
Caverion
Q3
Interim Report 1-9/2016

Caverion Corporation's Interim Report for January 1 – September 30, 2016

July 1 – September 30, 2016

- **Order backlog:** EUR 1,450.9 (1,477.2) million.
- **Revenue:** EUR 582.0 (573.7) million.
- **EBITDA excluding restructuring costs:** EUR 19.5 million, or 3.3 percent of revenue.
- **EBITDA:** EUR 13.8 (21.3) million, or 2.4 (3.7) percent of revenue.
- **Working capital:** EUR 57.9 (36.1) million.
- **Free cash flow:** EUR -38.8 (-14.2) million.
- **Earnings per share, basic:** EUR 0.02 (0.08) per share.

January 1 – September 30, 2016

- **Revenue:** EUR 1,758.1 (1,775.3) million.
- **EBITDA excluding restructuring costs:** EUR 26.1 million, or 1.5 percent of revenue.
- **EBITDA:** EUR 10.9 (57.5) million, or 0.6 (3.2) percent of revenue.
- **Free cash flow:** EUR -100.1 (-19.8) million.

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

KEY FIGURES

EUR million	7–9/16	7–9/15	Change	1–9/16	1–9/15	Change	1–12/15
Order backlog	1,450.9	1,477.2	-2%	1,450.9	1,477.2	-2%	1,461.4
Revenue	582.0	573.7	1%	1,758.1	1,775.3	-1%	2,443.0
EBITDA excluding restructuring costs	19.5			26.1			-
EBITDA margin excluding restructuring costs, %	3.3			1.5			-
EBITDA	13.8	21.3	-35%	10.9	57.5	-81%	91.5
EBITDA margin, %	2.4	3.7		0.6	3.2		3.7
Operating profit	5.0	14.7	-66%	-11.6	38.1		65.0
Operating profit margin, %	0.9	2.6		-0.7	2.1		2.7
Net profit for the period	2.9	9.9	-70%	-9.9	25.7		46.6
Earnings per share, basic, EUR	0.02	0.08	-70%	-0.08	0.21		0.37
Working capital	57.9	36.1	60%	57.9	36.1	60%	-13.6
Free cash flow	-38.8	-14.2		-100.1	-19.8		53.9
Interest-bearing net debt	169.7	101.9	67%	169.7	101.9	67%	29.8
Gearing, %	80.4	43.4		80.4	43.4		11.6
Personnel, average for the period	17,375	17,369	0%	17,486	17,286	1%	17,321

Word from the Interim President and CEO Sakari Toikkanen

"In the third quarter of 2016, Caverion Corporation continued the restructuring of its operations and the review of its project portfolio. As a result of the review, several projects were still identified with challenges in project management and execution. The identified challenges mainly relate to divisions Sweden, Denmark-Norway, Germany and Industrial Solutions. Based on the review, Caverion has completed and will complete more conservative cost estimate adjustments and provisions related to its project portfolio. The adjustments have an impact in the Group's third and fourth quarter results in 2016.

Our focus at the end of the year is on the successful completion of the restructuring programme. We now estimate that the total personnel reductions will affect approximately 1,000 employees, i.e. more than initially estimated (700 employees). The total cost estimate of the restructuring actions is currently EUR 20-24 million (previously approximately EUR 22-26 million) in 2016. In addition, we continued to cut back on discretionary fixed costs relating to development, consultants and travelling.

Caverion has also implemented a stricter project tendering process in the Group since the second quarter. Completion of the restructuring and focus on higher project margins has affected the order backlog in the third quarter. As a result Caverion’s order backlog has slightly decreased in the third quarter compared to the previous year. A newly established Projects Group function is now also supporting the project management offices (PMOs) in the divisions.

Despite the increased focus on restructuring, we managed to deliver an EBITDA excluding restructuring costs of EUR 19.5 million (7-9/2015: 21.3) in the third quarter. Our cash flow was still unsatisfactory in the third quarter. In order to address this, we started an intensified focus on invoicing and receivables management with the aim to improve our working capital management and cash flow throughout the Group.

Our market environment remains favourable. Particularly in Finland, Sweden and Germany there are a lot of tenders ongoing. Caverion has an advanced service offering covering the whole life cycle of buildings and industries.

The Board of Directors appointed on September 27, 2016 Ari Lehtoranta as the new President and CEO of Caverion Corporation. Ari is thoroughly familiar with the company, its strategy and operations. Ari will start in his position on January 1, 2017.”

OUTLOOK FOR 2016

Market outlook for Caverion’s services and solutions

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

The Technical Installation and Maintenance market is expected to remain stable, however price competition is expected to remain tight in Technical Installations projects. Requirements for increased energy efficiency, better indoor conditions and tightening environmental legislation will be significant factors supporting the positive market development. In Norway, the general economy has been impacted by the slowdown in the oil industry and despite the recent stabilisation, this may continue to have a negative effect on the Technical Installation and Maintenance business.

In the Large Projects market, the new tenders for buildings and industry are expected to increase during the year. Low interest rates and availability of financing are expected to support investments. The demand for Design & Build of Total Technical Solutions is expected to develop favourably in the large and technically demanding projects. However uncertainty in economical situation has affected new projects resulting in price pressure and further project postponements or cancellations.

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

Guidance for 2016

Caverion revised its guidance on October 19, 2016, according to which Caverion estimates that the Group’s revenue for 2016 will remain at the previous year's level (2015: EUR 2,443 million) and the Group’s EBITDA excluding restructuring costs for 2016 will be in the range EUR 40-50 million (2015: EUR 91.5 million).

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference and webcast on the interim report on Thursday, October 27, 2016, at 11:00 a.m. (Finnish Time, EEST) at the Glo Hotel Kluuvi (Videowall meeting room), Kluuvikatu 4, 2nd floor, Helsinki, Finland. The news conference can also be viewed live on Caverion’s website at www.caverion.com/investors. It is also possible to participate in the event through a conference call by calling the assigned number +44 (0)203 043 2002 at 10:55 a.m. (Finnish time, EEST) at the latest. Participant code for the conference call is “7101031/ Caverion”. More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information for 2016

Financial Statements Bulletin for January - December 2016 will be published on February 7, 2017 at 9:00 a.m. (Finnish Time, EET). Financial reports and other investor information are available on Caverion's website, www.caverion.com/investors, and IR App. The materials may also be ordered by sending an e-mail to IR@caverion.com.

CAVERION CORPORATION

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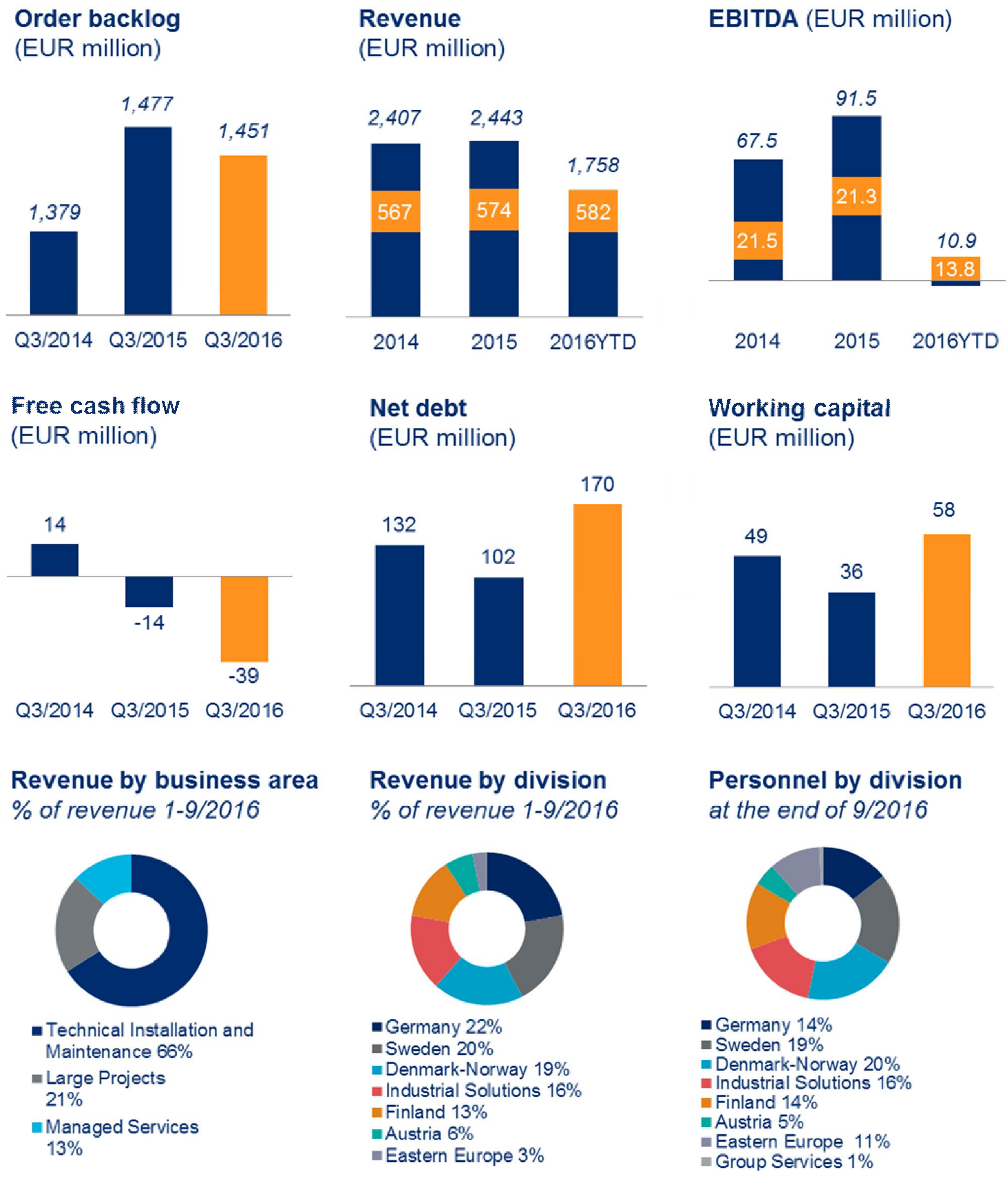
GROUP FINANCIAL DEVELOPMENT

Key Figures



Changes in external financial reporting in 2016

Caverion announced in a stock exchange release on January 27, 2016 that it is making changes to its external financial reporting as of January 1, 2016 in order to increase the transparency of its operations and align the financial reporting with the next phase of Group strategy. The old business areas ("Service and Maintenance" and "Projects") will thereby be replaced by three new business areas: "Technical Installation and Maintenance", "Large Projects" and "Managed Services". Going forward, Caverion will disclose revenue based on this new business area breakdown. Furthermore, the geographical breakdown will be reported by divisions: Sweden, Finland, Germany, Denmark-Norway, Austria, Eastern Europe and Industrial Solutions. Going forward, Caverion will disclose revenue and personnel by division. All the above reporting changes will be implemented as of January 1, 2016 onwards. Caverion will not report all historically comparable figures for the periods preceding January 1, 2016. Going forward, the Group will still only have one single operative segment that also includes the Group services and other items.

Operating environment in the third quarter and during the first nine months of 2016

The overall market situation was relatively stable throughout the period. Demand developed favourably for divisions Finland and Austria. Caverion has also been successful in Industrial Solutions in executing seasonal shutdowns during the third quarter. In Sweden the overall market environment remained positive. Divisions Eastern Europe and Germany remained stable. In Denmark-Norway, the general economy has still been impacted by the slowdown in the oil industry despite the recent stabilisation. Caverion has actively responded to the recent market changes in Norway through careful selection of new projects and service contracts as well as by proving its long-term commitment to key clients while also restructuring its operations.

The market for Technical Installation and Maintenance business was stable for the period. The price competition was tight in Technical Installations projects. However, requirements for increased energy efficiency, better indoor climate and tightening environmental legislation are supporting positive market development for the rest of the year. In Norway, the slowdown in the oil industry continued to have an effect on the Technical Installation and Maintenance business despite the recent stabilisation.

In the market for Large Projects positive signs were seen in tendering activity, especially in the public and industrial sectors. The demand for Design & Build of Total Technical Solutions developed favourably within large and technically demanding projects. Low interest rates and availability of financing supported investments. However recent uncertainty in economical situation has affected new projects resulting in price pressure and further project postponements or cancellations.

Demand for Managed Services remained strong. Clients' willingness to focus on their core operations opened up new opportunities for Caverion in terms of outsourced operation and maintenance mainly for public authorities, industries and utilities. Interest in private public partnerships and other Life Cycle Solutions was increasing in the Nordic countries while these kind of commercial models still represent only a marginal part of the entire market.

Restructuring actions

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

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

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

The personnel reductions are mainly focusing on the divisions Sweden, Denmark-Norway and Germany as well as in Group functions. Cost reductions through temporary layoffs and personnel reductions are estimated to affect approximately 1,000 employees, i.e. more than initially estimated (700 employees). The total cost estimate of the restructuring actions is currently EUR 20-24 million (previously approximately EUR 22-26 million) in 2016. By the end of September 717 employees have been permanently laid off and restructuring costs were EUR 15.2 million during January– September. The full effect of the actions will be visible in 2017. At the end of September there were 80 people on temporary leave.

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

Order backlog

Completion of the restructuring and focus on higher project margins has affected the order backlog in the third quarter. Caverion has also implemented a stricter project tendering process in the Group since the second quarter. As a result Caverion's order backlog has slightly decreased in the third quarter compared to the previous year. The order backlog amounted to EUR 1,450.9 million at the end of September and decreased by 2 percent compared to the previous year (end of September 2015: EUR 1,477.2 million). The order backlog decreased by 7 percent from the end of June (June 2016: EUR 1,554.2 million). At comparable exchange rates the order backlog decreased by 2 percent from the end of September 2015 and decreased by 7 percent from the end of June 2016.

Revenue

July – September

The revenue for July–September was EUR 582.0 (573.7) million. The revenue growth was largest in Finland and in Industrial Solutions compared to the previous year. In Finland the main driver for growth was the increased activity within Large Projects. In Norway, the general economy has been impacted by the slowdown in the oil industry, which has also had an effect on the demand of Caverion's services. In Sweden Caverion has not been able to capitalise on the current market environment.

Changes in foreign exchange rates decreased the Group's total revenue for July–September by EUR 2.0 million compared to the previous year, of which the Swedish crown accounted for EUR 1.2 million, the Norwegian crown for EUR 0.5 million and the Russian rouble for EUR 0.3 million. Revenue increased by 2 percent at previous year's exchange rates for July–September. In Denmark-Norway the revenue with comparable exchange rates decreased by 2 percent compared to the previous year.

The Technical Installation and Maintenance revenue for July–September amounted to EUR 389.8 million, or 67 percent of the Group's total revenue. The Large Projects revenue was EUR 114.6 million, or 20 percent of the Group's total revenue. The revenue for Managed Services amounted to EUR 77.6 million, or 13 percent of the Group's total revenue.

January – September

The revenue for January–September was 1,758.1 (1,775.3) million. The revenue growth was largest in Finland and in Industrial Solutions compared to the previous year. In Finland the main driver for growth was the increased activity within Large Projects. In Norway, the general economy has been impacted by the slowdown in the oil industry, which has also had an effect on the demand of Caverion's services. In Sweden Caverion has not been able to capitalise on the current market environment. Additionally, during the second quarter the review of the project portfolio in Sweden has had some negative effect on the revenue for the period.

Changes in foreign exchange rates decreased the Group's total revenue for January–September by EUR 20.5 million compared to the previous year, of which the Norwegian crown accounted for EUR 16.7 million, the Russian rouble for EUR 3.7 million and the Swedish crown for EUR 0.0 million. Revenue was on par with the previous year at previous year's exchange rates for January–September. In Denmark-Norway the revenue with comparable exchange rates decreased by 6 percent compared to the previous year.

The Technical Installation and Maintenance revenue for January–September amounted to EUR 1,165.3 million, or 66 percent of the Group's total revenue. The Large Projects revenue was EUR 364.5 million, or 21 percent of the Group's total revenue. The revenue for Managed Services amounted to EUR 228.3 million, or 13 percent of the Group's total revenue.

Distribution of revenue

Revenue, EUR million	7–9/ 2016	%	7–9/ 2015	%	Change	1–9/ 2016	%	1–9/ 2015	%	Change	1–12/ 2015
Germany	133.2	23%	135.0	24%	-1%	389.9	22%	377.0	21%	3%	526.4
Sweden	106.3	18%	115.6	20%	-8%	352.8	20%	385.8	22%	-9%	537.6
Denmark-Norway	105.6	18%	108.1	19%	-2%	334.3	19%	375.3	21%	-11%	503.2
Industrial Solutions	96.4	17%	89.0	16%	8%	278.3	16%	266.1	15%	5%	363.8
Finland	79.9	14%	70.0	12%	14%	235.5	13%	207.1	12%	14%	286.7
Austria	39.8	7%	36.9	6%	8%	110.9	6%	109.3	6%	1 %	149.1
Eastern Europe	20.9	4%	19.3	3%	8%	56.6	3%	54.7	3%	3%	76.3
Group, total	582.0	100%	573.7	100%	1%	1,758.1	100%	1,775.3	100%	-1%	2,443.0
- Technical Installation and Maintenance	389.8	67%				1,165.3	66%				-
- Large Projects	114.6	20%				364.5	21%				-
- Managed Services	77.6	13%				228.3	13%				-

Profitability

EBITDA

July – September

The EBITDA excluding restructuring costs amounted to EUR 19.5 million, or 3.3 percent of revenue in July–September. The EBITDA for July–September was EUR 13.8 (21.3) million, or 2.4 (3.7) percent of revenue.

In the third quarter of 2016, Caverion Corporation continued the restructuring of its operations and the review of its project portfolio. As a result of the review, several projects were still identified with challenges in project management and execution. The identified challenges mainly relate to divisions Sweden, Denmark-Norway, Germany and Industrial Solutions. Based on the review, Caverion has completed and will complete more conservative cost estimate adjustments and provisions related to its project portfolio.

Furthermore, Caverion has made adjustment reflecting risks in some projects in division Germany and Denmark-Norway, which had a negative impact of EUR 4.1 million on the reported EBITDA for July–September.

The restructuring costs were EUR 5.7 million during July–September. More details about the restructuring actions have been described under “Restructuring actions”.

Several development projects and investments in common processes have also been reflected in operational expenses during the period. The EBITDA for the period is also burdened expenses of EUR 0.7 million in Germany related to ongoing legal investigations.

January – September

The EBITDA excluding restructuring costs amounted to EUR 26.1 million, or 1.5 percent of revenue in January–September. The EBITDA for January–September was EUR 10.9 (57.5) million, or 0.6 (3.2) percent of revenue.

During the period, Caverion has had profitability problems due to resource overcapacity and challenges in executing and managing projects. The identified project management challenges mainly relate to divisions Sweden, Denmark-Norway, Germany and Industrial Solutions. Based on the reviews in the second and third quarter, Caverion has completed and will complete more conservative cost estimate adjustments and provisions related to its project portfolio.

In April-June Caverion has made cost estimate adjustments and provisions in the project portfolio in division Sweden, which have a negative impact of EUR 15 million on the reported EBITDA for April-June. Furthermore, Caverion has made adjustment reflecting risks in some projects in division Germany and Denmark-Norway, which had a negative impact of EUR 4.1 million on the reported EBITDA for July–September.

The personnel reductions are mainly focusing on the divisions Sweden, Denmark-Norway and Germany as well as in Group functions. By the end of September 717 employees have been permanently laid off and restructuring costs were EUR 15.2 million during January–September. More details about the restructuring actions have been described under "Restructuring actions".

Several development projects and investments in common processes have also been reflected in operational expenses during the period. The EBITDA for the period is also burdened expenses of EUR 0.8 million in Germany related to ongoing legal investigations.

EBITDA is defined as Operating profit + Depreciation, amortisation and impairment. EBITDA excluding restructuring costs is defined as Operating profit + Depreciation, amortisation and impairment + restructuring costs.

Operating profit

July – September

The operating profit for July–September amounted to EUR 5.0 (14.7) million, or 0.9 (2.6) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 8.7 (6.6) million in July–September, of which EUR 1.7 million were allocated intangibles related to acquisitions and EUR 7.0 million were other depreciations, amortisation and impairments.

January – September

The operating profit for January–September amounted to EUR -11.6 (38.1) million, or -0.7 (2.1) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 22.5 (19.4) million in January–September, of which EUR 5.0 million were allocated intangibles related to acquisitions and EUR 17.5 million were other depreciations, amortisation and impairments.

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

Profit before taxes, net profit and earnings per share

Profit before taxes amounted to EUR -13.3 (35.4) million, net profit to EUR -9.9 (25.7) million and earnings per share to EUR -0.08 (0.21) in January–September. The net financing expenses in January–September were EUR -1.7 (-2.7) million.

The effective tax rate of the Group was 25.2 (27.4) percent in January–September.

Capital expenditure, acquisitions and disposals

During the period, Caverion has invested in its harmonised operational model, processes and systems. Gross capital expenditure on non-current assets included in the balance sheet totalled EUR 32.0 (17.9) million during January–September, representing 1.8 (1.0) percent of revenue.

Investments in information technology totalled EUR 20.0 (12.4) million during January–September. IT investments were focused on building a harmonised IT infra and common platforms, datacenter consolidation as well as implementing a common ERP template. The IT systems and mobile tools were also developed to improve the internal processes and efficiency. Other investments, including acquisitions, amounted to EUR 12.0 (5.5) million.

During the period, Caverion signed an agreement with Mr Alfred Lotter on the purchase of the business of Arneg Kühlmöbel u. Ladeneinrichtungen, Produktions- u. Handelsgesellschaft mbH ("Arneg Kühlmöbel"). The transaction was approved by the Austrian Federal Competition Authority on January 19, 2016. The acquisition supports Caverion's growth strategy and expands on its position within the cooling technology market in Austria.

The purchase price was not disclosed. Arneg Kühlmöbel is one of the leading suppliers of cooling technology in Austria. In 2014, the company's revenue was about EUR 7.0 million. The company employs about 35 people.

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

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

Cash flow, working capital and financing

The Group's Free cash flow amounted to EUR -100.1 (-19.8) million in January–September. The free cash flow is defined as: Free cash flow = Operating cash flow before financial and tax items – Taxes paid – Net cash used in investing activities (net, including acquisitions and disposals). The Group's operating cash flow before financial and tax items amounted to EUR -57.6 (2.7) million in January–September. Cash flow has deteriorated in 2016 due to low profitability and an increase in working capital. Free cash flow was also impacted by a higher level of investments.

Working capital was EUR 57.9 million at the end of September (6/2016: EUR 17.1 million). The growth was mainly affected by the increase in trade and POC receivables by EUR 49 million from the beginning of the year, due to growth in unbilled POC receivables particularly in Germany and Industrial Solutions. Caverion has started an intensified focus on invoicing and receivables management with the aim to improve working capital management and cash flow throughout the Group.

Caverion's cash and cash equivalents amounted to EUR 37.0 million at the end of September (6/2016: EUR 20.4 million). In addition, Caverion has undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

The Group's interest-bearing loans and borrowings amounted to EUR 206.8 million at the end of September (6/2016: EUR 150.9 million), and the average interest rate after hedges was 0.87 percent. Approximately 39 percent of the loans have been raised from banks and other financial institutions, approximately 48 percent directly from the money markets, and approximately 12 percent from insurance companies. A total of EUR 129.2 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 169.7 million at the end of September (6/2016: EUR 130.6 million).

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA.

PERSONNEL

Personnel by division, end of period	9/16	6/16	Change	9/16	9/15	Change	12/15
Finland	2,440	2,513	-3%	2,440	2,276	7%	-
Denmark-Norway	3,393	3,518	-4%	3,393	3,989	-15%	-
Sweden	3,321	3,518	-6%	3,321	3,324	0%	-
Germany	2,486	2,427	2%	2,486	2,417	3%	-
Austria	806	800	1%	806	772	4%	-
Eastern Europe	1,868	1,835	2%	1,868	1,800	4%	-
Industrial Solutions	2,825	2,902	-3%	2,825	2,755	3%	-
Group Services	142	151	-6%	142	117	21%	-
Group, total	17,281	17,664	-2%	17,281	17,450	-1%	17,399

In January–September 2016 the Group employed 17,486 (17,286) people on average. At the end of September 2016, the Group employed 17,281 (17,664) people. Caverion Group employed approximately 400 apprentices at the end of September 2016. The personnel expenses for January–September 2016 amounted to a total of EUR 729.5 (722.9) million.

Caverion has started implementing restructuring actions to reduce the identified overcapacity. The personnel reductions are mainly focusing on the divisions Sweden, Denmark-Norway and Germany as well as in the Group functions. Cost reductions through temporary layoffs and personnel reductions are estimated to affect approximately 1,000 employees, i.e. more than initially estimated (700 employees). The total cost estimate of the restructuring actions is currently EUR 20-24 million (previously approximately EUR 22-26 million) in 2016. At the end of September 717 employees have been permanently laid off and there were 80 people on temporary leave. More details about the restructuring actions have been described under “Restructuring actions”.

The key focus areas for human resources and people were to continue building a firm foundation for future growth and competitiveness. The strategic focus area Excellent Leadership was continued to prioritise group-wide projects such as design of project management training program and common incentive systems as well as implementation of a common job structure, leadership development and code of conduct learning programs. The group-wide work safety actions progressed with high ambition level to provide prerequisites for health and safe working circumstances for all employees.

Changes in Caverion’s Group Management

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

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

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

MOST SIGNIFICANT BUSINESS RISKS AND RISK MANAGEMENT

Caverion’s business involves a number of strategic, operational, financial and event risks. Risk management is an integral part of the Group’s management, monitoring and reporting systems. The nature and probability of strategic risks is continuously monitored and reported. A strategic risk assessment is carried out at Group level once a year in connection with the review of the strategy.

Group companies are engaged in legal proceedings that are connected to ordinary business operations. The outcomes of the proceedings are difficult to predict, but if a case is deemed to require a provision that has been made on the basis of best estimate. It is the understanding of the Group management that the legal proceedings do not have a significant effect on the Group’s financial position.

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

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

Based on reviews made in the reporting period, it has been observed that there might be a risk of impairment included in some receivables. A further review and risk assessment will be continued during the rest of the year.

Caverion's financial statements bulletin for January–December 2015 published on January 27, 2016 describes the most significant other business risks, and no significant changes in them have taken place compared to the status stated therein.

A more detailed account of the risks relating to Caverion and its operating environment and business has been published in the Board of Director's Report published in the Annual Report for 2015. Financial risks have been described in more detail in the Financial Statements note 29 "Financial Risk Management".

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

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

The Annual General Meeting elected a Chairman, Vice Chairman and four ordinary members to the Board of Directors. Ari Lehtoranta was elected as the Chairman, Michael Rosenlew as the Vice Chairman and Markus Ehrnrooth, Anna Hyvönen, Eva Lindqvist and Ari Puheloinen as members for a term continuing until the end of the next Annual General Meeting.

The stock exchange release on the resolutions passed at the Annual General Meeting is available on Caverion's website at www.caverion.com.

The Board of Directors held its organisational meeting on March 21, 2016. At the meeting the Board decided on the composition of the Human Resources Committee and the Audit Committee. A description of the committees' tasks and charters are available on Caverion's website at www.caverion.com/investors - Corporate Governance.

DIVIDENDS AND DIVIDEND POLICY

The Annual General Meeting, held on March 21, 2016, decided that a dividend of EUR 0.28 was to be paid per share, or a total of EUR 35.0 million. No dividend was paid for the treasury shares. Dividend payment record date was March 23, 2016, and the dividends were paid on April 4, 2016.

Caverion's aim is to distribute at least 50 per cent of the result for the year after taxes, excluding changes in fair value, as dividend and capital redemption to the company's shareholders. Even though there are no plans to amend this dividend policy, there is no guarantee that a dividend or capital redemption will actually be paid in the future, and also there is no guarantee of the amount of the dividend or return of capital to be paid for any given year.

SHARES AND SHAREHOLDERS

Caverion Corporation is a public limited company organised under the laws of the Republic of Finland, incorporated on June 30, 2013. The company has a single series of shares, and each share entitles its holder to one vote at the General Meeting of the company and to an equal dividend. The company's shares have no nominal value.

Share capital and number of shares

At the beginning of January 1, 2016, the number of shares was 125,596,092 and the share capital was EUR 1,000,000. Caverion held 512,091 treasury shares on January 1, 2016.

During January–September 237 Caverion shares were returned to the company in accordance with the terms and conditions of the share-based incentive scheme of YIT Corporation. Caverion held 512,328 treasury shares at the end of September 2016. Number of shares outstanding was thus 125,083,764 on September 30, 2016. Own shares held by Caverion Corporation represent 0.41% of the total number of shares and voting rights.

Caverion has not made any decision regarding the issue of option rights or other special rights entitling to shares. Caverion's Board of Directors approved a new long-term share-based incentive plan for the Group's senior management in December 2015. The new plan consists of a Performance Share Plan, complemented with a Restricted Share Plan for special situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board. The first plans commenced at the beginning of 2016 and any potential share rewards thereof will be delivered in the spring of 2019. If all targets of the Performance Share Plan will be met, the share rewards based on the first plans for 2016-2018 will comprise a maximum of approximately 728,000 Caverion shares (gross before the deduction of applicable payroll tax). More information on incentive plan was released in a stock exchange release on December 18, 2015. Furthermore, more information on the earlier long-term share-based incentive plan 2014−2016 for the company's key senior executives has been released in a stock exchange release on May 26, 2014.

Authorisations of the Board of Directors

Authorising Caverion's Board of Directors to decide on the repurchase of own shares of the company

The Annual General Meeting of Caverion Corporation, held on March 21, 2016, authorised Caverion's Board of Directors to decide on the repurchase of own shares. The authorisation covers the repurchase of a maximum of 12,000,000 company´s own shares using the company's unrestricted equity, at fair value at the date of repurchase, which shall be the prevailing market price in the trading at the regulated market organized by Nasdaq Helsinki Ltd. The shares may be repurchased other than pro rata to the shareholders' existing holdings. The authorisation is valid for eighteen months from the date of the resolution of the Annual General Meeting. The Board of Directors has not used the authorisation during 2016.

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

The Annual General Meeting authorised Caverion's Board of Directors to decide on share issues. The authorisation may be used in full or in part by issuing a maximum of 25,000,000 Caverion shares in one or more issues. The share issues may be directed, that is, in deviation from the shareholders' pre-emptive rights, and shares may be issued for subscription against payment or without charge. A share issue may also be directed to the company itself, within the limitations laid down in the Limited Liability Companies Act.

The share issue authorisation also includes the authorisation to transfer own shares that are in the possession of company or may be acquired. This authorisation applies to a maximum of 12,500,000 company's own shares. The Board of Directors was authorised to decide on the purpose and the terms and conditions for such transfer. The authorisation is valid until March 31, 2017. The Board of Directors has not used the authorisation during 2016.

Trading in shares

The opening price of Caverion's share was EUR 8.96 at the beginning of the year 2016. The closing rate on the last trading day of the review period on September 30 was EUR 6.85. The share price decreased by 24 percent during January–September. The highest price of the share during the review period January–September was EUR 9.38, the lowest was EUR 5.50 and the average price was EUR 6.83. Share turnover on Nasdaq Helsinki in January–September amounted to 47.1 million shares. The value of share turnover was EUR 321.8 million (source: Nasdaq Helsinki).

Caverion's shares are also traded in other market places, such as BATS Chi-X, Turquoise, Aquis and Frankfurt Stock Exchange (Open Market). During January–September, 12.9 million Caverion Corporation shares changed hands in alternative market places, corresponding to approximately 17.4 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X. Furthermore, during January–September, 14.1 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 19.1 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 856.8 million. Market capitalisation has been calculated excluding the 512,328 shares held by the company as per September 30, 2016.

Number of shareholders and flagging notifications

At the end of September 2016, the number of registered shareholders in Caverion was 31,979 (6/2016: 32,154). At the end of September 2016, a total of 35.3 percent of the shares were owned by nominee-registered and non-Finnish investors (6/2016: 31.4%).

Updated lists of Caverion's largest shareholders, the holdings of public insiders and ownership structure by sector as per September 30, 2016, are available on Caverion's website at www.caverion.com/investors.

INTERIM REPORT JANUARY 1–SEPTEMBER 30, 2016: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Revenue	**582.0**	**573.7**	**1,758.1**	**1,775.3**	**2,443.0**
Other operating income and expenses	-567.5	-552.4	-1 746.5	-1,717.8	-2,351.6
Share of results of associated companies	0.0	0.0	-0.1	0.0	0.0
Depreciation, amortisation and impairment	-8.7	-6.6	-22.5	-19.4	-26.5
Operating profit	**5.0**	**14.7**	**-11.6**	**38.1**	**65.0**
% of revenue	0.9	2.6	-0.7	2.1	2.7
Financial income and expenses, net	-0.9	-1.0	-1.7	-2.7	-3.7
Profit before taxes	**4.1**	**13.7**	**-13.3**	**35.4**	**61.3**
% of revenue	0.7	2.4	-0.8	2.0	2.5
Income taxes	-1.2	-3.9	3.3	-9.7	-14.7
Profit for the period	**2.9**	**9.9**	**-9.9**	**25.7**	**46.6**
% of revenue	0.5	1.7	-0.6	1.4	1.9
Attributable to:					
Equity holders of the parent company	2.9	9.9	-10.0	25.7	46.6
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company					
Earnings per share, basic, EUR	0.02	0.08	-0.08	0.21	0.37
Earnings per share, diluted, EUR	0.02	0.08	-0.08	0.21	0.37

Consolidated statement of comprehensive income

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Profit for the period	**2.9**	**9.9**	**-9.9**	**25.7**	**46.6**
Other comprehensive income					
Items that will not be reclassified to profit/loss:					
- Change in fair value of defined benefit pension	-0.8	1.6	-1.5	4.0	4.4
-- Deferred tax	0.0	0.0	0.0	0.2	0.4
Items that may be reclassified subsequently to profit/loss:					
- Cash flow hedges	0.4	-0.3	0.0	-0.2	-0.3
-- Deferred tax					
- Change in fair value of available for sale investments	0.0	0.1	0.0	0.2	0.2
-- Deferred tax					
- Translation differences	0.2	-4.3	0.5	-5.3	-4.8
Other comprehensive income, total	**-0.2**	**-2.9**	**-1.1**	**-1.2**	**-0.1**
Total comprehensive result	**2.8**	**7.0**	**-11.0**	**24.5**	**46.5**
Attributable to:					
Equity holders of the parent company	2.8	7.0	-11.0	24.5	46.5
Non-controlling interests	0.0	0.0	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Assets			
Non-current assets			
Property, plant and equipment	29.9	25.9	27.4
Goodwill	339.8	335.7	335.7
Other intangible assets	52.5	47.9	47.5
Shares in associated companies	0.1	0.2	0.2
Other investments	1.4	1.4	1.4
Other receivables	2.4	1.2	2.6
Deferred tax assets	7.8	4.9	1.0
Current assets			
Inventories	36.1	24.5	25.4
Trade and other receivables	709.8	646.9	649.4
Cash and cash equivalents	37.0	40.5	68.1
Total assets	**1,217.0**	**1,129.2**	**1,158.7**
Equity and liabilities			
Equity	**211.1**	**235.0**	**256.7**
Non-current liabilities			
Deferred tax liabilities	59.1	65.1	58.3
Pension obligations	41.1	39.8	40.6
Provisions	9.1	8.4	9.0
Borrowings	77.6	86.4	75.2
Other liabilities	0.9	0.3	0.4
Current liabilities			
Advances received	201.4	186.3	195.3
Trade and other payables	466.9	434.6	482.9
Provisions	20.5	17.2	17.7
Borrowings	129.2	56.1	22.7
Total equity and liabilities	**1,217.0**	**1,129.2**	**1,158.7**

Working capital

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Inventories	36.1	24.5	25.4
Trade and POC receivables	656.4	597.1	607.5
Other current receivables	44.6	48.4	40.9
Trade and POC payables	-251.2	-234.5	-256.7
Other current payables *	-226.6	-213.0	-235.5
Advances received	-201.4	-186.3	-195.3
Working capital	**57.9**	**36.1**	**-13.6**

* including current provisions

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent							
	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interest	Total equity
Equity on January 1, 2016	**1.0**	**265.8**	**-6.5**	**-0.7**	**-3.2**	**256.3**	**0.4**	**256.7**
Comprehensive income								
Profit for the period		-10.0				-10.0	0.0	-9.9
Other comprehensive income:								
Change in fair value of defined benefit pension		-1.5				-1.5		-1.5
-Deferred tax		0.0				0.0		0.0
Cash flow hedges				0.0		0.0		0.0
Change in fair value of available for sale assets				0.0		0.0		0.0
Translation differences			0.5			0.5		0.5
Comprehensive income, total		**-11.5**	**0.5**	**0.0**		**-11.0**	**0.0**	**-11.0**
Transactions with owners								
Dividend distribution		-35.1				-35.1		-35.1
Share-based payments		0.6			0.0	0.6		0.6
Transactions with owners, total		-34.5			**0.0**	-34.5		-34.5
Equity on September 30, 2016	**1.0**	**219.8**	**-6.1**	**-0.7**	**-3.2**	**210.8**	**0.4**	**211.2**

EUR million	Equity attributable to owners of the parent							
	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interest	Total equity
Equity on January 1, 2015	**1.0**	**241.7**	**-1.8**	**-0.6**	**-3.2**	**237.2**	**0.6**	**237.8**
Comprehensive income								
Profit for the period		25.7				25.7		25.7
Other comprehensive income:								
Change in fair value of defined benefit pension		4.0				4.0		4.0
-Deferred tax		0.2				0.2		0.2
Cash flow hedges				-0.2		-0.2		-0.2
Change in fair value of available for sale assets				0.2		0.2		0.2
Translation differences			-5.3			-5.3		-5.3
Comprehensive income, total		29.8	-5.3	0.0		24.5		24.5
Transactions with owners								
Dividend distribution		-27.5				-27.5		-27.5
Share-based payments		0.3			0.0	0.3		0.3
Transactions with owners, total		-27.2			0.0	-27.2		-27.2
Disposal of subsidiaries			0.0			0.0	-0.3	-0.2
Equity on September 30, 2015	**1.0**	**244.5**	**-7.0**	**-0.6**	**-3.2**	**234.6**	**0.4**	**235.0**

EUR million	Equity attributable to owners of the parent Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interest	Total equity
Equity on January 1, 2015	**1.0**	**241.7**	**-1.8**	**-0.6**	**-3.2**	**237.2**	**0.6**	**237.8**
Comprehensive income								
Profit for the period		46.6				46.6	0.0	46.6
Other comprehensive income:								
Change in fair value of defined benefit pension		4.4				4.4		4.4
-Deferred tax		0.4				0.4		0.4
Cash flow hedges				-0.3		-0.3		-0.3
Change in fair value of available for sale assets				0.2		0.2		0.2
Translation differences			-4.8			-4.8		-4.8
Comprehensive income, total		51.4	-4.8	-0.1		46.5	0.0	46.5
Transactions with owners								
Dividend distribution		-27.5				-27.5		-27.5
Share-based payments		0.2			0.0	0.2		0.2
Transactions with owners, total		-27.3			0.0	-27.3		-27.3
Disposal of subsidiaries			0.0			0.0	-0.3	-0.2
Equity on December 31, 2015	**1.0**	**265.8**	**-6.5**	**-0.7**	**-3.2**	**256.3**	**0.4**	**256.7**

Condensed consolidated statement of cash flows

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Cash flows from operating activities					
Net profit for the period	2.9	9.9	-9.9	25.7	46.6
Adjustments to net profit	16.2	13.6	28.2	30.9	44.8
Change in working capital	-45.7	-32.4	-76.0	-53.9	-5.6
Operating cash flow before financial and tax items	**-26.6**	**-8.9**	**-57.6**	**2.7**	**85.8**
Financial items, net	-0.2	-0.1	-1.0	-2.9	-4.4
Taxes paid	-4.7	-1.8	-10.8	-7.2	-9.9
Net cash from operating activities	**-31.4**	**-10.8**	**-69.4**	**-7.3**	**71.6**
Cash flows used in investing activities					
Acquisitions and disposals of subsidiaries, net of cash	-2.1	1.5	-4.3	0.7	0.8
Capital expenditure and other investments, net	-5.5	-5.0	-27.6	-15.7	-22.7
Net cash used in investing activities	**-7.5**	**-3.5**	**-31.6**	**-15.3**	**-22.1**
Cash flows used in financing activities					
Change in current liabilities, net	36.7	15.0	96.7	13.3	-0.7
Proceeds from borrowings	20.0		20.0		
Repayments of borrowings	-1.0		-11.0	-20.3	-50.5
Dividends paid			-35.1	-27.6	-27.6
Net cash used in financing activities	**55.5**	**14.8**	**70.0**	**-35.2**	**-79.6**
Change in cash and cash equivalents	**16.6**	**0.5**	**-31.1**	**-57.8**	**-30.0**
Cash and cash equivalents at the beginning of the period	20.4	42.3	68.1	98.8	98.8
Change in the fair value of the cash equivalents	0.1	-2.3	0.0	-0.4	-0.6
Cash and cash equivalents at the end of the period	**37.0**	**40.5**	**37.0**	**40.5**	**68.1**

Free cash flow

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Operating cash flow before financial and tax items	-26.6	-8.9	-57.6	2.7	85.8
Taxes paid	-4.7	-1.8	-10.8	-7.2	-9.9
Net cash used in investing activities	-7.5	-3.5	-31.6	-15.3	-22.1
Free cash flow	**-38.8**	**-14.2**	**-100.1**	**-19.8**	**53.9**

Notes to the Interim Report

1 Accounting principles

Caverion Corporation's Interim Report for January 1 – September 30, 2016 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. Caverion has applied the same accounting principles in the preparation of the Interim Report as in its Financial Statements for 2015.

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

ESMA (European Securities and Markets Authority) has issued new guidelines regarding Alternative Performance Measures ("APM") to be implemented at the latest during second quarter of 2016. Caverion presents APMs to improve the analysis of business and financial performance and enhance the comparability between reporting periods. APMs presented in this report should not be considered as a substitute for measures of performance in accordance with the IFRS. Calculation of key figures is presented on page 20.

2 Key figures

	9/2016	9/2015	12/2015
Revenue, EUR million	1,758.1	1,775.3	2,443.0
EBITDA, EUR million	10.9	57.5	91.5
EBITDA margin, %	0.6	3.2	3.7
EBITDA excluding restructuring costs, EUR million	26.1	-	-
EBITDA margin excluding restructuring costs, %	1.5	-	-
Operating profit, EUR million	-11.6	38.1	65.0
Operating profit margin, %	-0.7	2.1	2.7
Profit before taxes, EUR million	-13.3	35.4	61.3
% of revenue	-0.8	2.0	2.5
Profit for the period, EUR million	-9.9	25.7	46.6
% of revenue	-0.6	1.4	1.9
Earnings per share, basic, EUR	-0.08	0.21	0.37
Earnings per share, diluted, EUR	-0.08	0.21	0.37
Equity per share, EUR	1.7	1.9	2.0
Financial income and expenses, net, EUR million	-1.7	-2.7	-3.7
Equity ratio, %	20.8	24.9	26.6
Interest-bearing net debt, EUR million	169.7	101.9	29.8
Gearing ratio, %	80.4	43.4	11.6
Total assets, EUR million	1,217.0	1,129.2	1,158.7
Free cash flow, EUR million	-100.1	-19.8	53.9
Working capital, EUR million	57.9	36.1	-13.6
Gross capital expenditures, EUR million	32.0	17.9	26.9
% of revenue	1.8	1.0	1.1
Order backlog, EUR million	1,450.9	1,477.2	1,461.4
Personnel, average for the period	17,486	17,286	17,321
Number of outstanding shares at the end of the period (thousands)	125,084	125,085	125,085
Average number of shares (thousands)	125,084	125,085	125,086

3 Financial development by quarter

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

	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
Earnings per share, basic, EUR	0.02	-0.13	0.03	0.17	0.08	0.08	0.04
Earnings per share, diluted, EUR	0.02	-0.13	0.03	0.17	0.08	0.08	0.04
Equity per share, EUR	1.7	1.7	1.8	2.0	1.9	1.8	1.7
Financial income and expenses, net, EUR million	-0.9	-0.2	-0.6	-1.1	-1.0	-1.0	-0.7
Equity ratio, %	20,8	21.4	23.8	26.6	24.9	23.7	22.6
Interest-bearing net debt, EUR million	169.7	130.6	59.2	29.8	101.9	84.9	49.7
Gearing ratio, %	80.4	62.7	26.4	11.6	43.4	37.3	23.0
Total assets, EUR million	1,217.0	1,170.6	1,131.6	1,158.7	1,129.2	1,138.8	1,135.4
Free cash flow, EUR million	-38.8	-32.6	-28.8	73.6	-14.2	-6.3	0.8
Working capital, EUR million	57.9	17.1	17.4	-13.6	36.1	7.7	-13.1
Gross capital expenditures, EUR million	7.6	17.3	7.1	9.0	5.0	5.5	7.3
% of revenue	1.3	2.8	1.3	1.3	0.9	0.9	1.3
Order backlog, EUR million	1,450.9	1,554.2	1,589.4	1,461.4	1,477.2	1,393.1	1,392.4
Personnel at the end of the period	17,281	17,664	17,499	17,399	17,450	17,414	17,202
Number of outstanding shares at the end of the period (thousands)	125,084	125,084	125, 085	125, 085	125,085	125,085	125,085
Average number of shares (thousands)	125,084	125,084	125,086	125,086	125,085	125,087	125,087

4 Calculation of key figures

Key figures on financial performance

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

Share-related key figures

Earnings / share, basic =	Net profit for the period (attributable for equity holders) Weighted average number of shares outstanding during the period
Earnings / share, diluted =	Net profit for the period (attributable for equity holders) Weighted average dilution adjusted number of shares outstanding during the period
Equity / share =	Shareholders' equity Number of outstanding shares at the end of period

Alternative performance measures (APMs) reported by Caverion

EBITDA =	Operating profit (EBIT) + depreciation, amortisation and impairment
EBITDA excluding restructuring costs =	Operating profit (EBIT) + depreciation, amortisation and impairment + restructuring costs

5 Business combinations and disposals

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

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

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

6 Financial risk management

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

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

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

EUR million	2016	2017	2018	2019	2020->	Total
Interest-bearing liabilities	111.5	29.1	29.5	26.6	10.0	206.8

7 Financial assets and liabilities

Those financial assets and liabilities for which their carrying amounts do not correspond to their fair values are presented in the table below.

	Sep 30, 2016	Sep 30, 2016	Dec 31, 2015	Dec 31, 2015
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Non-current liabilities				
Loans from financial institutions	59.9	60.0	69.8	71.7
Pension loans	16.3	16.3	4.0	4.1
Other financial loans	0.5	0.5	0.5	0.5
Finance lease liabilities	0.9	1.0	0.9	1.0

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

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

Fair value hierarchy

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

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

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

Assets Sep 30, 2016				
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	0.7		0.7	1.4
Derivatives (hedge accounting not applied)		0.2		0.2
Derivatives (hedge accounting applied)				
Total assets	**0.7**	**0.2**	**0.7**	**1.6**
Liabilities Sep 30, 2016				
EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivatives (hedge accounting not applied)		0.8		0.8
Derivatives (hedge accounting applied)				
Total liabilities		**0.8**		**0.8**

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

There were no transfers between the levels of the fair value hierarchy during the period ended September 30, 2016.

The fair values for the derivative instruments categorised in Level 2 have been defined as follows: The fair values of foreign exchange forward agreements have been defined by using the market prices on the closing day. The fair values of interest rate swaps are based on discounted cash flows.

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

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

EUR million	**Assets Sep 30, 2016**	**Liabilities Sep 30, 2016**	**Assets Dec 31, 2015**	**Liabilities Dec 31, 2015**
Opening balance	0.7		0.7	
Transfers into / from Level 3				
Purchases and sales				
Gains and losses recognised in profit or loss				
Gains and losses recognised in other comprehensive income				
Closing balance	0.7		0.7	

Derivative instruments

Nominal amounts			
EUR million	**Sep 30, 2016**	**Sep 30, 2015**	**Dec 31, 2015**
--Interest rate derivatives	80.0	190.0	90.0
--Foreign exchange forwards	24.5	45.2	76.9

Fair values			
EUR million	**Sep 30, 2016**	**Sep 30, 2015**	**Dec 31, 2015**
--Interest rate derivatives			
positive fair value			
negative fair value	-0.7	-0,2	-0.3
--Foreign exchange forwards			
positive fair value	0.2	0.1	0.1
negative fair value	-0.1	-0.1	-0.1

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

8 Commitments and contingent liabilities

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Mortgaged collateral notes	1.0		
Guarantees given on behalf of associated companies	0.2	0.2	0.2
Parent company's guarantees on behalf of its subsidiaries	507.4	488.7	491.7
Other commitments			
- Operating leases	170.3	174.1	169.2
- Other contingent liabilities	3.1	0.2	0.2

Entities participating in the demerger are jointly and severally responsible for the liabilities of the demerging entity which have been generated before the registration of the demerger. Hereby, a secondary liability up to the allocated net asset value has been generated to Caverion Corporation, incorporated due to the partial demerger of YIT Corporation, for those liabilities that have been generated before the registration of the demerger and remain with YIT Corporation after the demerger. Creditor's of YIT Corporation's major financial liabilities have waived their right to claim for settlement from Caverion Corporation on the basis of secondary liability. Caverion Corporation has a secondary liability relating to the Group guarantees that remain with YIT Corporation after the demerger. These Group guarantees amounted to EUR 267.0 million at the end of September 2016.

The most significant risks related to the operations have been described in more detail above under "Most significant business risks and risk management". It is possible that especially the infringements in compliance may cause considerable damage to Caverion in terms of fines, civil claims as well as legal expenses. However, the magnitude of the potential damage cannot be assessed at the moment.

9 Events after the reporting period

Caverion revised its guidance on October 19, 2016, according to which Caverion estimates that the Group's revenue for 2016 will remain at the previous year's level (2015: EUR 2,443 million) and the Group's EBITDA excluding restructuring costs for 2016 will be in the range EUR 40-50 million (2015: EUR 91.5 million).