUR 79,200 per year)
- Vice Chairman of the Board of Directors: EUR 5,000 per month (EUR 60,000 per year)
- Members of the Board of Directors: EUR 3,900 per month (EUR 46,800 per year)

A meeting fee of EUR 550 is paid for each Board and Committee meeting attended. Per diems for trips in Finland and abroad are paid in accordance with the Collective Agreement concerning compensation for travelling expenses.

The remuneration paid to the members of the Board of Directors totalled EUR 166,200 in 2013. None of the members of the Board of Directors elected by the Extraordinary General Meeting of June 17, 2013, including the Chairman and Vice Chairman, is employed or holds a position in Caverion Corporation, and they have not received shares in the company or share-based rights as remuneration.

Fees paid to the members of the Board of Directors based on the financial period that ended on December 31, 2013 (EUR)

Member of the Board of Directors	Monthly fees	Board of Directors meeting fees	Audit Committee meeting fees	Personnel Committee meeting fees	Total 2013
Henrik Ehrnrooth	39,600	3,850	-	550	44,000
Michael Rosenlew	30,000	4,400	1,100	550	36,050
Anna Hyvönen	23,400	4,400	1,100	-	28,900
Ari Lehtoranta	23,400	4,400	-	550	28,350

Eva Lindqvist	23,400	4,400	1,100	- 28,900
Total:	139,800	21,450	3,300	1,650 166,200

Remuneration principles at Caverion

In addition to fixed base salary, Caverion Corporation offers the President and CEO and other management and most salaried employees in the Group an annual performance bonus scheme aiming for excellent performance. The Board of Directors ratifies the rules of the annual performance bonus scheme, according to which the bonuses are paid.

Performance reviews are an essential part of Caverion's management by key results system. The aim of the annual performance bonus scheme is to reward the management and employees based on the achievement of pre-defined targets. Those covered by the performance bonus scheme are defined a target level based on which the bonus is determined as a percentage of annual base salary. The objectives represent an overall target opportunity and are not a guarantee that a payout will be made. The actual bonuses will be paid by comparing performance and results with the objectives and key performance indicators of the scheme. The indicators can be comprised of the entire Group's and the business unit's financial objectives as well as strategic and personal objectives. The amount of the potential bonus varies from zero to the maximum percentage of the taxable base salary for the target period before the bonus.

Other monetary rewards in use include years-of-service bonuses.

Caverion Corporation did not have a share-based incentive scheme, share price-linked option programme or voluntary supplementary pension benefits during the financial period ended December 31, 2013. For the sake of clarity, it is stated that due to the share-based incentive scheme in force at YIT Corporation, shares in the company have been returned to Caverion Corporation in accordance with the terms and conditions of said system.

Remuneration paid to the CEO

The remuneration paid to the President and CEO consists of salary and annual performance bonus. The President and CEO's annual performance bonus can be up to 60% of the annual taxable base salary before the performance bonus. In 2013, the financial targets of the annual performance bonus were connected with the Group's financial result and cash flow as well as strategic and personal objectives set by the Board of Directors. In addition to salary, the fringe benefits for President and CEO Juhani Pitkääkoski included a company car and meal benefit during the financial period ended December 31, 2013.

During the financial period ended December 31, 2013, President and CEO Juhani Pitkääkoski's salary including fringe benefits and performance bonus totalled EUR 421,123. During the earning period July 1 - December 31, 2013, the share of fixed base salary was EUR 283,685, fringe benefits amounted to EUR 7,439 and bonuses totalled EUR 130,000.

Remuneration paid to the CEO in 2013 during the financial period ended on December 31, 2013 (EUR)

Fixed salary	Fringe benefits	Performance bonus	Total
283,685	7,439	130,000	421,123

Pension, retirement age and termination compensation

The contractual retirement age of the President and CEO is the statutory retirement age. The President and CEO's contractual period of notice is six months. If the company terminates the contract, the President and CEO is paid separate compensation amounting to 12 months' salary. The company has not provided the President and CEO with voluntary supplementary pension coverage.

Remuneration paid to the Management Board

The target level of the performance bonus scheme for the Group's Management Board members for 2013 is a maximum of 50% of the taxable annual base salary before performance bonus for the target period. In 2013, the financial targets of the performance bonus were connected with the Group's or business unit's result and cash flow as well as strategic and personal objectives. The remuneration paid to Group's Management Board members (excluding the President and CEO)

including fringe benefits and performance bonuses totalled EUR 1,479,417 in 2013. During the earning period July 1 - December 31, 2013, the share of fixed salary was EUR 1,212,069, fringe benefits amounted to EUR 73,032 and performance bonuses totalled EUR 194,316.

Board of Directors on December 31, 2013



Henrik Ehrnrooth

Chairman

Born 1954, M.Sc. (Forest economics), B.Sc. (Econ.)Finnish citizen.Chairman of the Board of Directors, Chairman of the Personnel Committee.Independent of Caverion Corporation, but not independent from major shareholders. Henrik Ehrnrooth holds indirectly with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth a controlling interest in Structor S.A., which is the largest shareholder of Caverion Corporation.



Michael Rosenlew

Vice Chairman

Born 1959, M.Sc. (Econ.), Managing Director of Mikaros AB.Finnish citizen.Vice Chairman of Board of Directors, Chairman of Audit Committee, Member of Personnel Committee.Independent of Caverion Corporation and its major shareholders.



Anna Hyvönen

Member

Born 1968, Lic.Tech.Executive Vice President of Finland & Baltic, Ramirent Plc.Finnish citizen.Member of Audit Committee. Independent of Caverion Corporation and its major shareholders.



Ari Lehtoranta

Member

Born 1963, M.Sc. (Eng.)Executive Vice President, Central and North Europe, Customer Experience at KONE Corporation.Finnish citizen.Member of Personnel Committee. Independent of Caverion Corporation and its major shareholders.



Eva Lindqvist

Member

Born 1958, M.Sc. (Eng.), MBA, professional board member.Swedish citizen.Member of Audit Committee. Independent of Caverion Corporation and its major shareholders.

Management Board on December 31, 2013.

**Juhani Pitkääkoski**

President and CEO of Caverion Corporation

Born 1958, LL.M. In the Group's employ since July 1, 2013. President and CEO of Caverion Corporation until the end of March 2014.

**Karl-Walter Schuster**

Building Services Central Europe and Project Excellence

Born 1950, M.Sc. (Eng.) In the Group's employ since July 1, 2013. Head of Project Excellence as of January 1, 2014.

**Matti Malmberg**

Building Services Northern Europe and Service Efficiency

Born 1960, M.Sc. (Eng.) In the Group's employ since July 1, 2013. Head of Service Efficiency as of January 1, 2014.

**Antti Heinola**

CFO

Born 1973, M.Sc. (Econ.), eMBA In the Group's employ since July 1, 2013.

**Sakari Toikkanen**

Senior Vice President, Business Development

Born 1967, Lic. (Tech.) In the Group's employ since July 1, 2013.

**Merja Eskola**

Senior Vice President, Human Resources

Born 1961, MBA (E-business), BBA (Foreign Trade) In Group's employ since October 2013.

**Päivi Alakuijala**

Vice President, Marketing and Communications

Born 1967, M.Sc. (Agr. & Forest) In the Group's employ since July 1, 2013.

**Jarno Hacklin**

Managing Director, Caverion Suomi Oy (Finland, Russia and the Baltic countries)

Born 1978, B.Sc.(Eng) In the Group's employ since July 1, 2013.

**Erkki Huusko**

Managing Director, Caverion Industria Oy (Industrial services)

Born 1957, B.Sc.(Eng), eMBA

In the Group's employ since July 1, 2013

**Ulf Kareliusson**

Managing Director, Caverion Sverige AB (Sweden)

Born 1950, Vocational Qualification in Business and Administration In the Group's employ since July 1, 2013.



Peter Rafn

Managing Director, Caverion A/S (Denmark)

Born 1968, M.Sc. (Econ.) In the Group's employ since July 1, 2013.



Knut Gaaserud

Managing Director, Caverion Norge AS (Norway)

Born 1967, M.Sc. (Technology)

In the Group's employ since July 1, 2013.



Manfred Simmet

Managing Director, Caverion Österreich GmbH (Austria)

Born 1966, B.Sc.(Eng).

In the Group's employ since July 1, 2013.

Risks and risk management

Our risk management policies aim to identify major risk factors and manage them so that the company achieves its strategic and financial targets.

The objective is the management of the Group's total risk exposure, not merely the management of individual risk factors.

Definition of risk

We classify as risks those external or internal uncertainty factors that, should they materialise, will have a positive or negative effect on our possibilities to achieve our strategic and financial goals in a sustainable and ethical manner.

Risk management process

The identification and management of risk factors takes into account the special features of the business and operating environment.

Risk management is an integral part of the Group's management, monitoring and reporting systems. Risk management covers the identification and assessment of risks and contingency plans for all major risk categories.



Identification and assessment of risks

The nature and probability of **strategic risks** is continuously monitored and reported on. A strategic risk assessment is

carried out at Group level once a year in connection with the review of the strategy. As a result of the assessment, the major risks of the business segments, Corporate functions and the Group level are compiled in a risk register and classified into a risk matrix based on their likelihood of occurrence and possible impacts.

The risk reports are reviewed by the Board of Directors, the Group Management Board and the Management Boards of the business divisions.

Operational and event risks are reported at the business unit and country level on a monthly basis as part of the normal monitoring of performance. Operational risks are related to the nature of business operations, and they can be managed by developing the operating and resolution procedures.

Financial risks are reported at the business unit, division and group level on a monthly basis as part of normal monitoring of performance and quarterly to the Board of Directors' Audit Committee. The risks associated with the financial reporting process are identified and assessed annually.

Risk management measures

We apply risk management measures to those risk factors that we have classified as the most significant for our operations.

Possible risk management measures include:

- **The reduction of the risk, sharing or transfer of risk** through means such as modification of operations, more efficient supervision, insurance policies or contractual means
- **Removal of the risk** through means such as discontinuing operations that involve excessive risk and preparing for risks by developing contingency plans, etc.
- **Acceptance of the risk** without any specific risk management measures.

The roles and responsibilities in risk management

Board of Directors

- Approves Caverion Group's risk management policy and its objectives, and guides and supervises the planning and execution of risk management.
- Deals with matters related to the Group strategy, the business segment structure, the organisation of business operations and significant investments.

Audit Committee

- Assists the Board of Directors with supervisory duties related to Caverion Group's reporting and accounting processes, including internal monitoring, risk management, internal auditing and the monitoring and supervision of the audit.

Personnel Committee

- Addresses matters related to personnel remuneration systems and successor planning.

Group CEO

- Overall responsibility for risk management.
- Responsible for the organisation and the planning, development, coordination and monitoring of the risk management strategy, as well as its implementation and communication throughout the organisation.
- Reports to the Board of Directors.

Heads of the business areas and divisions

- Identify, assess and monitor the major risks of their respective business area or division and draw up contingency plans for the risks.
- Attend to the implementation and supervision of risk management.
- Report to the Board of Directors.

Group's financial and finance management

- Is responsible for identifying and assessing financial risks
- Reports to the Group management.

Group's internal audit organisation

- Supports the management in arranging and developing risk management and internal control.
- Reports to the Audit Committee of the Board of Directors and to the President and CEO.

Risk types and means for their management

Strategic risks

Changes in the operating environment

Caverion has developed its business structure towards a more stable and balanced direction in order to handle changing economic cycles. The share of steadily developing service and maintenance operations has been increased. Operations have been expanded geographically so that economic fluctuations impact operations at different times in different markets. Continuous monitoring and analysis make it possible to respond quickly to changes in the operating environment and to utilise the new business opportunities provided by them. The company has an extensive customer base, consisting of customers of various sizes from the public and private sector.

Execution of acquisitions

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

Operational risks

Caverion's typical operational risks include risks related to contract tenders, service agreements, project management and personnel.

Project management

With regard to various projects, it is important to act selectively, taking into account the risks and profitability of the projects, and review the content, risks and terms and conditions of all contracts and agreements in accordance with specified processes. Inefficient and unsuccessful project management may have a material effect on Caverion's ability to offer high-quality and profitable services. This, in turn, may have an unfavourable effect on Caverion's business, result of operations and financial position.

Personnel

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

Financial risks

Credit loss-related risks

The Group books write-offs or provision on receivables when it is evident that no payment can be expected. Caverion Group's policy of valuing trade receivables is applied, and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collection, collateral and analyses made by clients and the general macroeconomic situation at the time.

Impairment of goodwill

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.

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. Caverion Group's goodwill amounted to EUR 335.7 million on December 31, 2013.

Financial risks

Financial risks include risks related to the sufficiency of financing, currency and interest rates as well as credit and counterparty risks.

The counterparty risks of Caverion's business operations are above all associated with fulfilling the obligations of agreements made with customers, customer receivables and long-term service agreements. Financial risks and risks related to the financial reporting process are managed through accounting and financing policies, internal control as well as internal and external auditing.

Event risks

Possible event risks include accidents related to personal or information security as well as sudden and unforeseen material damage to premises, project sites and other property resulting, for example, from fire, collapse or theft. Caverion complies with a group-wide security policy covering the different areas of security.

Caverion divides its risks into four main categories:

**Strategic risks,
Operational risks,
Financial risks and
Event risks**

Result publications and investor information



Financial reporting in 2014

- Financial statements bulletin for 2013: January 28, 2014.
- Annual Report for 2013 including financial statements: week 8
- Interim report for January–March: April 24, 2014
- Interim report for January–June: July 22, 2014
- Interim report for January–September: October 22, 2014

The financial statements bulletin and interim reports are published at approximately 8 a.m. Finnish time (EET).

A news conference for investors, analysts and media will be held in connection with the publication of interim reports and financial statements. It is also possible to participate in the event through a conference call. Webcasts in English will be available on our website both live and recorded.

Closed period

Prior to the Financial Statements bulletin and each Interim Report, Caverion follows a so called silent period which begins on January 1, April 1, July 1 and October 1, and lasts until the publication of the respective financial report.

Annual General Meeting

Caverion Corporation's Annual General Meeting will be held in Helsinki (Finlandia Hall) on March 17, 2014. Registration for the meeting has begun and will end on March 12 at 10.00 a.m. EET.

More information and registration [▶](#)

Investor information on Caverion's website

The Investors section on Caverion's website includes:

- financial reports, stock exchange releases, investor presentations and webcasts and summarised video material from investor events
- monthly updated information of our largest owners, as well as insiders with the duty to declare, including their shareholdings
- the share's trading information
- tools for share analysis, including share price search and a return calculator for calculating the value of your investment
- consensus forecasts on our result

- a calendar of future events

Investors website [▶](#)

IR app

Investor information about Caverion is available also through an iPad application. Through this application, you can read Caverion's up-to-date investor information in a format optimised for iPad. The application provides iPad users with the latest financial information about Caverion, both in online and offline modes. You can download the application free of charge from App Store

Subscribe releases and publications

You can subscribe Caverion's stock exchange releases, investor news and press releases to your e-mail address by completing the order form on our [website](#). [▶](#)

The Annual Report is published online only. Caverion's company brochure can be ordered from Corporate Communications:
communications@caverion.com

Our disclosure policy is available on our [website](#) [▶](#)

Shares and shareholders

At end of the year, Caverion has more than 33,000 shareholders.

Shares and shareholders

At the end of December 2013, the number of registered shareholders in Caverion was 33,353 (6/2013:39,250). At the end of December 2013, a total of 38.2% of the shares were owned by nominee-registered and non-Finnish investors (6/2013: 35.2%)

During the review period, the company received no “flagging notifications” of change in ownership in Caverion Corporation in accordance with Chapter 9, Section 5 of the Securities Market Act.

Updated lists of Caverion’s largest shareholders and ownership structure by sector as per December 31, 2013 are available on Caverion’s website at www.caverion.com/Investors ►

Shares held by the Board of Directors, the President and CEO and the Group Management Board

On December 31, 2013, members of Caverion Corporation’s Board of Directors and the CEO held a total of 17,193,100 Caverion shares, representing 13.69% of the company’s shares and the votes conferred by them. Share ownership includes individuals’ direct holdings and the holdings of their close associates and controlled corporations.

Management’s shareholding on December 31, 2013

	Shares	% of shares
Board of Directors	17,140,000	13.65
CEO	53,100	0.04
The Group Management Board excluding the CEO	87,674	0.07
Total	17,280,774	13.76

Major shareholders on December 31, 2013

Shareholder	Shares, pcs	% of shares Capital
1. Structor S.A.	17,140,000	13.65
2. Varma Mutual Pension Insurance Company	7,732,100	6.16
3. Funds held by Antti Herlin, including directly held shares	6,250,180	4.98
4. OP funds	4,640,629	3.69
5. Ilmarinen Mutual Pension Insurance Company	4,056,215	3.23
6. Fondita funds	3,891,000	3.10
7. Nordea funds	2,282,561	1.82
8. Odin funds	1,736,637	1.38
9. The State Pension Fund	1,470,000	1.17
10. Danske Invest funds	1,407,325	1.12
11. Aktia funds	1,393,077	1.11

12. Brotherus Ilkka	1,304,740	1.04
13. Tapiola Mutual Pension Insurance Company	1,009,000	0.80
14. Evli funds	992,500	0.79
15. Etera Mutual Pension Insurance Company	757,446	0.60
16. Säästöpankki funds	533,181	0.42
17. Föreningen Konstsamfundet rf	423,002	0.34
18. Foundation of Brita Maria Renlunds minne	412,000	0.33
19. Veritas Pension Insurance Company Ltd.	371,091	0.30
20. Sigrid Jusélius Foundation	361,000	0.29
20 largest, total	58,163,684	46.30
All shares	125,596,092	100.00

Ownership structure by sector as per December 31, 2013

Sector	Number of shareholders	Proportion, %	Number of shares	% of share capital
Nominee-registered and non-Finnish	209	0.63	48,037,606	38.2
Households	30,946	92.78	25,097,113	20.0
General government	38	0.11	16,612,285	13.2
Financial and insurance corporations	86	0.26	15,638,211	12.5
Non-profit institutions	427	1.28	7,165,709	5.7
Non-financial corporations and housing corporations	1,647	4.94	13,045,168	10.4
On common and special accounts	0	0.00	0	0.0
Total	33,353	100.00	125,596,092	100

The ownership structure is based on the classification of sectors determined by Statistics Finland.

The information is based on the list of the company's shareholders maintained by Euroclear Finland Ltd. Each nominee register is recorded in the share register as a single shareholder. The portfolios of several investors can be managed through one nominee-registered shareholder.

Ownership by number of shares held on December 31, 2013

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares, %
1 - 100	9,479	28.4	600,515	0.50
101 - 500	13,707	41.1	3,834,041	3.10
501 - 1 000	4,876	14.6	3,852,807	3.10
1 001 - 5 000	4,281	12.8	9,353,126	7.40
5 001 - 10 000	496	1.5	3,587,220	2.90
10 001 - 50 000	386	1.2	8,198,182	6.50
50 001 - 100 000	53	0.2	3,674,200	2.90
100 001 - 500 000	51	0.2	11,439,092	9.10
500 001 -	24	0.1	81,056,909	64.50
Total	33,353	100.0	125,596,092	100.0

The information is based on the list of the company's shareholders maintained by Euroclear Finland Ltd.

Caverion share

Share and share capital

Caverion's shares are listed on NASDAQ OMX Helsinki. The shares are included in the book-entry securities system maintained by Euroclear Ltd. The company has a single series of shares, and each share entitles its holder to one vote at the Annual General Meeting. All Caverion shares carry equal rights to dividends. The company's shares have no nominal value.

Caverion Corporation's share capital and the number of shares did not change during the review period. At the beginning of trading on July 1, 2013, the number of shares subject to public trading was 125,596,092 and the share capital was EUR 1,000,000.

Key information about the share (CAV1V)

- Listing: NASDAQ OMX Helsinki
- List: Nordic Mid Cap
- Listing date: July 1, 2013
- Trading currency: EUR
- Industry: Industrial Goods & Services
- Trading code: CAV1V
- ISIN code: FI4000062781
- Reuters code: CAV1V.HE
- Bloomberg code: CAV1V:FH

Indexes

In 2013, the Caverion share was included in the following indexes, among others:

- OMX Helsinki Industrials
- OMX Helsinki Industrial Goods & Services
- OMX Helsinki Support Services
- OMX GES Ethical Finland Index
- OMX Helsinki Cap
- OMX Helsinki
- OMX Helsinki Mid Cap
- OMX GES Sustainability Finland
- OMX Nordic EUR

Treasury shares

The Extraordinary General Meeting of YIT Corporation, held on June 17, 2013, authorised the Board of Directors of Caverion to decide on the repurchase of own shares of Caverion in accordance with the proposal by the Board of Directors. The authorisation covers the purchasing of a maximum of 12,500,000 company shares using the funds from the company's unrestricted equity. The shares are not to be purchased in proportion to shareholders' holdings. The shares will be purchased in public trading on NASDAQ OMX Helsinki Ltd, and the shares will be purchased at their market value in public trading on NASDAQ OMX Helsinki Ltd at the time of purchase. The share repurchase will decrease Caverion's distributable unrestricted equity. The authorisation is valid until March 31, 2014.

Caverion Corporation did not hold any treasury shares at the beginning of the financial period. During the financial period, 4,080 Caverion shares were returned to the company in accordance with the terms and conditions of the share-based

incentive scheme of YIT Corporation, after which the company held 4,080 treasury shares at the end of December 2013.

Caverion has not made any decision regarding the issue of option rights or other special rights related to shares. During the reporting period, Caverion did not have any share-based incentive scheme.

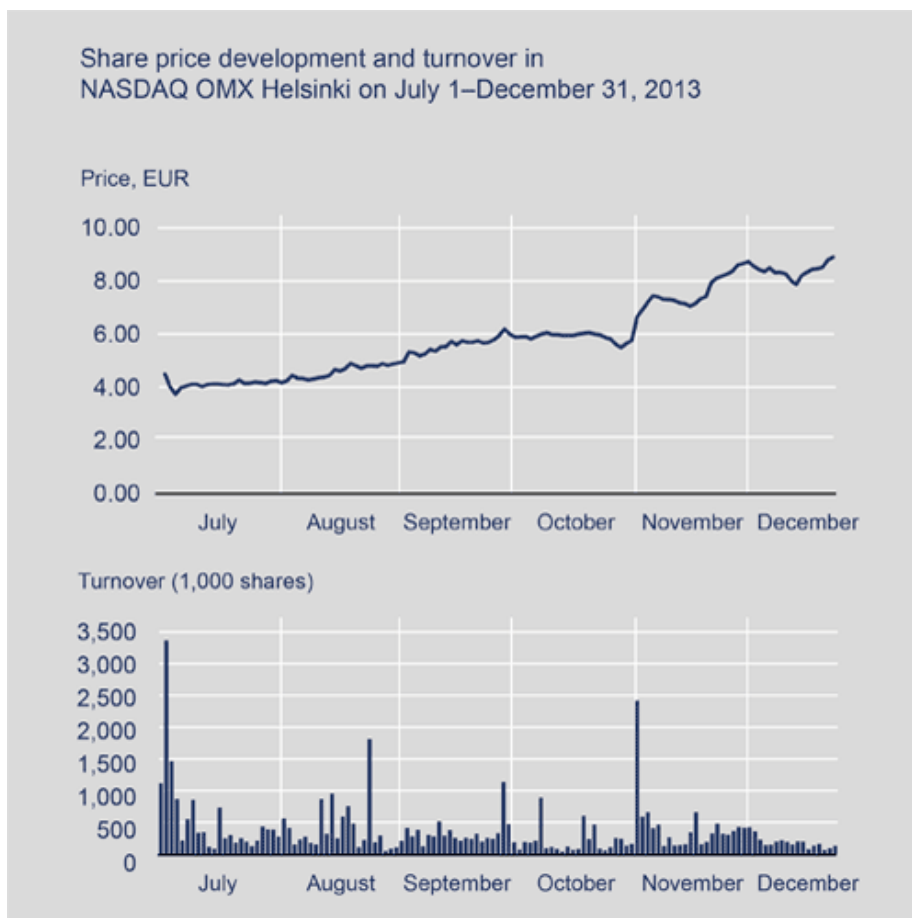
Trading in shares

Trading in Caverion shares commenced on July 1, 2013. Friday, June 28, 2013 was the last trading day on which Caverion was included in the YIT share and its price.

The opening price of Caverion's share was EUR 3.00 on July 1, 2013. The closing rate of the share on the last trading day of the review period (December 30, 2013) was EUR 8.90. The share price increased by 197% during July–December. The highest price of the share during the review period July–December was EUR 8.94, the lowest was EUR 3.00 and the average price was EUR 5.54. Share turnover on NASDAQ OMX Helsinki excluding OTC trading in July–December amounted to 46.2 million shares. The value of share turnover excluding OTC trading was EUR 255.7 million (source: NASDAQ OMX). The volume of OTC trading on NASDAQ OMX Helsinki was 80,000 shares or EUR 0.32 million in July–December.

In addition to the Helsinki Stock Exchange, Caverion's shares are also traded in other market places, such as BATS Chi-X and Burgundy. During July–December, 1.1 million Caverion Corporation shares changed hands in alternative market places, corresponding to approximately 2.1% of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X. Furthermore, during July–December, 4.8 million Caverion Corporation shares changed hands in OTC trading outside NASDAQ OMX, corresponding to approximately 9.3% of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 1,117.8 million. Market capitalisation has been calculated excluding the shares held by the company on December 31, 2013 (4,080 shares).



Earnings per share, basic, EUR



Investor relations

The aim of our investor relations activity is to support the appropriate valuation of the Caverion share by continuously and consistently communicating all essential information on Caverion to all market parties.

In addition, we aim to increase interest in the company among equity and debt investors and analysts, improve the loyalty of current shareholders and reach new investors and analysts interested in the company.

Activities in 2013

From June 2013, we met with approximately 1,900 investors and analysts. Starting in June, Caverion held 24 road show days and group meetings and other individual investor meetings, in which the company management met approximately 300 institutional investors in Europe and North America. In addition, we met with approximately 1,600 retail investors at events arranged by the Finnish Foundation for Share Promotion, Osakesäästäjät (an organisation for small investors) and NASDAQ OMX and at the Sijoitus Invest 2013 event.

Caverion's Capital Markets Day for investors, analysts and media was arranged on November 19, 2013 in Frankfurt, Germany. At the event, President and CEO Juhani Pitkälä presented the company's strategic milestones for reaching the profitability target. Presentations by Caverion's key management covered the newly established company's prospects for its two main businesses, project business and service and maintenance, as well as the company's financial performance, market situation, competitive landscape and M&A opportunities. The event was attended by 35 participants from Finland, Sweden, Norway, Germany, Austria, the United Kingdom and Luxembourg.

In June, we arranged an Analyst Day with YIT in Hättö. In addition, we arranged a site visit to the Karolinska Sjukhuset hospital and the Fatburen conference centre in Stockholm. Caverion is in charge of service and maintenance in these two properties.

Analysts following Caverion

According to Caverion's information, at least the following brokerage firms actively follow Caverion. They follow Caverion on their own initiative, and we are not responsible for their views.

- ABG Sundal Collier
- Berenberg
- Carnegie Investment Bank
- Credit Agricole Cheuvreux Nordic
- Danske Markets Equities
- Evli Bank
- Goldman Sachs International
- Handelsbanken Capital Markets
- Inderes
- Nordea Markets
- Pareto Öhman
- Pohjola Bank
- SEB Eskilda

- UBS

Contact details:



In June-December 2013, we met with approximately 1,900 investors and analysts.

Debt financing

Financing position enables the implementation of the Group's strategy and loan repayments.

Treasury policy

Treasury Policy is carried out by the Treasury of Group in co-operation with subsidiaries under policies approved by the Board of Directors of Caverion Group. Subsidiaries are responsible for providing the Group Treasury with timely and accurate information on financial position, cash-flows and foreign exchange position in order to ensure the Group's efficient cash and liquidity management, funding and risk management.

The Group Treasury is responsible for maintaining sufficient funding, availability of different funding sources and controlled maturity profile of external loans. The Group Treasury evaluates and monitors continuously the amount of funding required in the Group's business activities to ensure it has adequate liquid fund to finance its operations and repay its loans at maturity.

Financial position

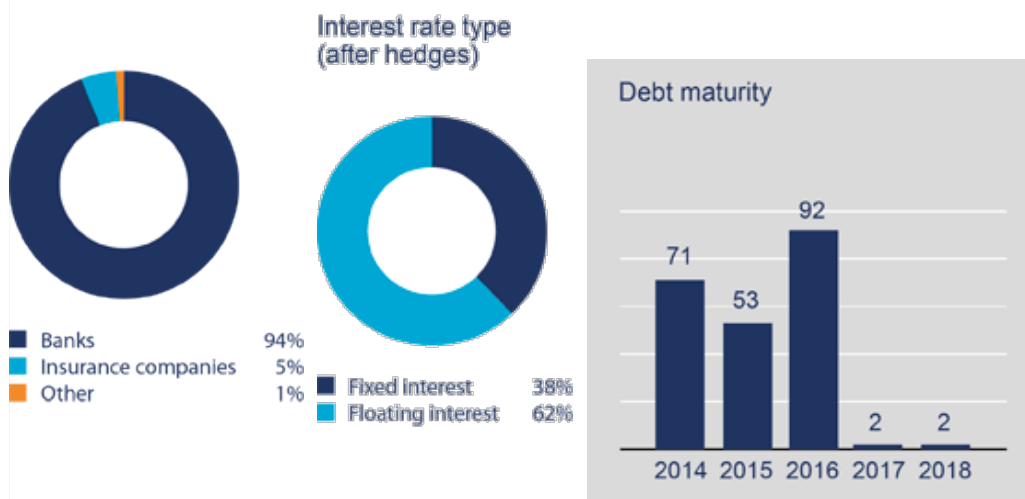
Financing position enables the implementation of the Group's strategy and loan repayments.

To manage liquidity risk the Group uses cash and cash equivalents, Group accounts with overdraft facilities, credit facilities and commercial papers. Caverion's cash and cash equivalents amounted to EUR 133.3 million at the end of December. In addition, Caverion has undrawn overdraft facilities amounting to EUR 19 million and undrawn committed revolving credit facilities amounting to EUR 60 million. The committed revolving credit facilities are valid until June 2016.

The Group's interest-bearing loans and borrowings amounted to EUR 219.8 million at the end of December, and the average interest rate after hedges was 2.31 percent. The maturity distribution of loans is balanced. A total of EUR 71.3 million of the interest-bearing loans and borrowings will fall due during the next 12 months.

Caverion's external financing consists mainly of a credit facility with a Nordic bank group. The facility was transferred to Caverion Corporation upon the registration of the partial demerger. It includes an amortising long-term loan facility of EUR 140 million falling due in June 2016, a long-term revolving credit facility of EUR 60 million falling due in June 2016 (which was undrawn at the end of December) and a short-term bridge loan facility of EUR 22 million falling due in June 2014. In addition to the credit facility, amortising loans transferred to Caverion Corporation in the demerger amounted to EUR 58 million at the end of December.

Loan portfolio



Annual General Meeting 2014

The Annual General Meeting of Caverion Corporation will be held on March 17, 2014 in Helsinki. The meeting will start at 11 a.m. EET.

The check-in of those who have registered for the meeting and the distribution of ballots will start at 10:00 a.m. Coffee will be available from 10:00 a.m.

Registration

Registration was opened on January 28 and it will end on March 12 at 10.00 a.m. EET. You can register either:

- By using the registration form on our website [▶](#)
- or
- By phone: +358 20 770 6882 (Monday-Friday at 9-16:00)

Important dates

- AGM record date: March 5, 2014
- Last day to give notice of attendance: March 12, 2014 by 10:00 a.m. (Finnish time)
- AGM: March 17, 2014 at 11:00 a.m. (Finnish time)
- Dividend payment record date March 20, 2014
- Proposed dividend payment date: April 2, 2014

More information

Caverion's website [▶](#)