

Turnaround and new strategy paving the way for the future

Caverion's year 2017 was marked by a focus on continuing the turnaround programme and stabilising the operations. The year was challenging for us, but I am confident that with all the corrective actions we are heading to the right direction. Our new strategy, "Fit for Growth" is built around digitalisation of the industry. This will be done through the performance management related must-win actions around project and service operations, fixed costs and procurement. After the successful implementation of the "Fit" phase, we will move to the "Growth" phase.



From the CEO

Caverion's year 2017 was marked by a focus on continuing the turnaround programme and stabilising the operations. Our result for the year was not satisfactory, but the turnaround and the new strategy paved the way for the future.

The overall market situation in 2017 was relatively positive and stable. Demand for Technical Maintenance and Managed Services remained strong, and there was an increase in opportunities for Caverion in terms of outsourced operations and maintenance. The Services business continued to improve its performance and represented 52 % of our revenue. One of the highlights for our customers in the Services business was the introduction of the IoT-based IoTFlex, which uses smart sensors to detect faults in advance and thus improves production efficiency especially for our industrial clients.

For Project business we made many corrective actions, but the challenges remained. Especially projects that have been won before the second half of 2016 have been causing us headache in terms of execution. We were forced to book write-downs and negative forecast changes in a number of older projects. During the year it became evident that while our newer projects are already showing better performance, it takes some time before the impacts of our corrective actions become more visible in our results. We continued our selective approach towards the Projects business, which is visible in the declined revenue of the project business. Selectivity does not only impact tendering – we have also closed down and merged a number of poor performing project units.

We made some smaller acquisitions in 2017. In Finland, we became the largest remote property management provider after an asset deal with Enegia. We also completed two small acquisitions in Austria and sold our product business under

the Krantz brand in Germany since the product business is not our core business.

In November, we launched our new strategy, "Fit for Growth", which is built around digitalisation of the industry. We also updated our financial targets. The strategy will be implemented through four must-win areas: Excellent customer experience, Top performance at every level, Best solutions, and Winning team. During the "Fit" phase over 2018–2019, we will concentrate on improving our financial performance. This will be done through the performance management related must-win actions around project and service operations, fixed costs and procurement. After the successful implementation of the "Fit" phase, we will move to the "Growth" phase.

In 2017, we implemented a customer survey in our countries for the second time, and the overall satisfaction of our customers had clearly improved from the previous year. This is a good base for further improvements in future. Clearly, our challenges have been more internal than external.

By the end of December, 93% of our employees had completed the Code of Conduct training. This was a higher figure than a year before and lays solid foundation for our way of working.

Caverion is now a safer place for our employees to work than a year ago. We are one of the best in our industry, of which I am really proud. Safety, together with all actions in leadership and competence development, will improve our employee engagement. We are in people business and it all starts from the competences, attitude and engagement of our own employees.

Sustainability is one of the must-haves in our new strategy. We intend to develop it into a competitive edge of Caverion. We have the best capabilities of the industry to reduce our

clients' energy consumption. We need to also make sure that our own carbon foot print will constantly go down.

I want to sincerely thank you all – shareholders, employees, customers, and other stakeholders – for your support last year. The year was challenging for us, but I am confident that with all the corrective actions we are heading to the right direction. Our renewed leadership team brings wide knowledge from other industries and will help Caverion to take next important steps in improving our performance and taking Caverion towards our vision, “First choice in digitalising environments”.

Ari Lehtoranta, President & CEO, Caverion Corporation