

Business review resulting in restructuring actions including reduction of up to 700 employees and lowered EBITDA guidance for 2016

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As a consequence of the previous CEO's departure the Board of Directors of Caverion initiated a thorough review of operations in all divisions with operative challenges. The interim management with the support of external consultants has performed the review and the findings are focused on these main areas:

1. Caverion has experienced profitability problems in 2016 due to resource overcapacity and challenges in executing and managing projects mainly in divisions Sweden and Denmark-Norway. In Norway the overcapacity has been mostly market-driven due to the slowdown in the oil industry, while in Sweden weak resource management is the main factor behind the development.
2. The profitability of some bigger projects in Germany and Norway has also been weaker than forecasted.
3. Over the past two years the Group has invested heavily in many corporate development projects at too fast a pace with the aim of building one Caverion. This has resulted in too high fixed costs.
4. Working capital and cash flow have deteriorated in 2016 due to low profitability and weak development in Germany and Sweden driven by delayed final payments in projects and low invoicing.

Having evaluated the situation more thoroughly the interim management now launches the following restructuring actions in order to improve the Group profitability:

- In addition to the previously announced 300 temporary layoffs and the restructuring costs of EUR 2 million in the first quarter Caverion is planning to initiate further cost reductions through temporary layoffs and personnel reductions in order to secure operational efficiency. Caverion estimates that the total restructuring costs for 2016 will be in the region of EUR 20-30 million. The personnel reductions are estimated to affect up to 700 employees. The main focus will be in divisions Sweden and Denmark-Norway and also in Group Services, with the negotiations affecting around 10 percent of employees in the concerned units.
- Caverion will reduce fixed costs through prioritisation of its internal development programmes, which will allow more focus on client work and achievement of organic growth targets.
- The Group organisation will be changed through reorganisation of the Group functions. New Projects and Services functions will be established to respond to the challenges in executing and managing projects and help to secure the targeted utilisation rate in the service business. This will also result in some changes in management team. It has been agreed that Carina Qvarngård discontinues her duties as SVP, Group Business Development & Marketing and will leave the company as of June 23.

"Our current strategy is good and we continue to proceed with its implementation. In the short term we need to keep our focus on improving profitability and cash flow. We also need to prioritise the ongoing development projects and focus on the most important ones. It is important to stress that we are performing according to plan in several divisions," Interim President and CEO Sakari Toikkanen says.

Caverion keeps its strategic financial targets intact. However, reaching the said targets will take more time due to needed restructuring and other ongoing strategic changes. New timeline for the reaching the financial targets will be given later this year.

Due to the above mentioned challenges Caverion lowers its EBITDA guidance for 2016. The revised guidance takes into account the impact of the restructuring costs. Caverion now estimates that the Group's revenue for 2016 will remain at the previous year's level (2015: EUR 2,443 million) and the Group's EBITDA excluding restructuring costs for 2016 will decrease clearly from the previous year's EBITDA level (2015: EUR 91.5 million).

Due to the restructuring actions and the underlying reasons thereof the performance is expected to be weak also during the second quarter in 2016.

New guidance for 2016:

Caverion estimates that the Group's revenue for 2016 will remain at the previous year's level (2015: EUR 2,443 million) and the Group's EBITDA excluding restructuring costs for 2016 will decrease clearly from the previous year's EBITDA level (2015: EUR 91.5 million).

Previous guidance for 2016 announced on April 27:

Caverion estimates that the Group's revenue for 2016 will remain at the previous year's level (2015: EUR 2,443 million) and the Group's EBITDA for 2016 will grow from the previous year (2015: EUR 91.5 million).

CONFERENCE CALL

Caverion will arrange a conference call for analysts, investors and media on June 20, 2016, at 17:00 p.m. (Finnish Time, EEST). The call can be accessed by calling +44 (0)20 3427 1908. Participant code for the conference call is "5416805/ Caverion".

Caverion will postpone its Capital Markets Day earlier announced for September 8 until further notice.

CAVERION CORPORATION

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Caverion designs, builds, operates and maintains user-friendly and energy-efficient technical solutions for buildings, industries and infrastructure. Our services and solutions are used in commercial and residential buildings and on industrial and public sector properties, as well as in processes, ensuring business continuity, safety, healthy and pleasant surroundings, optimal performance and cost management. Our vision is to be a leading European provider of advanced and sustainable life cycle solutions for buildings and industries. Our strengths include technological expertise and comprehensive services, covering all technical disciplines throughout the entire life cycles of properties and industrial plants. Our revenue in 2015 was approximately EUR 2.4 billion. Caverion has over 17,000 employees in 12 countries in Northern, Central and Eastern Europe. Caverion's shares are listed on Nasdaq Helsinki. www.caverion.com, @CaverionGroup

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