

## "Year of restructuring"

For Caverion, 2016 was both a very special and a very disappointing year. Many of our problems were related to issues in our project business and we have implemented several actions that will help us to improve our project performance.

Our Technical Maintenance and Managed Services business areas, which represent our Services business, continued to perform well in 2016.

The year was unfortunately also a year of restructuring. With the completed and ongoing actions, together with the organisational and management changes, we will continue to lay a better foundation for our operations in the future.



## From the CEO

For Caverion, 2016 was both a very special and a very disappointing year. We found out that our performance was clearly lower than we estimated, and further studies brought up issues that were both dramatic and fundamental.

Many of our problems were related to issues in our project business. During 2016, we reviewed all ongoing and completed projects. As a result of the reviews, 6,000 of them, Caverion made the necessary forecast changes, which resulted in project write-downs related to our project portfolio, as we have previously communicated. We have implemented several actions that will help us to improve our project performance to the right level. Going forward, I believe our risk level will be lower.

We had some other challenges as well including, for example low utilisation rate and some code of conduct issues from the past.

Our Technical Maintenance and Managed Services business areas, which represent our service business, continued to perform well in 2016. We won many life cycle contracts in several divisions and performed the services reaching the targets we had. We also renewed our concept for preventive maintenance, called ServiFlex+, our flagship product. We will launch its sales in 2017.

The year was unfortunately also a year of restructuring. We have now completed personnel reductions for 2016. These actions were necessary to improve our utilisation rate going forward. Several changes have also been made in our organisation and management at group and division level. Together with our personnel, we are now building a new organisational culture, which will better support our business but also, I believe, make Caverion a better place to work.

In 2016, we also took several positive steps. Our customer satisfaction survey gave us good insight into customer

expectations and showed that the overall satisfaction of our customers was at a good level. We also improved in work safety and other areas of sustainability. We managed to decrease the accident frequency rate significantly. Our first common e-learning concentrated on Code of Conduct and ethical business principles.

Environment and energy issues are important for us. We did well in the environment and climate evaluation CDP 2016, which is the leading climate index.

With the completed and ongoing actions, together with the organisational and management changes, we will continue to lay a better foundation for our operations in the future. In the short term, we will naturally concentrate on improving our profitability and cash flow. We have also started to prepare our strategy for 2020.

Finally, I want to thank all our stakeholders for keeping their faith in us. Closer cooperation with our customers is a critical success factor for us. This is something I want to make happen together with all our employees. The company's service portfolio and industry knowledge are great and we have made rapid progress in digitalisation. Caverion has every opportunity to become the industry leader and I believe that we will soon start reporting good progress, leading to a future that our customers, stakeholders and employees deserve.

**Ari Lehtoranta, President & CEO of Caverion**