Debt financing

Treasury policy

Treasury Policy is carried out by the Group Treasury in co-operation with divisions under policies approved by the Board of Directors of Caverion Group. Divisions are responsible for providing the Group Treasury with timely and accurate information on financial position, cash-flows and foreign exchange position in order to ensure the Group's efficient cash and liquidity management, funding and risk management.

The Group Treasury is responsible for maintaining sufficient funding, availability of different funding sources and controlled maturity profile of external loans. Caverion targets a net debt to EBITDA ratio of less than 2.5 times. The Group Treasury evaluates and monitors continuously the amount of funding required in the Group's business activities to ensure it has adequate liquid fund to finance its operations and repay its loans at maturity.

Financing position at the end of 2017

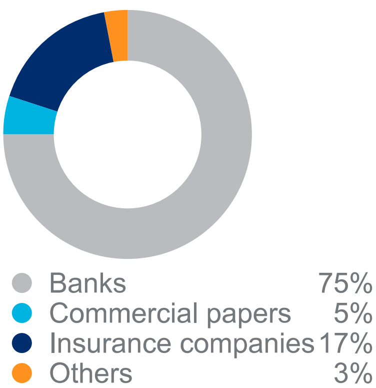
Caverion's cash and cash equivalents amounted to EUR 29.2 million at the end of 2017. In addition, Caverion has undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

The Group's interest-bearing loans and borrowings amounted to EUR 93.2 (12/2016: 193.3) million at the end of December, and the average interest rate after hedges was 2.53 per cent. Approximately 75 per cent of the loans have been raised from banks and other financial institutions, approximately 5 per cent directly from the money markets and approximately 17 per cent from insurance companies. A total of EUR 35.5 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 64.0 million at the end of December.

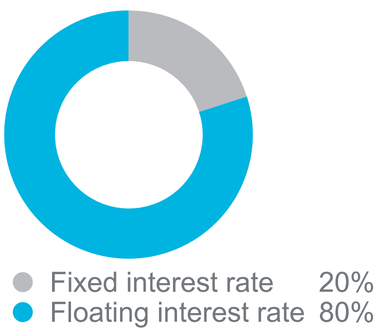
On June 9, 2017 Caverion Corporation issued a EUR 100 million hybrid bond, an instrument subordinated to the company's other debt obligations and treated as equity in the IFRS financial statements. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of 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 is not redeemed on June 16, 2020, there will be a step-up of 500 basis points in the coupon. The hybrid bond strengthened Caverion Group's capital structure and financial position. At the end of December, the Group's gearing was 24.4 (78.7) percent and equity ratio 27.9 (18.7) percent.

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 in June. The project write-downs made in 2017 burdened the company's EBITDA and the financial covenant level in 2017. Caverion concluded amendments with its lending parties related to the maximum level of the financial covenant and confirmed the EBITDA calculation principles related to the Group's financial covenant in 2017. In December, it was agreed with the core banks that the covenant maximum level is not tested at the end of December 2017. Financial covenant shall not exceed 3.5:1 after the end of December 2017. At the end of December, the Group's Net debt to EBITDA was 2.9x according to the confirmed calculation principles.

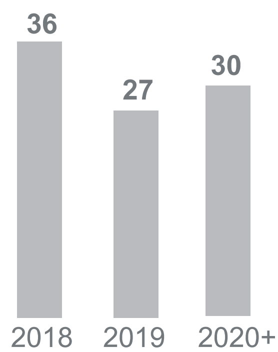
Loan portfolio



Interest rate type (after hedges)



Debt maturity (EUR million)



Gross debt to net debt (EUR million)