

# Operating environment

Caverion is among Europe's leading providers of technical solutions for buildings and industries. Our market position remained strong in 2016.

## Competitive landscape and market position

The European market for technical solutions for buildings and industries is very fragmented. Most players in the field are smaller companies with a limited range of services. The fragmented market provides opportunities for growth.

Technical maintenance is typically a very local or regional business and it is the most competitive of our businesses, mainly due to very low barriers of entry. To react to competition, Caverion developed a new service concept for preventive maintenance in 2016. ServiFlex+ brings together both remote monitoring and different service levels as a competitive package.

### Caverion's market position\*

Competition in the large project and technical installation market typically takes place on the national or international level. In Managed Services, the competitor spectrum covers everything from large international companies to small local ones and there are clearly fewer competitors than in the traditional maintenance market.

In 2016, we ranked among the five largest players in all of our largest operating countries: Finland, Sweden, Norway, Denmark, Germany and Austria. Additionally, Caverion is the leading industrial solutions company in Finland and one of the principal providers of industrial solutions in Sweden. The largest industrial client segments are the forest industry and the energy sector. Germany was clearly our largest addressable market in 2016. Therefore, based on the size of the market alone, there is large growth potential in Germany.



## Market outlook for Caverion's business in 2017

### Projects

- The Technical Installation and Large Projects markets are expected to remain good and stable but price competition 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.
- 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 sectors is expected to continue.

### Services

- The underlying demand for Technical Maintenance and Managed Services is expected to remain strong.
- The need for new services and the demand for Life Cycle Solutions are expected to increase.
- There are opportunities for Caverion in outsourced operations and maintenance especially within public authorities, industries and utilities.

## Short-term demand prospects in Caverion's divisions

Division / Country	Technical Installations	Large Projects	Technical Maintenance	Managed Services
Finland	→	→	➔	➔
Sweden	➔	→	➔	➔
Norway	➔	➔	➔	→
Germany	➔	➔	➔	➔
Austria	→	→	→	→
Denmark	→	→	➔	➔
Industrial Solutions	➔	➔	→	➔
Eastern Europe	→	→	→	→

Sources: Euroconstruct, management estimates

## Competitors by businesses

Technical Installation	Large Projects	Technical Maintenance	Managed Services
<ul style="list-style-type: none"> <li>◦ Apleona</li> <li>◦ Are</li> <li>◦ Assemblin</li> <li>◦ Bilfinger Industrial Services</li> <li>◦ Bravida</li> <li>◦ Goodtech</li> <li>◦ Gunnar Karlsen</li> <li>◦ Ortner</li> <li>◦ ROM Technik</li> <li>◦ SPIE</li> <li>◦ Strabag PFS</li> <li>◦ Vinci</li> </ul>	<ul style="list-style-type: none"> <li>◦ Apleona</li> <li>◦ Are</li> <li>◦ Assemblin</li> <li>◦ Bilfinger Industrial Services</li> <li>◦ Bravida</li> <li>◦ Cofely</li> <li>◦ Ortner</li> <li>◦ ROM Technik</li> </ul>	<ul style="list-style-type: none"> <li>◦ Apleona</li> <li>◦ Are</li> <li>◦ Assemblin</li> <li>◦ Bilfinger Industrial Services</li> <li>◦ Bravida</li> <li>◦ Goodtech</li> <li>◦ Gunnar Karlsen</li> <li>◦ Maintpartner</li> <li>◦ Ortner</li> <li>◦ ROM Technik</li> <li>◦ SPIE</li> <li>◦ Strabag PFS</li> <li>◦ Vinci</li> </ul>	<ul style="list-style-type: none"> <li>◦ Apleona</li> <li>◦ Assemblin</li> <li>◦ Coor</li> <li>◦ Maintpartner</li> <li>◦ Quant</li> <li>◦ SPIE</li> <li>◦ Vinci</li> <li>◦ Wisag PFS</li> </ul>

## Clients

Caverion has five main client segments:

- Public
- Industry
- Real Estate Investors and Developers
- Real Estate Users
- General Contractors

Our objective is to foster long-term client relationships with our competence and local presence. Long-term relationships with clients and a wide client base support the stability of cash flow.

Caverion is not dependent on individual clients: in 2016, the three largest clients represented less than 7% of our revenue and the ten largest less than 14%. In addition, different client groups in the private and public sectors and geographically extensive presence reduce our dependency on economic cycles.

Revenue breakdown by client segment in 2016

