Caverion

Caverion Corporation's Interim Report for January 1–September 30, 2013: EBITDA improved according to plan for the second consecutive quarter in 2013

Caverion Corporation Interim report November 1, 2013 at 8:00 a.m.

INTERIM REPORT FOR JANUARY 1 – SEPTEMBER 30, 2013

EBITDA improved according to plan for the second consecutive quarter in 2013

July 1 – September 30, 2013

- EBITDA excluding demerger related costs amounted to EUR 26.8 million (7-9/2012: EUR 26.3 million). EBITDA including the demerger related costs of EUR 3.5 million amounted to EUR 23.3 million (7-9/2012: EUR 26.3 million). The efficiency programme is progressing well in Sweden and profitability is improving according to plan. In Norway the project business had weak profitability.
- The revenue for July–September amounted to EUR 594.8 million (7-9/2012: EUR 664.7 million). The revenue decreased mainly due to increased selectiveness in project business.
- The order backlog increased from the end of June and amounted to EUR 1,296.0 million (6/2013: EUR 1,274.2 million). The order backlog increased especially in Germany, which is expected to contribute favourably to the revenue development during the first half of next year.
- Operating cash flow after investments (excluding demerger-related IT investments of EUR 5.7 million) increased from the previous year, amounting to EUR 11.0 million (7-9/2012: EUR -25.5 million).

January 1 – September 30, 2013

- EBITDA amounted to EUR 45.6 million (1–9/2012: EUR 75.4 million). EBITDA for January–September is burdened by HOCHTIEF Service Solutions M&A related project costs amounting to EUR 1.4 million, one-off items relating to restructuring amounting to EUR 4.2 million as well as demerger related costs amounting to EUR 3.8 million.
- The revenue amounted to EUR 1,855.5 million (1–9/2012: EUR 2,054.8 million).

KEY FIGURES

EUR million	7-9/13	4-6/13	1-3/13	10-12/12
Revenue	594.8	652.8	607.9	748.4
EBITDA	23.3	12.9	9.4	9.8
EBITDA margin, %	3.9	2.0	1.5	1.3
Operating cash flow after investments	5.3	-35.3	-2.2	79.3

EUR million	7-9/13	7-9/121)	Change	1-9/13	1-9/121)	Change	1-12/121)
Revenue	594.8	664.7	-11%	1,855.5	2,054.8	-10%	2,803.2
EBITDA	23.3	26.3	-11%	45.6	75.4	-39%	85.3
EBITDA margin, %	3.9	4.0		2.5	3.7		3.0
Operating profit	17.8	18.9	-6%	29.9	56.8	-47%	61.1
Operating profit margin, %	3.0	2.9		1.6	2.8		2.2
Net profit for the period	11.4	14.1	-19%	18.4	38.2	-52%	40.8
Working capital	119.9	128.3	-7%	119.9	128.3	-7%	94.0
Operating cash flow after investments	5.3	-25.5		-32.2	-38.7		40.5
Interest-bearing net debt, end of period2)	190.1	1.4		190.1	1.4		-9.8
Gearing, end of period, %2)	79.7	0.3		79.7	0.3		-2.5
Earnings per share, EUR3)	0.09	0.11	-19%	0.15	0.30	-52%	0.32
Personnel, average for the period	18,016	19,172	-6%	18,174	19,254	-6%	18,592

1) The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-12/2012: personnel expenses increased by EUR 0.1 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.1 million. The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-9/2012: personnel expenses increased by EUR 0.5 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.5 million. The revised IAS 19 standard has had the following effects on the consolidated income statement for 7-9/2012: personnel expenses increased by EUR 0.2 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.2 million.

2) Interest-bearing net debt and gearing for 2012 are not comparable to the figures in 2013 due to the new credit facility transferred to Caverion Corporation as a result of the partial demerger as per June 30, 2013.

3) Excluding the financial cost effect for January–June 2013 of the new financing arrangements transferred to Caverion Corporation as a result of the partial demerger. If the refinancing under the new loan agreement would have been drawn down at the beginning of the financial year, the net financing expenses in January-September would have amounted to approximately EUR 6.1 million.

Caverion has formed a separate legal group as of June 30, 2013. The financial information presented in this interim report is based on actual figures as an independent group after the consummation of the demerger and carve-out figures prior to the consummation of the demerger. The carve-out financial information presented in this interim report reflects the performance and financial position of the entities that have historically formed the Building Services business within YIT Group. Accordingly, the consolidated statement of financial position as of September 30, 2013, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the period July – September 2013 and the related key figures are based on actual figures as an independent group. The income statements, statements of cash flows, statements of financial position and comparative figures for the periods before June 30, 2013 are based on carve-out financial information of Building Services business of YIT Group.

Word from the CEO Juhani Pitkäkoski: Profitability improved according to plan

"This is a historic first quarterly report for Caverion Corporation after the demerger from YIT Corporation, and we are delighted to present our first quarterly figures as an independent company.

We are satisfied with the improvement of profitability in the third quarter. We have had extensive efficiency improvement measures under way and the impact of these measures is already visible. The previously announced measures to carry out cost savings by reducing the number of personnel by a further 600 employees in 2013 were finalised during the third quarter.

In Sweden, the efficiency programme is progressing well and profitability is improving according to plan. The restructuring measures taken have had a positive impact on the profitability of the Swedish operations also in the third quarter. In Norway, we are still focusing on improving the profitability of the project business, especially in the capital region. The focus has been on closing unprofitable units and being more selective in project business. The efficiency programme has been delayed and we expect that the impact of the new measures will be seen in Norway next year. Our service efficiency programme is ongoing in all countries in which we operate.

Up until now we have been focusing on increasing the profitability and efficiency of our business. Now we are also focusing on more efficient use of capital. We have therefore introduced a new financial target: working capital, with the target to reach negative working capital by the end of 2016. By addressing this, we can free up capital tied up in our operations and improve our cash flow going forward."

GUIDANCE FOR THE SECOND HALF OF 2013

Caverion repeats the estimate announced on June 4, 2013, according to which the Group's revenue for the second half of 2013 is more than EUR 1.3 billion and EBITDA more than EUR 50 million.

The guidance does not take into account the non-recurring expenses related to the demerger, or the expenses related to any potential mergers or acquisitions.

The operations in Finland were stable and at a good level in July–September. The efficiency programme in Sweden is progressing well and the operations are now developing according to plan, which is expected to contribute favourably to the development of profitability during the fourth quarter. Norway is suffering from very low profitability. The low order intake in Germany in the first half of 2013 has been reflected as lower revenue in January–September compared to the previous year. The improved order backlog in the third quarter 2013 was a positive sign, but is not expected to contribute to revenue until the first half of next year.

SEGMENT PERFORMANCE

Revenue, EUR million	**7-9/13**	**7-9/12**	**Change**	**1-9/13**	**1-9/12**	**Change**	**1-12/12**
Building Services Northern Europe	434.0	485.3	-11%	1,403.6	1,536.5	-9%	2,089.2
Building Services Central Europe	160.7	179.5	-10%	452.1	518.4	-13%	714.2
Eliminations	0.0	-0.1		-0.2	-0.1		-0.2
Group, total	594.8	664.7	-11%	1,855.5	2,054.8	-10%	2,803.2

EBITDA, EUR million	**7-9/13**	**7-9/12 1)**	**Change**	**1-9/13**	**1-9/12 1)**	**Change**	**1-12/12 1)**
Building Services Northern Europe	17.5	20.7	-15%	33.8	59.2	-43%	59.5
Building Services Central Europe	6.9	6.8	1%	15.7	21.2	-26%	33.2
Group services and other items	-1.1	-1.3		-3.9	-4.9		-7.4
Group, total	23.3	26.3	-11%	45.6	75.4	-39%	85.3

EBITDA margin, %	**7-9/13**	**7-9/12 1)**	**1-9/13**	**1-9/12 1)**	**1-12/12 1)**
Building Services Northern Europe	4.0	4.3	2.4	3.8	2.8
Building Services Central Europe	4.3	3.8	3.5	4.1	4.7
Group, total	3.9	4.0	2.5	3.7	3.0

Operating profit, EUR million	**7-9/13**	**7-9/12 1)**	**Change**	**1-9/13**	**1-9/12 1)**	**Change**	**1-12/12 1)**
Building Services Northern Europe	13.5	15.4	-12%	21.8	45.1	-52%	41.1
Building Services Central Europe	5.6	4.8	18%	12.2	16.6	-26%	27.4
Group services and other items	-1.4	-1.3		-4.2	-4.9		-7.4
Group, total	17.8	18.9	-6%	29.9	56.8	-47%	61.1

Operating profit margin, %	**7-9/13**	**7-9/12 1)**	**1-9/13**	**1-9/12 1)**	**1-12/12 1)**
Building Services Northern Europe	3.1	3.2	1.6	2.9	2.0
Building Services Central Europe	3.5	2.6	2.7	3.2	3.8
Group, total	3.0	2.9	1.6	2.8	2.2

Order backlog, EUR million	**9/13**	**6/13**	**Change**	**9/13**	**12/12**	**Change**
Building Services Northern Europe	797.1	829.2	-4%	797.1	819.0	-3%
Building Services Central Europe	498.9	444.9	12%	498.9	380.1	31%
Group, total	1,296.0	1,274.2	2%	1,296.0	1,199.1	8%

1) The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-12/2012: personnel expenses increased by EUR 0.1 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.1 million. The revised IAS 19 standard has had the following effects on the consolidated income statement for 1-9/2012: personnel expenses increased by EUR 0.5 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.5 million. The revised IAS 19 standard has had the following effects on the consolidated income statement for 7-9/2012: personnel expenses increased by EUR 0.2 million and EBITDA and operating profit and profit before taxes decreased correspondingly by EUR 0.2 million.

Market outlook for Caverion's services

Caverion operates in Sweden, Finland, Norway, Germany, Austria, Denmark, Russia, Estonia, Latvia, Lithuania, Poland, the Czech Republic and Romania. The extensive geographical area of operations and comprehensive portfolio balance the effect of economic fluctuations.

The increased technology in buildings increases the need for new services, and the demand for energy efficiency services is expected to remain stable. The opportunities for growth in service and maintenance are still favourable in all of Caverion's operational areas.

Decision-making on new investments is still slow, but positive signs can be seen. New investments in building systems are expected to increase slightly. Increasing public investments and an increasing need for renovation and repair work are expected to be the key factors behind the growth.

There is potential for energy efficiency services over the next few years with the tightening of environmental legislation. Environmental certifications and energy efficiency will be increasingly significant factors in the future, allowing property owners to increase the value of their properties, which will continue to support growth opportunities. Also an increasing number of properties will be connected to control rooms through remote monitoring in command centres. Services and projects related to the maintenance of traffic infrastructure are also estimated to develop favourably.

INFORMATION SESSION, WEBCAST AND CONFERENCE CALL

Caverion will hold a news conference on the interim report on Friday, November 1, 2013, at 10:00 a.m. (Finnish Time, EET). The news conference will be held in English at Restaurant Bank, Unioninkatu 20, Helsinki, Finland. The event is targeted for analysts, portfolio managers and the media.

The news conference and the presentation, given by the company's President and CEO, Juhani Pitkäkoski, can be viewed live on Caverion's website at www.caverion.com/investors. The live webcast held will start at 10:00 a.m. (Finnish time, EET). A recording of the webcast will be available at the same address starting at approximately 12:00 (Finnish time, EET).

It is also possible to participate in the event through a conference call. Participants are requested to call the assigned number +44 203 1940 544 (no conference ID or pin code required) at least five minutes before the conference call begins, at 9:55 a.m. (Finnish time, EET) at the latest. During the webcast and conference call, all questions should be presented in English. At the end of the event, there will also be an opportunity for the media to ask questions in Finnish.

Schedule in different time zones:

	Interim Report published	News conference, conference call and live webcast	Recorded webcast available
EET (Helsinki)	8:00	10:00	12:00
CET (Paris, Stockholm)	7:00	9:00	11:00
GMT (London)	6:00	8:00	10:00
US EDT (New York)	2:00	4:00	6:00

Financial reports and other investor information are available at Caverion's website, www.caverion.com/investors. The materials may also be ordered by sending an e-mail to IR@caverion.com.

Caverion Corporation

Juhani Pitkäkoski

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Distribution: NASDAQ OMX Helsinki, principal media, www.caverion.com