

Caverion



Q2

Half Yearly Report 1-6/2017

Caverion Corporation Half Yearly Report July 20, 2017 at 9.00 a.m. EEST

Caverion Corporation's Half Yearly Report for January 1 – June 30, 2017

Turnaround progressing – Completion of a few older projects hurting profitability and cash flow

April 1 – June 30, 2017

- **Order backlog:** EUR 1,512.7 (3/2017: 1,543.5) million.
- **Revenue:** EUR 565.1 (615.5) million.
- **EBITDA excluding restructuring costs:** EUR -6.0 (-6.8) million, or -1.1 (-1.1) percent of revenue.
- **EBITDA:** EUR -13.0 (-14.4) million, or -2.3 (-2.3) percent of revenue.
- **Working capital:** EUR 31.0 (15.3) million.
- **Free cash flow:** EUR -28.2 (-32.6) million.
- **Earnings per share, undiluted:** EUR -0.13 (-0.13) per share.

January 1 – June 30, 2017

- **Revenue:** EUR 1,147.4 (1,176.1) million.
- **EBITDA excluding restructuring costs:** EUR 0.8 (6.6) million, or 0.1 (0.6) percent of revenue.
- **EBITDA:** EUR -6.2 (-2.9) million, or -0.5 (-0.2) percent of revenue.
- **Free cash flow:** EUR -46.7 (-61.3) million.

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

KEY FIGURES

EUR million	4–6/17	4–6/16	Change	1–6/17	1–6/16	Change	1–12/16
Order backlog	1,512.7	1,554.2	-2.7%	1,512.7	1,554.2	-2.7%	1,408.1
Revenue	565.1	615.5	-8.2%	1,147.4	1,176.1	-2.4%	2,364.1
EBITDA excluding restructuring costs	-6.0	-6.8	12.4%	0.8	6.6	-88.2%	15.6
EBITDA margin excluding restructuring costs, %	-1.1	-1.1		0.1	0.6		0.7
EBITDA	-13.0	-14.4	9.8%	-6.2	-2.9	-113.3%	-11.4
EBITDA margin, %	-2.3	-2.3		-0.5	-0.2		-0.5
Operating profit	-20.5	-21.5	4.6%	-21.3	-16.7	-28.1%	-40.8
Operating profit margin, %	-3.6	-3.5		-1.9	-1.4		-1.7
Net profit for the period	-15.9	-16.1	1.5%	-18.4	-12.9	-42.7%	-31.7
Earnings per share, undiluted, EUR	-0.13	-0.13	-4.1%	-0.15	-0.10	-49.7%	-0.25
Working capital	31.0	15.3	102.5%	31.0	15.3	102.5%	-2.6
Free cash flow	-28.2	-32.6	13.3%	-46.7	-61.3	23.8%	-72.1
Interest-bearing net debt	98.6	130.6	-24.5%	98.6	130.6	-24.5%	145.5
Gearing, %	37.2	63.6		37.2	63.6		78.7
Personnel, end of period	16,750	17,664	-5.2%	16,750	17,664	-5.2%	16,913

Word from the President and CEO Ari Lehtoranta

“We continued the company’s turnaround and the stabilisation of our operations in the second quarter of 2017. While profitability-wise the quarter was a difficult one for the company, the work is progressing according to plan. The challenges in our risk projects impacted both profitability and cash flow and overshadowed the good progress we have done elsewhere. We continued to implement corrective actions to improve our project business performance and were able to avoid any new projects entering our risk project list this year.

Caverion’s revenue for the second quarter of 2017 was EUR 565.1 (615.5) million and EBITDA EUR -13.0 (-14.4) million. There was a negative impact for the period from currencies, lower number of working days, write-downs and our more selective tendering. Our market environment remains favourable. Divisions Finland and Austria improved their solid performance. Division Denmark-Norway continued its turnaround and I am delighted that Norway has stabilised its position among our well-performing countries. There are also signals that Sweden is starting to turn around, for example our cash flow in Sweden was clearly better than last year. In Services business, Technical Maintenance and Managed Services continued to improve the performance. The Services

business grew by 3.1 percent in the second quarter, while the revenue of the Projects business decreased by 17.7 percent.

Our project business performance was burdened by large-scale write-downs particularly in Industrial Solutions and Germany. The write-downs and remaining project performance risks relate to about 15 risk projects, most of which will be completed this year. I am pleased that we have no new projects added to our risk list this year. Our profitability for the period was significantly burdened by cost overruns and write-downs in a set of Industrial Solutions projects in the new bioproduct plant in Finland, where we plan to finalise our work this summer.

We expect to realise savings from the completed restructuring actions and from discretionary fixed cost reductions. In the first half of the year, our personnel expenses decreased by about 3.7 percent and our other operating expenses by about 4.4 percent from the previous year. We launched further performance and utilisation improvement actions in divisions Sweden and Industrial Solutions in the second quarter. These additional actions amounted to restructuring costs of approximately EUR 6.3 million and their estimated total savings impact is approximately EUR 2.7 million in 2017 and EUR 5.5 million in 2018. Overall, these actions are estimated to lead to personnel reductions affecting approximately 160 employees in Sweden. In addition there were further restructuring costs of EUR 0.7 million in the second quarter in Industrial Solutions.

In the first half of the year, we made write-downs totalling EUR 18.3 million related to above mentioned risk projects in divisions Industrial Solutions and Germany. After these write-downs and following our latest assessment completed in July, the remaining project performance risks for the rest of the year are still estimated to be about EUR 20 million. The increase compared to our earlier estimates is caused almost solely by the above mentioned Industrial Solutions project in Finland where we have made write-downs totalling EUR 11.2 million. With respect to old overdue trade receivables, we have succeeded in collecting certain old receivables without major impact on profitability. The estimate for full-year risk related to old overdue trade receivables is slightly lower than the earlier anticipated up to EUR 10 million in 2017. The risk related to utilisation is estimated not to exceed the level of up to EUR 10 million indicated earlier. However, we are ready to implement further cost savings during 2017 if necessary.

In early June we issued a EUR 100 million hybrid bond. It was important for us in the middle of our turnaround, as the hybrid bond strengthened our capital structure and financial position and provided us with a platform to further develop our business. I am very pleased with the confidence the bond investors showed in our company.

Caverion's financial performance in 2017 is negatively impacted mainly by our project business performance. In our current turnaround phase we must first complete the risk projects, restructurings and other corrective actions. We have further strengthened our management team and are currently completing our strategy towards 2020. We will tell more about it at our Capital Markets Day in Helsinki on November 7, 2017."

OUTLOOK FOR 2017

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.

Services

The underlying demand for Technical Maintenance and Managed Services is expected to remain strong. As technology in buildings increases, 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 operations and maintenance especially for public authorities, industries and utilities.

Projects

The Technical Installation and Large Projects markets are expected to remain on a good and stable level, however price competition is expected to remain tight in Technical Installation projects. In the Large Projects market, new tenders for buildings and industry are expected to remain on a good level and even to somewhat increase. Low interest rates and availability of financing are expected to support investments. The demand for

Design & Build of Total Technical Solutions is expected to develop favourably in large and technically demanding projects. Good demand from both the public and private sector is expected to continue. Requirements for increased energy efficiency, better indoor conditions and tightening environmental legislation will be significant factors supporting the positive market development.

Turnaround programme – Items affecting EBITDA and operating profit*

EUR million	4–6/17	4–6/16	1–6/17	1–6/16	1–12/16
EBITDA	-13.0	-14.4	-6.2	-2.9	-11.4
EBITDA margin, %	-2.3	-2.3	-0.5	-0.2	-0.5
<i>Items affecting EBITDA and operating profit</i>					
- Project write-downs**	12.6	15.0	18.3	15.0	59.0
- Restructuring costs	7.0	7.5	7.0	9.5	26.9

* The effect of the risk from overdue trade receivables and the utilisation risk excluded for 2017.

** Including cost estimate adjustments, cost overruns and provision increases from the risk project list for 2017.

Guidance for 2017

Caverion's guidance for 2017 is unchanged. Caverion's guidance for 2017 is: "Caverion estimates that the Group's revenue will remain at the previous year's level in 2017 (2016: EUR 2,364 million). Caverion estimates that the Group's EBITDA excluding restructuring costs will more than double in 2017 (2016: EUR 15.6 million)."

In its guidance Caverion applies the following guidance terminology, with a +/- 2pp (percentage point) threshold to the said limits.

Positive change	Lower limit	Upper limit
	%	%
At last year's level	-5%	5%
Grows	5%	15%
Grows clearly	15%	30%
Grows significantly	30%	100%
Doubles	100%	
Negative change	Lower limit	Upper limit
	%	%
Decreases	-15%	-5%
Decreases clearly	-30%	-15%
Decreases significantly		-30%

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference and webcast on the Half Yearly Report on Thursday, July 20, 2017, at 11:00 a.m. (Finnish Time, EEST) at the Glo Hotel Kluuvi (Videowall meeting room), Kluuvikatu 4, 2nd floor, Helsinki, Finland. The news conference can also be viewed live on Caverion's website at www.caverion.com/investors. It is also possible to participate in the event through a conference call by calling the assigned number +44 (0)330 336 9411 at 10:55 a.m. (Finnish time, EEST) at the latest. Participant code for the conference call is "9305052/Caverion". More practical information on the news conference can be found on Caverion's website, www.caverion.com/investors.

Financial information and IR events in 2017

Caverion will arrange a Capital Markets Day in Helsinki, Finland on November 7, 2017 at 9:00 a.m. (EET). Further information on the programme will be published closer to the date.

Interim Report for the first nine months of 2017 will be published on October 27, 2017. 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**For further information, please contact:**

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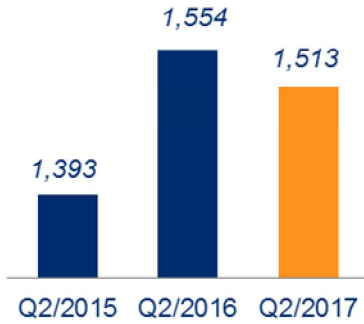
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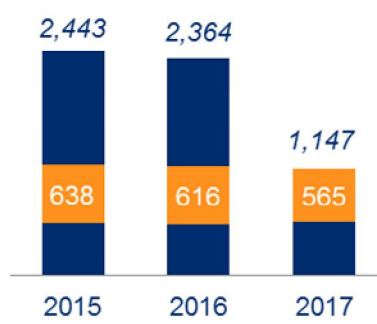
GROUP FINANCIAL DEVELOPMENT

Key Figures

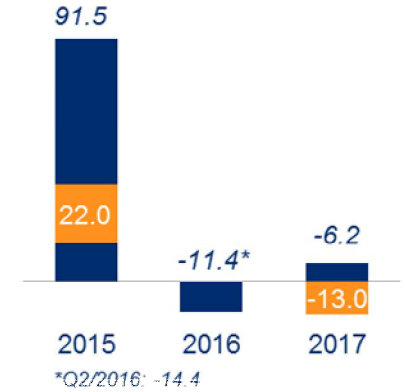
Order backlog
(EUR million)



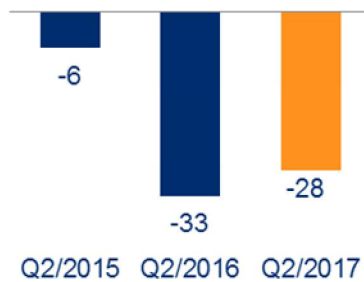
Revenue
(EUR million)



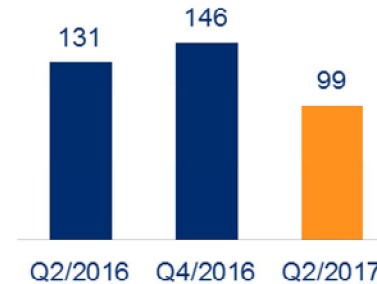
EBITDA (EUR million)



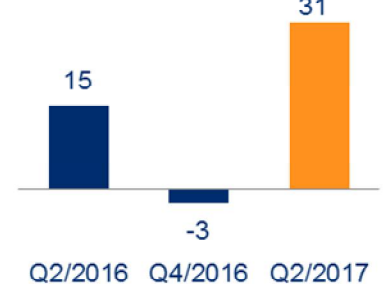
Free cash flow
(EUR million)



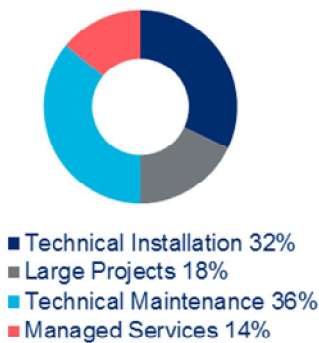
Net debt
(EUR million)



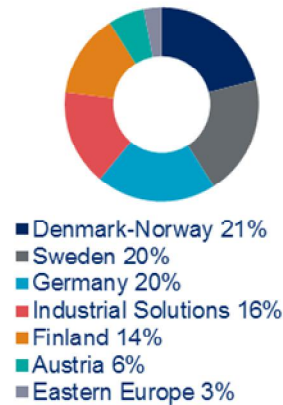
Working capital
(EUR million)



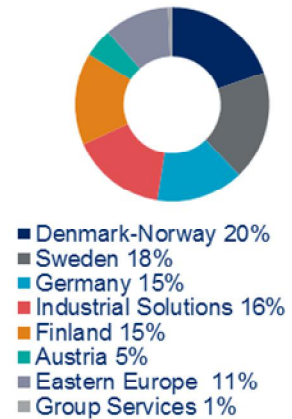
Revenue by business area
% of revenue 1-6/2017



Revenue by division
% of revenue 1-6/2017



Personnel by division
at the end of June 2017



Operating environment in the second quarter and during the first half of 2017

The overall market situation was relatively positive and stable throughout the period. Demand developed favourably in German, Finnish and Swedish markets. In Industrial Solutions division the market stayed on a normal level in industrial maintenance. Divisions Eastern Europe and Austria remained stable. In Denmark-Norway, the general economy and demand situation are recovering from the previous year, supported by public demand.

Services

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

Projects

The market for Technical Installation and Large Projects business was positive throughout the period. The price competition remained tight in Technical Installation projects. In the market for Large Projects, tendering activity remained on a good level, especially in the public, infrastructure 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. Requirements for increased energy efficiency, better indoor climate and tightening environmental legislation supported demand.

Turnaround programme and estimated key risk areas for 2017

Caverion expects to realise savings from the completed restructuring actions and from discretionary fixed cost reductions. The full effect of Caverion's restructuring actions completed in 2016 will be visible in 2017. The estimated total savings impact of the restructuring actions made last year is approximately EUR 40 million in 2017, the additional savings for 2017 vs. 2016 being thus approximately EUR 22 million. Furthermore, the additional performance and utilisation improvement actions announced in divisions Sweden and Industrial Solutions in the second quarter of 2017 amounted to restructuring costs of approximately EUR 6.3 million. The estimated total savings impact of these actions is approximately EUR 2.7 million in 2017 and EUR 5.5 million in 2018. In addition there were further restructuring costs of EUR 0.7 million in the second quarter in Industrial Solutions.

Caverion still has significant risk areas potentially affecting its performance this year. In the first half of the year, Caverion made project write-downs totalling EUR 18.3 million in divisions Industrial Solutions and Germany. After these write-downs and following the latest assessment completed in July, the remaining project performance risks for the rest of the year are still estimated at about EUR 20 million. The increase compared to the earlier estimates is caused almost solely by the Industrial Solutions bioproduct plant project in Finland where write-downs totalling EUR 11.2 million have been made this year.

The estimated full-year risk related to old overdue trade receivables is slightly lower than the earlier estimated up to EUR 10 million in 2017. With respect to old overdue trade receivables, Caverion has succeeded in collecting certain old receivables without major impact on profitability.

The estimated risk related to utilisation should not exceed the level of up to EUR 10 million indicated earlier. Caverion is ready to implement further cost savings during 2017 if necessary.

Turnaround programme – Items affecting EBITDA and operating profit*

EUR million	4-6/17	4-6/16	1-6/17	1-6/16	1-12/16
EBITDA	-13.0	-14.4	-6.2	-2.9	-11.4
EBITDA margin, %	-2.3	-2.3	-0.5	-0.2	-0.5
<i>Items affecting EBITDA and operating profit</i>					
- Project write-downs**	12.6	15.0	18.3	15.0	59.0
- Restructuring costs	7.0	7.5	7.0	9.5	26.9

* The effect of the risk from overdue trade receivables and the utilisation risk excluded for 2017.

** Including cost estimate adjustments, cost overruns and provision increases from the risk project list for 2017.

Order backlog

Caverion implemented a stricter project tendering process in the Group since the second quarter of 2016 and in line with this, continued to focus on the tendering process with a target to uplift the project margin in new project business orders. The order backlog amounted to EUR 1,512.7 million at the end of June, down by 2.0 percent compared to the end of March 2017 (EUR 1,543.5 million). The order backlog decreased by 2.7 percent from the end of June 2016 (EUR 1,554.2 million). At comparable exchange rates the order backlog decreased by 1.5 percent from the end of March 2017 and by 2.1 percent from the end of June 2016.

Revenue

April–June

The revenue for April–June was EUR 565.1 (615.5) million. Revenue decreased by 8.2 percent compared to the previous year. There was a negative impact for the period from currencies, lower number of working days, write-downs and the Group's more selective tendering in the project business.

Revenue remained on a par compared to the previous year in Denmark-Norway, Austria and Eastern Europe, while it decreased in other divisions. Project write-downs affected revenue for the period in Germany.

Changes in foreign exchange rates decreased the Group's total revenue for April–June by EUR 5 million compared to the previous year, of which the Swedish crown accounted for EUR -6 million, the Norwegian crown for EUR -1 million and the Russian rouble for EUR 1 million. Revenue decreased by 7.4 percent at previous year's exchange rates for April–June.

The revenue of the Services business was EUR 289.3 (280.6) million in April–June, an increase of 3.1 percent from the corresponding period in the previous year, despite three working days less compared to last year. Services business revenue consisted of the Technical Maintenance revenue of EUR 208.3 (204.9) million and the Managed Services revenue of EUR 80.9 (75.7) million. Revenue declined in the Projects business by 17.7 percent from the corresponding period in the previous year due to more selective tendering especially in Large Projects. The revenue of the Projects business was EUR 275.8 (335.0) million in April–June, consisting of the Technical Installation revenue of EUR 184.3 (197.9) million and Large Projects revenue of EUR 91.5 (137.0) million.

The Services business accounted for 51.2 (45.6) percent of Group revenue and the Projects business for 48.8 (54.4) percent of Group revenue in April–June.

January–June

The revenue for January–June was EUR 1,147.4 (1,176.1) million. Revenue decreased by 2.4 percent compared to the previous year. Revenue growth was largest in Denmark-Norway and Eastern Europe compared to the previous year. Project write-downs affected revenue for the period.

Changes in foreign exchange rates increased the Group's total revenue for January–June by EUR 1 million compared to the previous year, of which the Swedish crown accounted for EUR -8 million, the Norwegian crown for EUR 5 million and the Russian rouble for EUR 4 million. Revenue decreased by 2.5 percent at previous year's exchange rates for January–June.

The revenue of the Services business was EUR 582.0 (543.1) million in January–June, an increase of 7.2 percent from the corresponding period in the previous year. Services business revenue consisted of the Technical Maintenance revenue of EUR 417.0 (392.5) million and the Managed Services revenue of EUR 165.0 (150.6) million. Revenue declined in the Projects business by 10.7 percent from the corresponding period in the previous year due to more selective tendering especially in Large Projects. The revenue of the Projects business was EUR 565.4 (633.0) million in January–June, consisting of the Technical Installation revenue of EUR 361.6 (383.1) million and Large Projects revenue of EUR 203.8 (249.9) million. Projects business was impacted by project write-downs in the first half of the year.

The Services business accounted for 50.7 (46.2) percent of Group revenue and the Projects business for 49.3 (53.8) percent of Group revenue in January–June.

Distribution of revenue

Revenue, EUR million	4-6/2017	%	4-6/2016	%	Change	1-6/2017	%	1-6/2016	%	Change	1-12/2016
Denmark-Norway	118.3	21%	117.8	19%	0%	243.0	21%	226.7	19%	7%	455.8
Sweden	113.2	20%	122.2	20%	-7%	231.2	20%	246.5	21%	-6%	474.8
Germany	114.6	20%	131.6	21%	-13%	225.5	20%	256.7	22%	-12%	506.6
Industrial Solutions	85.8	15%	102.2	17%	-16%	180.3	16%	184.0	16%	-2%	374.9
Finland	75.7	13%	84.0	14%	-10%	158.3	14%	155.6	13%	2%	320.7
Austria	38.4	7%	38.7	6%	-1%	72.7	6%	71.1	6%	2%	153.0
Eastern Europe	19.2	3%	19.2	3%	0%	37.0	3%	35.7	3%	4%	78.7
Group, total	565.1	100%	615.5	100%	-8%	1,147.4	100%	1,176.1	100%	-2%	2,364.1
<i>Projects business</i>	275.8	49%	335.0	54%	-18%	565.4	49%	633.0	54%	-11%	1,233.6
- Technical Installation	184.3	33%	197.9	32%	-7%	361.6	32%	383.1	33%	-6%	782.3
- Large Projects	91.5	16%	137.0	22%	-33%	203.8	18%	249.9	21%	-18%	451.3
<i>Services business</i>	289.3	51%	280.6	46%	3%	582.0	51%	543.1	46%	7%	1,130.6
- Technical Maintenance	208.3	37%	204.9	33%	2%	417.0	36%	392.5	33%	6%	817.8
- Managed Services	80.9	14%	75.7	12%	7%	165.0	14%	150.6	13%	10%	312.8

Profitability

EBITDA

April-June

The EBITDA excluding restructuring costs was EUR -6.0 (-6.8) million, or -1.1 (-1.1) percent of revenue in April-June. The EBITDA for April-June was EUR -13.0 (-14.4) million, or -2.3 (-2.3) percent of revenue.

Profitability was burdened by project business write-downs and restructuring costs. Project write-downs totalled EUR 12.6 (15.0) million in divisions Industrial Solutions and Germany. These write-downs were negative forecast changes and cost overruns related to earlier identified risk projects. The profitability for the period was significantly burdened by cost overruns and write-downs in a set of Industrial Solutions projects in the new bioproduct plant in Finland, totalling EUR 9.3 million. These projects are estimated to be finalised this summer.

Costs related to materials and supplies decreased to EUR 157.4 (177.1) million and the external services to EUR 108.4 (114.2) million in April-June. In the second quarter, personnel expenses decreased by about 7.7 percent and other operating expenses by about 8.4 percent from the previous year. Personnel expenses for April-June amounted to a total of EUR 244.0 (264.4) million. Other operating expenses decreased to EUR 68.3 (74.6) million. Other operating income amounted to EUR 0.1 (0.5) million.

January-June

The EBITDA excluding restructuring costs was EUR 0.8 (6.6) million, or 0.1 (0.6) percent of revenue in January-June. The EBITDA for January-June was EUR -6.2 (-2.9) million, or -0.5 (-0.2) percent of revenue.

Profitability was burdened by project business write-downs and restructuring costs. Project write-downs totalled EUR 18.3 (15.0) million in divisions Industrial Solutions and Germany. These write-downs were negative forecast changes and cost overruns related to earlier identified risk projects. The profitability for the period was significantly burdened by cost overruns and write-downs in a set of Industrial Solutions projects in the new bioproduct plant in Finland, totalling EUR 11.2 million. These projects are estimated to be finalised this summer.

Costs related to materials and supplies increased to EUR 321.8 (320.0) million and the external services to EUR 209.6 (212.0) million in January-June. The effect of the restructuring actions completed in 2016 were clearly visible in the first half of the year. In the first half of the year, personnel expenses decreased by about 3.7 percent

and other operating expenses by about 4.4 percent from the previous year. Personnel expenses for January–June amounted to a total of EUR 489.3 (508.3) million. Other operating expenses decreased to EUR 133.2 (139.4) million. Other operating income amounted to EUR 0.4 (0.8) million.

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

April–June

The operating profit for April–June was EUR -20.5 (-21.5) million, or -3.6 (-3.5) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 7.5 (7.1) million in April–June, of which EUR 5.4 million were allocated intangibles related to acquisitions and EUR 2.1 million were other depreciations, amortisation and impairments, the majority of which related to IT.

January–June

The operating profit for January–June was EUR -21.3 (-16.7) million, or -1.9 (-1.4) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 15.2 (13.8) million in January–June, of which EUR 11.2 million were allocated intangibles related to acquisitions and EUR 3.9 million were other depreciations, amortisation and impairments, the majority of which related to IT.

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

Profit before taxes, net profit and earnings per share

Profit before taxes amounted to EUR -24.1 (-17.4) million, net profit to EUR -18.4 (-12.9) million and earnings per share to EUR -0.15 (-0.10) in January–June. Net financing expenses in January–June were EUR -2.8 (-0.7) million.

The effective tax rate of the Group was 23.9 (26.0) percent in January–June.

Capital expenditure, acquisitions and disposals

Gross capital expenditure on non-current assets included in the balance sheet totalled EUR 7.9 (24.4) million during January–June, representing 0.7 (2.1) percent of revenue. Investments in information technology totalled EUR 5.8 (16.0) million during January–June. IT investments were focused on building a harmonised IT infra and common platforms, datacenter consolidation as well as implementing a common ERP template. IT systems and mobile tools were also developed to improve the Group's internal processes and efficiency going forward. Other investments, including acquisitions, amounted to EUR 2.1 (8.4) million. Caverion made no acquisitions or disposals during the period in 2017.

Cash flow, working capital and financing

The Group's free cash flow was negative although improving from the corresponding period last year. Free cash flow amounted to EUR -46.7 (-61.3) million in January–June. Free cash flow was improved by the lower level of investments compared to last year. The Group's operating cash flow before financial and tax items amounted to EUR -38.1 (-31.1) million in January–June.

Working capital was EUR 31.0 (15.3) million at the end of June. Working capital was negative and there was positive development in working capital in divisions Finland, Sweden and Denmark-Norway. Working capital was tied by risk projects in divisions Industrial Solutions and Germany. The amount of POC receivables amounted to EUR 297.3 million (292.8) at the end of June. Trade receivables amounted to EUR 315.6 million (334.1) at the end of June.

Caverion's cash and cash equivalents amounted to EUR 19.8 million at the end of June (3/2017: EUR 24.7 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 118.4 million at the end of June (3/2017: EUR 189.6 million), and the average interest rate after hedges was 2.35 percent. Approximately 67 percent of the loans have been raised from banks and other financial institutions, approximately 13 percent directly from the money markets and approximately 17 percent from insurance companies. A total of EUR 45.0 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 98.6 million at the end of June (3/2017: EUR 164.9 million).

On June 9, 2017 Caverion Corporation issued a EUR 100 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders. The coupon of the hybrid bond is 4.625 per cent per annum until June 16, 2020. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on June 16, 2020, and subsequently, on each coupon interest payment date. If the hybrid bond was not redeemed on June 16, 2020, there will be a step-up of 500 basis points in the coupon. The hybrid bond strengthened the capital structure and financial position of the company. EUR 40 million of the proceeds from the hybrid bond were used to refinance existing bank loan facilities during the period and the remaining part will be used for general corporate purposes. Subsequently, the company's five existing bank loan facilities were combined into one agreement. Following the EUR 100m hybrid transaction, Caverion's key figures improved as follows: equity ratio improved to 28.1% (3/2017: 19.2%) and gearing to 37.2% (3/2017: 90.1%).

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Caverion and its core banks agreed on changes in the loan documentation in connection with the hybrid transaction. Financial covenant shall not exceed 5.0:1 by the end of September 2017 and thereafter the ratio shall not exceed 3.5:1. At the end of June, the Group's Net debt to EBITDA was 3.4x according to the confirmed calculation principles.

Changes in external financial reporting in 2017

Caverion announced in an investor news release on May 29, 2017 that it is launching further actions to address the remaining utilisation and performance challenges in Sweden. These actions include reductions in workforce, combining of existing units, better usage of shared resources and integration of its Swedish industrial and building systems operations. In the integration of industrial and building systems operations all of approximately 350 employees from the Swedish industrial operations will be transferred to Division Sweden.

The integration will also result in changes in Caverion's external financial reporting. Going forward, Caverion will report the figures for its Swedish industrial operations under Division Sweden as of July 1, 2017.

PERSONNEL

Personnel by division, end of period	6/17	3/17	Change	6/17	6/16	Change	12/16
Denmark-Norway	3,297	3,254	1%	3,297	3,518	-6%	3,330
Sweden	3,049	3,075	-1%	3,049	3,518	-13%	3,172
Germany	2,443	2,451	0%	2,443	2,427	1%	2,452
Industrial Solutions	2,661	2,664	0%	2,661	2,902	-8%	2,742
Finland	2,568	2,470	4%	2,568	2,513	2%	2,439
Austria	803	794	1%	803	800	0%	811
Eastern Europe	1,817	1,858	-2%	1,817	1,835	-1%	1,841
Group Services	112	113	-1%	112	151	-26%	126
Group, total	16,750	16,679	0%	16,750	17,664	-5%	16,913

Caverion Group employed 16,740 (17,521) people on average in January–June 2017. At the end of June, the Group employed 16,750 (17,664) people. Personnel expenses for January–June 2017 amounted to EUR 489.3 (508.3) million.

The effect of the restructuring actions completed in 2016 were clearly visible in the first half of the year. At the same time some new resources were needed to fulfil critical competence gaps and to grow trainees and apprenticeships. Special attention has been paid to project management and the strengthening of managerial capabilities. Development activities were continued in divisions to better match business demand with the supply of resources. Caverion launched further performance and utilisation improvement actions in Sweden in the second quarter of 2017. These actions included reductions in workforce, combination of existing units, better usage of shared resources and integration of our Swedish industrial and building systems operations. Overall, these actions are estimated to lead to personnel reductions affecting approximately 160 employees in Sweden.

Several Group-wide projects were continued such as the implementation of project management capabilities and a common leadership development program. Talent and succession planning as well as the implementation of a common job structure and basic people processes with a common platform were continued. The well-being of employees was a focus area and group-wide safety programme was taken forward.

Changes in Caverion's Group Management

Ari Lehtoranta started as the President and CEO of Caverion Corporation as of January 1, 2017.

Caverion announced the following changes in Caverion's Group Management Board and organisation structure on January 9, 2017. The role of the Group level functions Services and Projects was strengthened by increasing their areas of responsibility and they will be called business units going forward. Thomas Hietto (born 1967, M.Sc., Tech.) was appointed as the head of business unit Services and Jarno Hacklin (born 1978, B. Eng.) was appointed as the head of business unit Projects. Ville Tamminen (born 1974, LL.M, trained on the bench) was appointed as the head of Division Finland. A new Group function Legal & Governance was also established in the company. Anne Viitala (born 1959, LL.M, trained on the bench, eMBA) was appointed as the head of new Group function Legal & Governance. All of the appointed are also members of the Group Management Board of Caverion Corporation. The appointments took effect as of January 9, 2017, apart from the appointment of Thomas Hietto. He started in his position on July 1, 2017. The business unit Services was headed until June 30, 2017 by Matti Malmberg who continues his service at Caverion.

Caverion announced on January 19, 2017 that Erkki Huusko (born 1957, B. Eng., eMBA) was appointed as Head of Division Industrial Solutions and a member of the Group Management Board of Caverion Corporation as of January 19, 2017. Erkki Huusko has previously worked as Chief Operative Officer in the Division Industrial Solutions, meanwhile Juhani Pitkääkoski has had total responsibility of the division. Juhani Pitkääkoski will continue to work in the division until July 16, 2017 by supporting the completion of ongoing projects.

Caverion announced on April 3, 2017 that Minna Schrey-Hyppänen, born 1966, M.Sc. (Eng.), M.Sc (Econ), has been appointed as Head of Human Resources and a member of the Group Management Board of Caverion Corporation as of June 26, 2017. Merja Eskola, her predecessor, continues her service at Caverion being responsible of strategic resourcing and talent development.

Caverion announced on June 21, 2017 that Sakari Toikkanen (born 1967, Lic (Tech.) has been appointed as Head of Division Industrial Solutions of Caverion Corporation as of June 21, 2017. He will assume the position until a new permanent head of division is hired. Sakari Toikkanen also continues in his role as the Head of IT & Communications & Sales development of Caverion Corporation and as a member of the Group Management Board. Erkki Huusko will continue in specific tasks in the company over the next few months and report to Sakari Toikkanen.

The responsibility area of Strategy and M&A was transferred to Group function Finance under CFO Martti Ala-Härkönen on June 22, 2017.

SIGNIFICANT SHORT-TERM RISKS AND UNCERTAINTIES

Caverion's typical operational risks relate to its services and project business. These include risks related to tendering (e.g. calculation and pricing), contractual terms and conditions, partnering, subcontracting, procurement and price of materials, availability of qualified personnel and project management. To manage these risks, risk assessment and review processes for both the sales and execution phase have been introduced, and risk reservations have been increased. Given the specific risks related to project business, the Group Project Business Unit was established in the beginning of 2017 and is dedicated to the overall improvement of project risk management, to steering the project portfolio and to improve project management capabilities. Despite all actions

taken there is a risk that some project risks materialise, which could have a negative impact on Caverion's financial performance and position. Project risk assessment is an ongoing process in the company, and it is possible that risks may be identified in the other currently running and new projects.

Caverion completed a thorough project risk assessment during 2016, which resulted in significant project write-downs and provisions during 2016. There is also remaining risk in these projects. Although improved project controls have been implemented, it is possible that some of the identified remaining risks may materialise, which could lead to further project write-downs and provisions, in addition to the ones already made in the first half of 2017, and to disputes and litigations. It is also possible that new risks may emerge in these projects.

According to Group policy, write-offs or provisions are booked on receivables when it is evident that no payment can be expected. Caverion Group follows a policy in valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collection, customer-specific collaterals and analyses as well as the general economic situation of the review period. Caverion completed several risk assessments related to POC and trade receivables in its project portfolio during 2016, which led to write-downs on receivables during 2016. Most of these write-downs related to POC receivables. A further review and risk assessment will be continued during 2017. There are certain individual larger receivables where the company is taking significant actions to negotiate and collect the receivables. There is remaining risk in the identified receivables, and it cannot be excluded that there is also risk associated with other receivables.

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

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

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

Caverion is implementing a robust compliance programme. As part of the programme all employees must complete an annual e-learning module and further training is given across the organisation. All employees are required to comply with Caverion's Code of Conduct, which sets zero tolerance on bribery and corruption.

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

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Breaching this covenant would give the lending parties the right to declare the loans to be immediately due and payable. Caverion and its lending parties confirmed the EBITDA calculation principles related to the Group's financial covenant (net debt to EBITDA) in December 2016. Furthermore, Caverion concluded an amendment with its lending parties related to the maximum level of the financial covenant in the Q1/2017 testing in March 2017. On June 9, 2017 Caverion issued a EUR 100 million hybrid bond which is treated as equity under IFRS. The hybrid bond issue improved the Group's liquidity and capital structure, hence also the financial covenant level. At the same time the company agreed on a maximum level of the financial covenant for the

Q2/2017 and Q3/2017 testings. The project write-downs made in 2017 have burdened the company's financial covenant level in the first half of 2017 and the remaining project risks may result in further project write-downs in the second half of 2017. The level of the financial covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

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

Financial risks are described in more detail in the Financial Statements note 30 and in the financial tables to this Half Yearly Report under note 5.

Caverion has made significant investments in IT and system development. There is a risk that the expected functionalities and pay-back are not fully materialised.

Caverion's website and financial statements bulletin for 2016 published on February 7, 2017 describes the most significant business risks.

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Caverion, held on March 17, 2017, adopted the Financial Statements for the year 2016 and discharged the members of the Board of Directors and the President and CEO from liability. In addition, the Annual General Meeting resolved on the use of the profit shown on the balance sheet and the payment of dividend, the amendment of the Articles of Association, the composition of members of the Board of Directors and their remuneration, the election of the auditor and its remuneration as well as authorised the Board of Directors to decide on the repurchase of the company's own shares and share issues.

The Annual General Meeting elected a Chairman, Vice Chairman and six ordinary members to the Board of Directors. Michael Rosenlew was elected as the Chairman of the Board of Directors, Markus Ehmrooth as the Vice Chairman and Jussi Aho, Joachim Hallengren, Thomas Hinnerkov, Antti Herlin, Anna Hyvönen and Eva Lindqvist as members of the Board of Directors for a term continuing until the end of the next Annual General Meeting. The term of Antti Herlin began upon the registration of the amendment of the Articles of Association in the Trade Register on March 29, 2017.

The stock exchange release on the resolutions passed at the Annual General Meeting is available on Caverion's website at <http://www.caverion.com/about-us/media/releases>.

The Board of Directors held its organisational meeting on March 17, 2017. 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 17, 2017, decided according to the proposal of the Board of Directors that no dividend will be paid for the financial year 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, 2017, the number of shares was 125,596,092 and the share capital was EUR 1,000,000. Caverion held 512,328 treasury shares throughout the whole reporting period January–June 2017. The number of shares outstanding was thus 125,083,764 at the end of June 2017. Own shares held by Caverion Corporation represent 0.41% of the total number of shares and voting rights.

Caverion's Board of Directors approved a long-term share-based incentive plan for the Group's senior management in December 2015 and continued the said plan in December 2016. The share based incentive plan consists of a Performance Share Plan (PSP) as the main structure supported by a Restricted Share Plan as a complementary structure for specific situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board. The first plans commenced at the beginning of 2016. The targets set for the first Performance Share Plan 2016–2018 were not met. No reward will therefore be paid to participants in the Performance Share Plan 2016–2018. The second plans commenced at the beginning of 2017 and any potential share rewards thereof will be delivered in the spring of 2020. If all targets will be met, the share rewards based on Performance Share Plan 2017-2019 will comprise a maximum of approximately 850,000 Caverion shares (gross before the deduction of applicable payroll tax). More information on the incentive plan was released in stock exchange releases on December 18, 2015 and December 21, 2016. 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. The targets set for this plan were not met.

Caverion has not made any decision regarding the issue of option rights or other special rights entitling to shares. Caverion or its subsidiaries do not have any Caverion Corporation shares as a pledge.

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 17, 2017, authorised the 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 organised by Nasdaq Helsinki Ltd. The shares may be repurchased other than pro rata to the shareholders' existing holdings. The share purchase will decrease the company's distributable unrestricted equity. The authorisation is valid for eighteen months from the date of the resolution of the Annual General Meeting. The Board of Directors has not used the authorisation during 2017.

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

The Annual General Meeting authorised the Board of Directors to decide on share issues. The authorisation may be used in full or in part by issuing a maximum of 25,000,000 Caverion shares in one or more issues. The Board of Directors may decide on a directed share issue in deviation from the shareholders' pre-emptive rights. The Board of Directors would be authorized to decide to whom and in which order the shares will be issued. The authorisation can be used e.g. in order to strengthen the Company's capital structure, to broaden the Company's ownership, to be used as payment in corporate acquisitions or when the Company acquires assets relating to its business and as part of the Company's incentive programmes. In the share issues shares may be issued for subscription against payment or without charge. The Board of Directors is also authorised to decide on a share issue without payment directed to the company itself, within the limitations laid down in the Companies Act. The authorization empowers the Board of Directors to decide on the terms and conditions of and measures related to the share issues in accordance with the Companies Act, including the right to decide whether the subscription price will be recognized in full or in part in the invested unrestricted equity reserve or as an increase to the share capital.

The share issue authorisation also includes the authorisation to transfer own shares that are in the possession of company or may be acquired. This authorisation applies to a maximum of 12,500,000 company's own shares. The Board of Directors was authorised to decide on the purpose and the terms and conditions for such transfer. The authorisation is valid until March 31, 2018. The Board of Directors has not used the authorisation during 2017.

Trading in shares

The opening price of Caverion's share was EUR 7.94 at the beginning of the year 2017. The closing rate on the last trading day of the review period on June 30 was EUR 7.01. The share price decreased by 12 percent during January–June. The highest price of the share during the review period January–June was EUR 8.28, the lowest was EUR 6.64 and the average price was EUR 7.40. Share turnover on Nasdaq Helsinki in January–June amounted to 33.3 million shares. The value of share turnover was EUR 246.4 million (source: Nasdaq Helsinki).

Caverion's shares are also traded in other market places, such as BATS Chi-X Europe, Turquoise, Aquis and Frankfurt Stock Exchange (Open Market). During January–June, 7.8 million Caverion Corporation shares changed hands in alternative public market places, corresponding to approximately 14.3 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X Europe. Furthermore, during January–June, 13.5 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 24.6 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 876.8 million. Market capitalisation has been calculated excluding the 512,328 shares held by the company as per June 30, 2017.

Number of shareholders and flagging notifications

At the end of June 2017, the number of registered shareholders in Caverion was 29,250 (3/2017: 29,778). At the end of June 2017, a total of 35.6 percent of the shares were owned by nominee-registered and non-Finnish investors (3/2017: 34.7%).

Updated lists of Caverion's largest shareholders and ownership structure by sector as per June 30, 2017, are available on Caverion's website at www.caverion.com/investors.

HALF-YEARLY REPORT JANUARY 1–JUNE 30, 2017: FINANCIAL TABLES

Condensed consolidated income statement

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Revenue	565.1	615.5	1,147.4	1,176.1	2,364.1
Other operating income	0.1	0.5	0.4	0.8	1.9
Materials and supplies	-157.4	-177.1	-321.8	-320.0	-648.2
External services	-108.4	-114.2	-209.6	-212.0	-450.8
Employee benefit expenses	-244.0	-264.4	-489.3	-508.3	-989.1
Other operating expenses	-68.3	-74.6	-133.2	-139.4	-289.2
Share of results of associated companies	0.0	0.0	0.0	-0.1	-0.1
Depreciation and impairments	-7.5	-7.1	-15.2	-13.8	-29.5
Operating profit	-20.5	-21.5	-21.3	-16.7	-40.8
% of revenue	-3.6	-3.5	-1.9	-1.4	-1.7
Financial income and expense, net	-1.6	-0.2	-2.8	-0.7	-2.6
Profit before taxes	-22.1	-21.7	-24.1	-17.4	-43.5
% of revenue	-3.9	-3.5	-2.1	-1.5	-1.8
Income taxes	6.2	5.5	5.8	4.5	11.8
Profit for the review period	-15.9	-16.1	-18.4	-12.9	-31.7
% of revenue	-2.8	-2.6	-1.6	-1.1	-1.3
Attributable to					
Equity holders of the parent company	-15.9	-16.1	-18.4	-12.9	-31.7
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to the equity holders of the parent company					
Earnings per share, EUR	-0.13	-0.13	-0.15	-0.10	-0.25
Diluted earnings per share, EUR	-0.13	-0.13	-0.15	-0.10	-0.25

Consolidated statement of comprehensive income

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Profit for the review period	-15.9	-16.1	-18.4	-12.9	-31.7
Other comprehensive income					
Items that will not be reclassified to profit/loss					
Change in fair value of defined benefit pension	1.1	-0.3	1.3	-0.7	-4.2
-Deferred tax		0.0		0.0	1.3
Items that may be reclassified subsequently to profit/loss					
Cash flow hedges		-0.1		-0.4	0.0
-Deferred tax					
Change in fair value of for available for sale investments	0.0	0.0	0.0	0.0	0.0
-Deferred tax					
Translation differences	-2.3	-0.2	-2.1	0.3	1.0
Other comprehensive income, total	-1.2	-0.6	-0.8	-0.9	-1.9
Total comprehensive result	-17.1	-16.7	-19.2	-13.8	-33.6
Attributable to					
Equity holders of the parent company	-17.2	-16.7	-19.2	-13.8	-33.6
Non-controlling interests	0.0	0.0	0.0	0.0	0.0

Condensed consolidated statement of financial position

EUR million	30.6.2017	30.6.2016	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	25.0	30.1	28.3
Goodwill	339.8	339.1	339.8
Other intangible assets	47.5	53.4	53.0
Shares in associated companies	0.1	0.1	0.1
Other investments	1.2	1.4	1.2
Other receivables	3.2	2.5	3.3
Deferred tax assets	17.6	6.0	10.6
Current assets			
Inventories	20.5	33.6	30.7
Trade receivables	315.6	334.1	378.2
POC receivables	297.3	292.8	244.4
Other receivables	37.3	51.5	40.4
Income tax receivables	8.1	4.6	6.4
Cash and cash equivalents	19.8	20.4	47.7
Total assets	1,133.0	1,169.7	1,184.3
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1.0	1.0	1.0
Hybrid capital	100.0	0.0	0.0
Other equity	163.8	204.0	183.6
Non-controlling interest	0.4	0.4	0.4
Equity	265.2	205.4	185.0
Non-current liabilities			
Deferred tax liabilities	50.2	59.2	51.1
Pension liabilities	45.7	42.9	45.4
Provisions	6.9	8.5	7.1
Interest-bearing debts	73.4	65.1	127.6
Other liabilities	0.4	0.9	0.6
Current liabilities			
Advances received	188.4	196.5	192.5
Trade payables	197.1	228.6	214.1
Other payables	225.0	251.3	258.7
Income tax liabilities	7.0	5.3	6.5
Provisions	28.6	20.0	30.1
Interest-bearing debts	45.0	85.9	65.7
Total equity and liabilities	1,133.0	1,169.7	1,184.3

Working capital

EUR million	30.6.2017	30.6.2016	31.12.2016
Inventories	20.5	33.6	30.7
Trade and POC receivables	612.9	627.0	622.7
Other current receivables	36.2	51.0	38.9
Trade and POC payables	-213.9	-252.2	-239.7
Other current liabilities	-236.3	-247.6	-262.5
Advances received	-188.4	-196.5	-192.5
Working capital	31.0	15.3	-2.6

Consolidated statement of changes in equity

EUR million	Equity attributable to owners of the parent							Non-controlling interest	Total equity
	Share capital	Retained earnings	Cumulative translation differences	Fair value reserve	Treasury shares	Hybrid capital	Total		
Equity on January 1, 2017	1.0	193.1	-5.5	-0.7	-3.2		184.7	0.4	185.0
Comprehensive income									
Profit for the period		-18.4					-18.4	0.0	-18.4
Other comprehensive income:									
Change in fair value of defined benefit pension		1.3					1.3		1.3
-Deferred tax									
Cash flow hedges									
Change in fair value of available for sale assets				0.0			0.0		0.0
Translation differences			-2.1				-2.1		-2.1
Comprehensive income, total		-17.1	-2.1	0.0	0.0	0.0	-19.2	0.0	-19.2
Transactions with owners									
Dividend distribution									
Share-based payments									
Hybrid capital						100.0	100.0		100.0
Hybrid capital interests after taxes									
Hybrid capital transaction costs after taxes		-0.8					-0.8		-0.8
Transactions with owners, total		-0.8			0.0	100.0	99.2	0.0	99.2
Equity on June 30, 2017	1.0	175.3	-7.6	-0.7	-3.2	100.0	264.8	0.4	265.2

	Equity attributable to owners of the parent							
EUR million	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	262.8	-6.5	-0.7	-3.2	253.4	0.4	253.7
Comprehensive income								
Profit for the period		-12.9				-12.9	0.0	-12.9
Other comprehensive income:								
Change in fair value of defined benefit pension		-0.7				-0.7		-0.7
-Deferred tax		0.0				0.0		0.0
Cash flow hedges				-0.4		-0.4		-0.4
Change in fair value of available for sale assets				0.0		0.0		0.0
Translation differences			0.3			0.3		0.3
Comprehensive income, total		-13.6	0.3	-0.5		-13.8	0.0	-13.8
Transactions with owners								
Dividend distribution		-35.1				-35.1		-35.1
Share-based payments		0.5			0.0	0.5		0.5
Transactions with owners, total		-34.6			0.0	-34.6		-34.6
Equity on June 30, 2016	1.0	214.6	-6.3	-1.2	-3.2	205.0	0.4	205.4

	Equity attributable to owners of the parent							
EUR million	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	262.8	-6.5	-0.7	-3.2	253.4	0.4	253.7
Comprehensive income								
Profit for the period		-31.7				-31.7	0.0	-31.7
Other comprehensive income:								
Change in fair value of defined benefit pension		-4.2				-4.2		-4.2
-Deferred tax		1.3				1.3		1.3
Cash flow hedges								
Change in fair value of available for sale assets				0.0		0.0		0.0
Translation differences			1.0			1.0		1.0
Comprehensive income, total		-34.6	1.0	0.0		-33.6	0.0	-33.6
Transactions with owners								
Dividend distribution		-35.1				-35.1		-35.1
Share-based payments								
Transactions with owners, total		-35.1				-35.1		-35.1
Equity on December 31, 2016	1.0	193.1	-5.5	-0.7	-3.2	184.7	0.4	185.0

Condensed consolidated statement of cash flows

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Cash flows from operating activities					
Net profit for the period	-15.9	-16.1	-18.4	-12.9	-31.7
Adjustments to net profit	5.8	4.6	11.4	12.0	32.8
Change in working capital	-15.9	-0.8	-31.1	-30.2	-23.5
Operating cash flow before financial and tax items	-25.9	-12.3	-38.1	-31.1	-22.4
Financial items, net	-2.6	-0.3	-3.0	-0.8	-2.2
Taxes paid	0.1	-4.1	-2.4	-6.1	-12.4
Net cash from operating activities	-28.4	-16.7	-43.5	-38.0	-37.0
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash	0.0	-2.2	0.0	-2.2	-4.2
Capital expenditure and other investments, net	-2.4	-14.0	-6.2	-21.9	-33.1
Net cash used in investing activities	-2.4	-16.2	-6.2	-24.1	-37.4
Cash flow from financing activities					
Change in current liabilities, net	-19.3	61.0	-19.3	61.0	34.6
Proceeds from borrowings	0.0	0.0	0.0	0.0	80.0
Repayments of borrowings	-51.0	-11.0	-54.3	-11.0	-24.9
Proceeds from financial leasing debts	0.0	0.0	0.0	0.0	2.8
Payments of financial leasing debts	-0.6	-0.2	-1.2	-0.5	-3.7
Hybrid capital	100.0	0.0	100.0	0.0	0.0
Hybrid capital costs and interests	-1.0	0.0	-1.0	0.0	0.0
Dividends paid and other distribution of assets	0.0	-35.0	0.0	-35.0	-35.1
Net cash used in financing activities	28.2	14.7	24.3	14.5	53.8
Change in cash and cash equivalents	-2.6	-18.2	-25.5	-47.7	-20.6
Cash and cash equivalents at the beginning of the period	24.7	38.6	47.7	68.1	68.1
Change in the foreign exchange rates	-2.2	0.0	-2.4	-0.1	0.2
Cash and cash equivalents at the end of the period	19.8	20.4	19.8	20.4	47.7

Free cash flow

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Operating cash flow before financial and tax items	-25.9	-12.3	-38.1	-31.1	-22.4
Taxes paid	0.1	-4.1	-2.4	-6.1	-12.4
Net cash used in investing activities	-2.4	-16.2	-6.2	-24.1	-37.4
Free cash flow	-28.2	-32.6	-46.7	-61.3	-72.1

Notes to the Half Yearly Report

1 Accounting principles

Caverion Corporation's Half Yearly Report for January 1 – June 30, 2017 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. Caverion has applied the same accounting principles in the preparation of the Half Yearly Report as in its Financial Statements for 2016. In the Half Yearly 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 25.

Group management has performed an initial assessment of the impacts of IFRS 15 standard. The estimate can to a certain extent change during 2017 when a more detailed analysis is completed. Based on the current analysis, management's initial view is that the IFRS 15 standard does not have a significant impact on the company's revenue recognition or profitability, but instead there will be only limited changes into the current revenue recognition based on the percentage of completion method. Significant impacts are neither awaited to the Group's balance sheet after the adoption of the new standard.

On June 9, 2017 Caverion Corporation issued a EUR 100 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders. The hybrid bond does not have a maturity date but the issuer is entitled to redeem the hybrid for the first time on June 16, 2020, and subsequently, on each coupon interest payment date.

The interest from the hybrid bond must be paid to the investors if Caverion Corporation pays dividends. If dividends are not paid, a separate decision regarding interest payment on the hybrid bond will be made.

The hybrid bond is initially recognised at fair value less transaction costs and subsequently the bond is measured at cost. If interest is paid to the hybrid bond, it is debited directly to equity, net of any related income tax benefit.

According to IAS 33, interest accrued in local books has been taken into account as an expense in earnings per share calculation as described in Calculation of key figures.

2 Key figures

	6/2017	6/2016	12/2016
Revenue, EUR million	1.147,4	1.176,1	2.364,1
EBITDA, EUR million	-6.2	-2.9	-11.4
EBITDA margin, %	-0.5	-0.2	-0.5
EBITDA excluding restructuring costs, EUR million	0.8	6.6	15.6
EBITDA margin excluding restructuring costs, %	0.1	0.6	0.7
Operating profit, EUR million	-21.3	-16.7	-40.8
Operating profit margin, %	-1.9	-1.4	-1.7
Profit before taxes, EUR million	-24.1	-17.4	-43.5
% of revenue	-2.1	-1.5	-1.8
Profit for the review period, EUR million	-18.4	-12.9	-31.7
% of revenue	-1.6	-1.1	-1.3
Earnings per share, basic, EUR	-0.15	-0.10	-0.25
Earnings per share, diluted, EUR	-0.15	-0.10	-0.25
Equity per share, EUR	2.1	1.6	1.5
Financial income and expenses, net, EUR million	-2.8	-0.7	-2.6
Equity ratio, %	28.1	21.1	18.7
Interest-bearing net debt, EUR million	98.6	130.6	145.5
Gearing ratio, %	37.2	63.6	78.7
Total assets, EUR million	1.133,0	1.169,7	1.184,3
Free cash flow	-46.7	-61.3	-72.1
Working capital, EUR million	31.0	15.3	-2.6
Gross capital expenditures, EUR million	7.9	24.4	38.2
% of revenue	0.7	2.1	1.6
Order backlog, EUR million	1.512,7	1.554,2	1.408,1
Personnel, average for the period	16,740	17,521	17,381
Number of outstanding shares at the end of the period (thousands)	125,084	125,084	125,084
Average number of shares (thousands)	125,084	125,084	125,084

4 Calculation of key figures

Key figures on financial performance

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

Share-related key figures

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

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 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 Group Treasury in co-operation with the subsidiaries.

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

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

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

EUR million	2017	2018	2019	2020	Total
Interest-bearing liabilities	29.3	29.9	28.7	30.5	118.4

6 Financial assets and liabilities

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

	Jun. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Dec. 31, 2016
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Non-current liabilities				
Loans from financial institutions	59.9	60.5	109.6	111.0
Pension loans	11.0	10.8	15.3	15.2
Other financial loans	0.5	0.5	0.5	0.5
Finance lease liabilities	2.1	2.1	2.1	2.2

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

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

Derivative instruments

Nominal amounts		
EUR million	Jun. 30, 2017	Dec. 31, 2016
--Interest rate derivatives	60.0	70.0
--Foreign exchange forwards	51.4	26.9

Fair values		
EUR million	Jun. 30, 2017	Dec. 31, 2016
--Interest rate derivatives		
positive fair value		
negative fair value	-0.3	-0.5
--Foreign exchange forwards		
positive fair value	0.4	0.2
negative fair value	-0.4	-0.3

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

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

7 Commitments and contingent liabilities

EUR million	Jun. 30, 2017	Dec. 31, 2016
Mortgaged collateral notes		
Guarantees given on behalf of associated companies	0.2	0.2
Parent company's guarantees on behalf of its subsidiaries	519.6	533.0
Other commitments		
- Operating leases	168.4	177.5
- Other contingent liabilities	0.2	0.2
Accrued interest on hybrid bond	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. As a consequence, a secondary liability up to the allocated net asset value was generated to Caverion Corporation, incorporated due to the partial demerger of YIT Corporation, for those liabilities that were generated before the registration of the demerger and remain with YIT Corporation after the demerger. Creditors of YIT Corporation's major financial liabilities have waived their right to claim for settlement from Caverion Corporation on the basis of the secondary liability. Caverion Corporation has a secondary liability relating to the Group guarantees which remain with YIT Corporation after the demerger. These Group guarantees amounted to EUR 265.6 million at the end of June 2017.

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