Financial Statements 2016

Caverion

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[1)] Key figures and Calculation of Key Figures are a part of Board of Directors' report
[2)] List of major shareholders included in this note is a part of Board of Directors' report

Board of Directors' Report January 1–December 31, 2016

Operating environment in 2016

The overall market situation was positive and stable throughout the year. Demand developed favourably in German, Finnish and Swedish markets. In Industrial Solutions division the market stayed on a normal level in industrial maintenance and developed positively especially in process piping projects. Divisions Eastern Europe and Austria remained stable. In Denmark-Norway, the general economy was still somewhat impacted by the slowdown in the oil industry. Caverion responded actively to the recent market changes in Norway through careful selection of new projects and service contracts as well as by proving its long-term commitment to key clients while also restructuring its operations.

Projects

The market for Technical Installation and Large Projects business was stable throughout the year. The price competition remained tight in Technical Installation projects. In the market for Large Projects tendering activity increased, especially in the public, infrastructure and industrial sectors. The demand for Design & Build of Total Technical Solutions developed favourably within large and technically demanding projects. Low interest rates and availability of financing supported investments. Requirements for increased energy efficiency, better indoor climate and tightening environmental legislation supported demand during the year.

Services

Demand for Technical Maintenance and Managed Services remained strong. Clients' willingness to focus on their core operations opened new opportunities for Caverion in terms of outsourced operations and maintenance mainly for public authorities, industries and utilities. Interest in private public partnerships and other Life Cycle Solutions was good in the Nordic countries while these kinds of commercial models still represent only a marginal part of the entire market.

Market position

Caverion has a strong market position in the European building solutions market measured by revenue. Caverion holds a leading market position in Norway. Caverion is among the two or three largest companies in Finland, Sweden and Austria. In Germany and Denmark, Caverion is among the five largest companies in the market. Additionally, the Company 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.

(Source of market sizes: the company's estimate based on public information from third parties and management calculation).

Caverion's year 2016

As Caverion entered 2016 the strategic focus of the Group was gradually shifting from improving profitability towards generating profitable growth. In line with this Caverion continued to develop its business mix with initial focus on Technical Installation & Maintenance, Design & Build of Total Technical Solutions within Large Projects and Managed Services. In the beginning of the year Caverion signed, among others, a new order of EUR 80 million at Kalvebod Brygge in Copenhagen, Denmark. It was one of the largest PPP projects in Denmark and also one of the largest orders Caverion has ever received. The main focus was on the continued implementation of harmonised systems in all divisions.

As the year progressed it became apparent that despite the relatively stable market conditions Caverion was experiencing challenges in its operations, mainly relating to the projects business and the lower than planned utilisation rate in Sweden and Denmark-Norway. Caverion initiated its first restructuring efforts during the first quarter, including closing non-performing units, merging regions, temporary lay-offs as well as decreasing administrative costs in the divisions. In May, Caverion initiated a thorough review of its operations. Based on the results Caverion identified profitability problems due to resource overcapacity and challenges in executing and managing projects, mainly relating to divisions Sweden and Denmark-Norway. The profitability of certain larger projects in Germany and Norway was also weaker than forecasted. Furthermore, Caverion had too many development projects at the Group level, resulting in high fixed costs.

As a result of the review, Caverion introduced cost reductions through temporary layoffs and personnel reductions. The total amount of jobs impacted by the restructuring actions in 2016 was 1,060. In division Sweden Caverion also identified clear challenges in project execution and observed margin slippages in many of the reviewed projects. Caverion made cost estimate adjustments and provisions in the project portfolio in division Sweden, with a negative impact of EUR 15 million on the reported EBITDA for April-June. Furthermore, Caverion made an adjustment reflecting risks in some projects in division Germany and Denmark-Norway, with a negative impact of EUR 4.1 million on the reported EBITDA for July–September. Caverion continued the review of its project portfolio in the last quarter of 2016. As a result of the review, several projects were still identified with challenges in project management and execution. Based on the review, Caverion made the necessary cost estimate adjustments, write-downs and provision increases related to its project portfolio, which mainly relate to divisions Sweden, Germany and Industrial Solutions. The total amount of these project write-downs during October–December was EUR 39.9 million. The total amount of cost estimate adjustments, write-downs and provision increases made during 2016 in Caverion Group's project portfolio was EUR 59.0 million. Caverion estimated that the remaining identified performance risks in projects amount to approximately EUR 20 million for 2017.

Due to the challenges described above Caverion revised its guidance several times in 2016. Caverion first published its guidance for 2016 on January 27, 2016, at which time it was estimated that the Group's revenue for 2016 will grow from the previous year (2015: EUR 2,443 million) and the Group's EBITDA for 2016 will grow significantly from the previous year (2015: EUR 91.5 million). According to the latest guidance issued on January 16, 2017, Caverion estimated that the preliminary Group revenue for 2016 amounted to approximately EUR 2,366 million (2015: EUR 2,443 million) and preliminary Group EBITDA excluding restructuring costs for 2016 amounted to approximately EUR 17 million (2015: EUR 91.5 million). The figures were unaudited.

Caverion closed the year with revenue that was in line with the previous year and amounted to EUR 2,364.1 million. The restructuring costs for 2016 amounted to EUR 26.9 million and the EBITDA excluding restructuring costs amounted to EUR 15.6 million. Working capital was EUR –2.6 million at the end of December i.e. negative in line with the strategic financial target. Cash flow deteriorated in 2016 mainly due to low profitability. In the first three quarters of the year, free cash flow was also impacted by a higher level of investments.

The year was also marked with some changes in key management. Fredrik Strand discontinued his duties as President and CEO of Caverion Corporation on May 17, 2016, and Sakari Toikkanen assumed the position of Interim President and CEO. Caverion announced in August that Martti Ala-Härkönen had been appointed as Group CFO and Klas Tocklin as Executive Vice President & CEO of Division Sweden. Caverion announced in September that Ari Lehtoranta had been appointed as the Group President and CEO as of January 1, 2017.

Caverion made some smaller acquisitions in 2016. Caverion signed an agreement with Mr Alfred Lotter on the purchase of the business of Arneg Kühlmöbel u. Ladeneinrichtungen, Produktions- u. Handelsgesellschaft mbH ("Arneg Kühlmöbel"). The transaction was approved by the Austrian Federal Competition Authority in January. The company employed about 35 people. Furthermore, Caverion signed an agreement with YIT Kuntatekniikka Oy to acquire the company's technical maintenance business in January. In connection with the transaction, approximately 60 employees from YIT Kuntatekniikka were transferred into Caverion Suomi Oy's employment. Caverion also strengthened its AV solutions expertise through the acquisition of Sähkötaso Esitystekniikka Oy in May. Sähkötaso Esitystekniikka Oy is the leading provider of AV solutions in Finland. The company had 28 employees in three cities (Helsinki, Tampere and Jyväskylä), a national service scope and an international network of suppliers. The purchase prices for the acquisitions above were not disclosed.

Group strategy and financial targets

The Board of Directors of Caverion set the following financial targets for Caverion Group on October 31, 2013:

- Revenue growth: Average annual growth in revenue of more than 10 percent
- Profitability: EBITDA over six percent of revenue
- Working capital: Negative

There were no changes to the previously communicated strategy and strategic financial targets in 2016. The objective is still to deliver on growth and profitability and to develop advanced and sustainable life cycle solutions for buildings and industries. However, Caverion announced on June 20, 2016 that reaching the said targets will take more time due to needed restructuring and other ongoing strategic changes. Year 2017 will be a year of stabilisation for Caverion. Caverion will conduct a strategy review during 2017.

Dividends and dividend policy

The Board of Directors proposes to the Annual General Meeting to be held on March 17, 2017 that no dividend will be paid for the financial year 2016.

The Annual General Meeting, held on March 21, 2016, decided that a dividend of EUR 0.28 was to be paid per share, or a total of EUR 35.0 million. No dividend was paid for the treasury shares. Dividend payment record date was March 23, 2016 and the dividends were paid on April 4, 2016.

Caverion's aim is to distribute at least 50 per cent of the result for the year after taxes, excluding changes in fair value, as dividend and capital redemption to the company's shareholders. Even though there are no plans to amend this dividend policy, there is no guarantee that a dividend or capital redemption will actually be paid in the future, and also there is no guarantee of the amount of the dividend or return of capital to be paid for any given year.

Group financial development 2016

The key figures have been presented in more detail in the Consolidated Financial Statements. Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.

Changes in external financial reporting in 2016

Caverion announced in a stock exchange release on January 27, 2016 that it is making changes to its external financial reporting as of January 1, 2016 in order to increase the transparency of its operations and to align the financial reporting with the next phase of Group strategy. The old business areas ("Service and Maintenance" and "Projects") will thereby be replaced by three new business areas: "Technical Installation and Maintenance", "Large Projects" and "Managed Services". Furthermore, in the fourth quarter Caverion will give a breakdown for Technical Installation and Technical Maintenance. Technical Installation and Large Projects represent the Projects business within Caverion and Technical Maintenance and Managed Services represent the Services business within Caverion.

Furthermore, the geographical breakdown will be reported by divisions: Sweden, Finland, Germany, Denmark-Norway, Austria, Eastern Europe and Industrial Solutions. Going forward, Caverion will disclose revenue and personnel by division. All the above reporting changes were implemented as of January 1, 2016 onwards. Caverion will not report all historically comparable figures for the periods preceding January 1, 2016.

Restructuring actions

Caverion announced restructuring actions in a stock exchange release on June 20, 2016. During the second quarter, the Board of Directors of Caverion initiated a thorough review of operations in all divisions where operative challenges had been observed. Based on the findings of this review, Caverion identified resource overcapacity during 2016. Furthermore, Caverion had too many development projects ongoing at the Group level, which had resulted in high fixed costs.

The following restructuring actions were launched in order to improve profitability:

- Further cost reductions through temporary layoffs and personnel reductions;
- Fixed cost reduction through prioritisation of internal development programmes; and

- Reorganisation of Group functions and establishing new Projects and Services business units.

Personnel reductions focused mainly on the divisions Sweden, Denmark-Norway and Germany as well as in Group Services. The total amount of jobs impacted by the restructuring actions in 2016 was 1,060. The total restructuring costs were EUR 26.9 million in 2016. Restructuring costs consisted of personnel costs totalling EUR 21.1 million, of rents for empty premises totalling EUR 4.3 million and of other restructuring costs totalling EUR 1.5 million.

The full effect of the actions will be visible in 2017. Caverion estimates that the restructuring actions improved the performance in 2016 by about EUR 18 million. The estimated total savings impact of the restructuring actions is approximately EUR 40 million in 2017, the additional savings for 2017 vs. 2016 being thus approximately EUR 22 million.

The completion of the restructuring, implementation of a stricter project tendering process and focus on higher project margins create a potential further risk of up to EUR 10 million related to the utilisation rate during 2017. The remaining identified performance risks in projects are expected to amount to approximately EUR 20 million for 2017. In addition, there are risks related to old overdue trade receivables of up to EUR 10 million in 2017.

As part of the restructuring actions Caverion sold three small local units in Sweden and Norway in the third quarter. Their disposal had no material impact on the financial position of Caverion Group. Furthermore, Caverion also closed and merged some of its units in 2016.

Order backlog

Caverion implemented a stricter project tendering process in the Group since the second quarter of 2016. The completion of the restructuring actions and focus on higher project margins affected the Group's order backlog in the second half of 2016. At the end of the year, the Group's order backlog amounted to EUR 1,408.1 million, a decrease of 4 percent compared to the previous year-end (end of December 2015: EUR 1,461.4 million). At comparable exchange rates the order backlog decreased by 4 percent from the end of 2015. The short-term technical maintenance work is not included in the order backlog.

Revenue

Revenue in January–December was EUR 2,364.1 (2,443.0) million. Revenue growth was largest in Finland compared to the previous year, where the main driver for growth was the increased activity within Large Projects. In Sweden, Caverion has not been able to capitalise on the current market environment. Additionally, the completed project write-downs made in the Projects business in Sweden, Germany, Denmark-Norway and Industrial Solutions since the second quarter had a negative effect on the revenue for the period.

Changes in foreign exchange rates decreased the Group's total revenue by EUR 23.8 million compared to the previous year, of which the Norwegian crown accounted for EUR –13.9 million, the Russian rouble for EUR –3.2 million and the Swedish crown for EUR –6.6 million. Revenue decreased by 2 percent at previous year's exchange rates for January–December.

The revenue of the Projects business was EUR 1,233.6 million, consisting of the Technical Installation revenue of EUR 782.3 million and Large Projects revenue of EUR 451.3 million. The revenue of the Services business was EUR 1,130.6 million, consisting of the Technical Maintenance revenue of EUR 817.8 million and Managed Services revenue of EUR 312.8 million. The Projects business thus accounted for 52 percent of Group revenue and the Services business for 48 percent of Group revenue in 2016.

Distribution of revenue

Revenue, EUR million	1–12/ 2016	%	1–12/ 2015	%	Change
Germany	506.6	21%	526.4	22%	–4%
Sweden	474.8	20%	537.6	22%	–12%
Denmark-Norway	459.8	19%	503.2	21%	–9%
Industrial Solutions	370.9	16%	363.8	15%	2%
Finland	320.7	14%	286.7	12%	12%
Austria	153.0	6%	149.1	6%	3%
Eastern Europe	78.7	3%	76.3	3%	3%
Group, total	**2,364.1**	**100%**	**2,443.0**	**100%**	**–3%**
Projects business	1,233.6	52%			
Technical Installation	782.3	33%			
Large Projects	451.3	19%			
Services business	1,130.6	48%			
Technical Maintenance	817.8	35%			
Managed Services	312.8	13%			

Profitability

EBITDA

The EBITDA excluding restructuring costs amounted to EUR 15.6 million, or 0.7 percent of revenue in January–December. The EBITDA for January–December was EUR –11.4 (91.5) million, or –0.5 (3.7) percent of revenue.

Restructuring costs totalled EUR 26.9 million for January–December. Restructuring costs consisted of personnel costs totalling EUR 21.1 million, of rents for empty premises totalling EUR 4.3 million and of other restructuring costs totalling EUR 1.5 million. The full effect of the actions will be visible in 2017. More details about the restructuring actions have been described under "Restructuring actions".

During the reporting period, Caverion had profitability problems due to resource overcapacity and challenges in executing and managing projects. The identified project management challenges mainly relate to divisions Sweden, Denmark-Norway, Germany and Industrial Solutions. As a result, Caverion completed more conservative cost estimate adjustments and provisions related to its project portfolio during the second, third and fourth quarters of 2016. The total amount of cost estimate adjustments, write-downs and provision increases made during 2016 in Caverion Group's project portfolio was EUR 59.0 million, mainly related to divisions Sweden, Denmark-Norway, Germany and Industrial Solutions.

Costs related to materials and supplies amounted to EUR 648.2 (663.8) million in January–December, while external services amounted to EUR 450.8 (426.9) million. Personnel expenses for January–December amounted to a total of EUR 989.1 (978.2) million. Other operating expenses came at EUR 289.2 (286.0) million. Other operating income amounted to EUR 1.9 (3.3) million.

Several development projects and investments in common processes were also reflected in operational expenses during the period. The EBITDA for the period was also burdened by expenses of EUR 1.7 million in Germany related to ongoing legal investigations.

EBITDA is defined as Operating profit + Depreciation, amortisation and impairment. EBITDA excluding restructuring costs is defined as Operating profit + Depreciation, amortisation and impairment + restructuring costs.

Operating profit

The operating profit for January–December was EUR –40.8 (65.0) million, or –1.7 (2.7) percent of revenue.

Depreciation, amortisation and impairment amounted to EUR 29.5 (26.5) million in January–December, of which EUR 6.1 million were allocated intangibles related to acquisitions and EUR 23.4 million were other depreciations, amortisation and impairments, the majority of which related to IT.

The other factors affecting operating profit have been described in more detail under EBITDA.

Profit before taxes, net profit and earnings per share

Profit before taxes amounted to EUR –43.5 (61.3) million, net profit to EUR –31.7 (46.6) million and earnings per share to EUR –0.25 (0.37) in January–December. Net financing expenses in January–December 2016 were EUR –2.6 (–3.7) million.

The effective tax rate of the Group was 27.1 (24.0) percent in January–December.

Capital expenditure and acquisitions

During the financial year, Caverion invested in its harmonised operational model, processes and systems. Gross capital expenditure on non-current assets included in the balance sheet totalled EUR 38.2 (26.9) million during January–December, representing 1.6 (1.1) percent of revenue.

Investments in information technology totalled EUR 25.1 (18.2) million during January–December. IT investments were focused on building a harmonised IT infra and common platforms, datacenter consolidation as well as implementing a common ERP template. IT systems and mobile tools were also developed to improve the Group's internal processes and efficiency going forward. Other investments, including acquisitions, amounted to EUR 13.0 (8.7) million.

During the financial year, Caverion signed an agreement with Mr Alfred Lotter on the purchase of the business of Arneg Kühlmöbel u. Ladeneinrichtungen, Produktions- u. Handelsgesellschaft mbH ("Arneg Kühlmöbel"). The transaction was approved by the Austrian Federal Competition Authority on January 19, 2016. The acquisition supports Caverion's growth strategy and expands on its position within the cooling technology market in Austria. The purchase price was not disclosed. Arneg Kühlmöbel is one of the leading suppliers of cooling technology in Austria. In 2014, the company's revenue was about EUR 7.0 million. The company employs about 35 people.

Furthermore, Caverion signed an agreement with YIT Kuntatekniikka Oy to acquire the company's technical maintenance business in January. The transaction supports Caverion's growth strategy and presence in the Mikkeli area in Finland. The purchase price was not disclosed. In connection with the transaction, approximately 60 employees from YIT Kuntatekniikka were transferred into Caverion Suomi Oy's employment. YIT Kuntatekniikka is jointly owned by the City of Mikkeli and YIT Construction Oy.

Caverion also strengthened its AV solutions expertise through the acquisition of Sähkötaso Esitystekniikka Oy in May. The purchase price was not disclosed. Sähkötaso Esitystekniikka Oy is the leading provider of AV solutions in Finland. The company was founded in 2005. It has 28 employees in three cities (Helsinki, Tampere and Jyväskylä), a national service scope and an international network of suppliers. The revenue of Sähkötaso Esitystekniikka Oy amounted to EUR 12.5 million for the financial year ending March 31, 2016.

Research and development

The Group's expenses related to research and development activities related to product and service development amounted to approximately EUR 3.7 (2.8) million in 2016, representing 0.2 (0.1) percent of revenue.

Cash flow, working capital and financing

For the full year of 2016, the Group's Free cash flow amounted to EUR –72.1 (53.9) million. The Group's operating cash flow before financial and tax items amounted to EUR –22.4 (85.8) million. Cash flow deteriorated in 2016 vs. 2015 mainly due to the low profitability, impacted by restructuring costs and project write-downs. Free cash flow was also impaired by an increase in working capital, by the higher level of investments especially in IT in the first three quarters of the year and by the completed acquisitions early in the year.

Working capital was EUR –2.6 million at the end of December (12/2015: EUR –15.4 million) i.e. negative in line with the strategic financial target. The growth in working capital by EUR 12.8 million from the end of the previous year was mainly driven by the increase in trade receivables and the decrease in trade payables. Overall, Caverion faced challenges in managing its working capital during the first three quarters of the year, but managed to catch up the target level during the last quarter by intensifying its focus on invoicing and receivables management.

Caverion's cash and cash equivalents amounted to EUR 47.7 million at the end of December (12/2015: EUR 68.1 million). In addition, Caverion has undrawn revolving credit facilities amounting to EUR 100.0 million and undrawn overdraft facilities amounting to EUR 19.0 million.

Caverion Corporation signed a new EUR 60 million unsecured long-term bullet term loan agreement with its core banks in December. The loan will be used for general corporate purposes and it will balance the Group's debt maturity structure, provide financial flexibility and support the Group's liquidity management going forward. The loan was raised in late December and it will mature as a bullet loan in the end of February 2021.

The Group's interest-bearing loans and borrowings amounted to EUR 193.3 million at the end of December (12/2015: EUR 97.9 million), and the average interest rate after hedges was 1.91 percent. Approximately 67 percent of the loans have been raised from banks and other financial institutions, approximately 18 percent directly from the money markets, and approximately 13 percent from insurance companies. A total of EUR 65.7 million of the interest-bearing loans and borrowings will fall due during the next 12 months. The Group's net debt amounted to EUR 145.5 million at the end of December (12/2015: EUR 29.8 million).

In connection with the financing arrangement agreed on December 22, 2016, Caverion and its lending parties confirmed the EBITDA calculation principles related to the Group's financial covenant (Net Debt/EBITDA). At the end of 2016, the Group's Net debt/EBITDA was 2.8 according to the confirmed calculation principles.

Board of Directors, Auditors, President and CEO

Board of Directors

The Annual General Meeting of Caverion was held on March 21, 2016. The Annual General Meeting elected a Chairman, Vice Chairman and four ordinary members to the Board of Directors. Ari Lehtoranta was elected as the Chairman, Michael Rosenlew as the Vice Chairman and Markus Ehrnrooth, Anna Hyvönen, Eva Lindqvist and Ari Puheloinen as members for a term continuing until the end of the next Annual General Meeting.

Caverion announced later on November 15, 2016 that the Vice Chairman Michael Rosenlew will chair the Board of Directors as of November 15, 2016 until the closing of the next Annual General Meeting as Mr. Ari Lehtoranta resigned from the Board of Directors. Ari Lehtoranta became the President and CEO of Caverion Corporation on January 1, 2017.

In the beginning of 2016 until the closing of the Annual General Meeting the previous Board of Directors consisted of Chairman Ari Lehtoranta, Vice Chairman Michael Rosenlew, and Markus Ehrnrooth, Anna Hyvönen, Eva Lindqvist and Ari Puheloinen as members.

More detailed information of Caverion's board members and their remuneration as well as board committees can be found in Corporate Governance Statement and Remuneration Statement which are published separately on Caverion's website www.caverion.com/Investors – Corporate Governance.

Auditors

The Annual General Meeting elected PricewaterhouseCoopers Oy, auditing firm, to audit the company's governance and accounts in 2016. The auditor with the main responsibility is Heikki Lassila, Authorised Public Accountant.

President and CEO

Caverion's Board of Directors nominates the President and CEO and decides on his/her remuneration and other terms of employment.

Caverion Corporation's President and CEO was Mr. Fredrik Strand from the beginning of 2016 until May 17, 2016. Mr. Sakari Toikkanen assumed the position of Interim President and CEO on May 17, 2016 and continued in this position until the end of the year.

Caverion announced on September 27, 2016 that the Board of Directors of Caverion Corporation had appointed Ari Lehtoranta (b. 1963), M.Sc. (Eng.), as the new President and CEO of Caverion Corporation. He assumed the new position on January 1, 2017.

Personnel

Personnel by division, end of period	12/2016	12/2015	Change
Finland	2,439	2,261	8%
Denmark-Norway	3,330	3,994	–17%
Sweden	3,172	3,359	–6%
Germany	2,452	2,463	–0%
Austria	811	772	5%
Eastern Europe	1,841	1,816	1%
Industrial Solutions	2,742	2,617	5%
Group Services	126	117	8%
Group, total	16,913	17,399	–3%

Caverion Group employed 17,381 (17,324) people on average in January–December 2016. At the end of December 2016, the Group employed 16,913 (17,399) people. Caverion Group employed approximately 1,200 summer trainees, apprentices and trainees in 2016. The figures in Norway include an adjustment to include apprentices in the total amount for 2015.

The personnel expenses for January–December 2016 amounted to a total of EUR 989.1 (978.2) million. Personnel expenses for 2016 include restructuring costs of EUR 21.1 million.

In 2016 the key focus area for human resources and people was to support the business in adjusting the organisation, management and resources to ensure future competitiveness. Capacity adjustments and cost reductions were made mainly through temporary layoffs and personnel reductions. The personnel reductions focused mainly on the divisions Sweden, Denmark-Norway and Germany as well as in Group Services. The total amount of jobs impacted by the restructuring actions in 2016 was 1,060. The full effect of the actions will be visible in 2017. More details about the restructuring actions have been described under "Restructuring actions".

New resources were needed in parallel to fulfil critical competence gaps and to grow trainees and apprenticeships. Resourcing was also affected by completed acquisitions, outsourcings and recruitments to substitute retiring employees. Leadership performance was reviewed throughout the organisation and many changes were completed. Several Group-wide projects were continued such as the design of a project management training portfolio, the launch of new short-term project and service business incentive plans to drive performance, the delivery of a common code of conduct e-learning program and the common leadership development program. The well-being was a focus area to support employees and line managers to perform well locally during challenging times. The group-wide safety actions progressed also well ahead.

One of the key targets of the Caverion human resource and safety management is to provide prerequisites for health and safe working circumstances for all employees to succeed well at their work. Occupational safety is measured using a common indicator (number of accidents per one million working hours). In 2016, Caverion managed to decrease the accident frequency rate to the level of 6.3 (1–12/2015: 8.3).

Major events after the end of reporting period

Caverion announced the following changes in Caverion's Group Management Board and organisation structure on January 9, 2017. The role of the Group level functions Services and Projects will be strengthened by increasing their areas of responsibility and they will be called business units going forward. With these changes Caverion strives to ensure the implementation of common practices throughout the Group. The divisions have an operative responsibility in countries but the global business units are responsible for development and harmonisation as well as supporting and following the results of operations. Thomas Hietto (born 1967, M.Sc.,Tech.) was appointed as the head of business unit Services and Jarno Hacklin (born 1978, B. Eng.) was appointed as the head of business unit Projects. Ville Tamminen (born 1974, LL.M, trained on the bench) was appointed as the head of Division Finland. Thomas Hietto, Jarno Hacklin and Ville Tamminen report to Ari Lehtoranta, President and CEO of Caverion Group and are also members of the Group Management Board.

A new Group function Legal & Governance will also be established in the company. The other Group functions are Finance, HR & People and Strategy & IT & Communications. Anne Viitala (born 1959, LL.M, trained on the bench, eMBA) was appointed as the head of new Group function Legal & Governance. Sakari Toikkanen continues as the head of Group function Strategy & IT & Communications, Merja Eskola as the head of Group function HR & People and Martti Ala-Härkönen as the head of Group function Finance. The heads of the Group level functions report to Ari Lehtoranta, President and CEO of Caverion Group and are also members of the Group Management Board.

The appointments took effect as of January 9, 2017, apart from the appointment of Thomas Hietto. He will start in his position on July 1, 2017. The business unit Services will be headed by Matti Malmberg until June 30, 2017.

Caverion provided preliminary financial information for 2016 and revised its guidance for 2016 on January 16, 2017. According to the new guidance preliminary Group revenue for 2016 amounted to approximately EUR 2,366 million (2015: EUR 2,443 million). Preliminary Group EBITDA excluding restructuring costs for 2016 amounted to approximately EUR 17 million (2015: EUR 91.5 million). The figures were unaudited.

Caverion announced on January 19, 2017 that Erkki Huusko (born 1957, B. Eng., eMBA) has been appointed as Head of Division Industrial Solutions and a member of the Group Management Board of Caverion Corporation as of January 19, 2017. Erkki Huusko has previously worked as Chief Operative Officer in the Division Industrial Solutions, meanwhile Juhani Pitkäkoski has had total responsibility of the division. Pitkäkoski will continue to work in the division during upcoming months and to support the completion of ongoing projects.

Caverion announced on February 3, 2017 that Caverion Suomi Oy (Finland) has been served with a corporate fine claim amounting to a minimum of EUR 300,000 in connection with sponsorship of equestrian sports in Finland. In addition, a charge has been brought against Jarno Hacklin, a member of Caverion's Group Management Board. YIT Kiinteistötekniikka Oy, currently Caverion Suomi Oy, sponsored equestrian sports during the years in question, 2007 to 2012, with a total amount of approximately 65,000 euros. The same object was sponsored by many other companies apart from Caverion. The Finnish National Bureau of Investigation has investigated this sponsoring by different companies, suspecting it to have been bribes. In addition to Mr. Hacklin a charge has also been brought against another person working in operative tasks. Caverion Suomi Oy contests the claim and both accused persons deny the guilt. Caverion has carried out an internal investigation into the matter, and based on the results, both persons have the confidence of the company and continue in their current roles in Caverion.

Most significant business risks and risk management

Caverion's business involves a number of strategic, operational, financial and event risks. Risk management is an integral part of the Group's management, monitoring and reporting systems.

From a strategic point of view Caverion has developed its business mix to be more stable and balanced, in order to handle changing economic cycles. Regular monitoring and analysis make it possible to react quickly to changes in the operating environment and to capitalise on new business opportunities. The company has an extensive customer base, comprised of customers of various sizes from the public as well as private sector.

The Group's target is to grow both organically and through acquisitions. Risks associated with acquisitions and outsourcing are managed by selecting projects according to strict criteria and effective integration processes which familiarise new employees with Caverion's values, operating methods and strategy. The Group has a uniform process and guidelines for the implementation of acquisitions.

Caverion's typical operational risks include risks related to tenders, service agreements, project management and personnel. With regard to various projects, it is important to act selectively, taking into account the risks and profitability of the projects, and to review the content, risks and terms and conditions of all contracts and agreements in accordance with specified processes. Inefficient and unsuccessful project management may have a material effect on Caverion's ability to offer high-quality and profitable services, which may have an unfavourable effect on Caverion's business, business performance and financial position. As the business mix is changing in line with strategy the share of long-term contracts is expected to increase proportionally. This may increase the contractual risks in long-term contracts.

Group companies are engaged in legal proceedings which are connected to ordinary business operations. The outcomes of the proceedings are difficult to predict, but if a case is deemed to require a provision that has been made on the basis of a best estimate.

The investigation of violations of competition law related regulations in the technical services industry in Germany continues. As part of the investigation German authorities have searched information from various technical services providers, including Caverion. Caverion co-operates with the local authorities. Based on the currently available information, it is still not possible to evaluate the magnitude of the potential risk for Caverion related to these issues. The timing of the closing of the investigations is also unknown. It is possible that the costs, sanctions and indemnities can be material.

As part of this co-operation Caverion has identified activities during 2009–2011 that are likely to fulfil the criteria of corruption or other criminal commitment in one of its client project executed in that time. Caverion has brought its findings to the attention of the authorities and supports them to further investigate the case. It is possible that these infringements will cause considerable damage to Caverion in terms of fines, civil claims as well as legal expenses. However, the magnitude of the potential damage cannot be assessed at the moment. Caverion is monitoring the situation and will disclose any relevant information as applicable under regulations.

Caverion has continued the roll-out of an annual, group-wide compliance e-learning programme during 2016 which all employees must complete as well as trained the division management on anti-bribery and other compliance matters. Also certain compliance-related policies have been reviewed and updated.

Caverion's business does not include significant environmental risks. Cooperation with its clients provides Caverion an important opportunity to influence the level of global carbon footprint. Caverion continuously develops its products and services to make it possible for its clients to decrease their environmental impacts. Caverion offers its customers a variety of energy efficiency services: for example, property energy inspections and analyses as well as energy-efficient building systems and modernisation adjustments. The carbon dioxide emissions of Caverion's own operations are mainly caused by the fuel consumption of its service vehicles. Caverion utilises logistics solutions which help to decrease greenhouse gas emissions in the transport of both goods and personnel.

The success of any company materially depends on the professional skills of the company's management and personnel, as well as on the ability of the company to retain its current management and personnel and, when necessary, to recruit new and skilled personnel. The majority of Caverion's business is labour-intensive, meaning that the availability and commitment of skilled employees is a prerequisite for organic growth and business success. The loss of executives or employees and the inability to attract qualified new personnel may have a material unfavourable effect on the company's business, result of operations and financial position.

The Group books write-offs or provisions on receivables when it is evident that no payment can be expected. Caverion Group follows a policy in valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collection, customer-specific collaterals and analyses as well as the general economic situation of the review period. Caverion completed several risk assessments related to POC and trade receivables in its project portfolio during 2016. These assessments led to project write-downs during 2016. Most of the write-downs related to POC receivables. A further review and risk assessment will be continued during 2017.

Goodwill recognized on Caverion's balance sheet is not amortised, but it is tested annually for any impairment. The amount by which the carrying amount of goodwill exceeds the recoverable amount is recognised as an impairment loss through profit and loss. If negative changes take place in Caverion's result and growth development, this may lead to an impairment of goodwill, which may have an unfavourable effect on Caverion's result of operations and shareholders' equity.

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. Breaching this covenant would give the lending parties the right to declare the loans to be immediately due and payable. Caverion and its lending parties confirmed the EBITDA calculation principles related to the Group's financial covenant (net debt to EBITDA) in December. The level of the financial covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

Financial risks are described in more detail in the Financial Statements note 30 and in financial tables to the Financial Statement Release under note 6.

Possible event risks include accidents related to personal or information security as well as sudden and unforeseen material damage to premises, project sites or other property resulting, for example, from fire, collapse or theft. Event risks are mitigated by insurances.

Authorisations

Share issue

The Annual General Meeting authorised Caverion's Board of Directors to decide on share issues. The authorisation may be used in full or in part by issuing a maximum of 25,000,000 Caverion shares in one or more issues. The share issues may be directed, that is, in deviation from the shareholders' pre-emptive rights, and shares may be issued for subscription against payment or without charge. A share issue may also be directed to the company itself, within the limitations laid down in the Limited Liability Companies Act.

The share issue authorisation also includes the authorisation to transfer own shares which are in the possession of company or may be acquired. This authorisation applies to a maximum of 12,500,000 company's own shares. The Board of Directors was authorised to decide on the purpose and the terms and conditions for such transfer. The authorisation is valid until March 31, 2017. The Board of Directors has not used the authorisation during 2016.

Repurchase of own shares

The Annual General Meeting of Caverion Corporation, held on March 21, 2016, authorised Caverion's Board of Directors to decide on the repurchase of own shares. The authorisation covers the repurchase of a maximum of 12,000,000 company´s own shares using the company's unrestricted equity, at fair value at the date of repurchase, which shall be the prevailing market price in the trading at the regulated market organized by Nasdaq Helsinki Ltd. The shares may be repurchased other than pro rata to the shareholders' existing holdings. The authorisation is valid for eighteen months from the date of the resolution of the Annual General Meeting. The Board of Directors has not used the authorisation during 2016.

Information about shares in Caverion Corporation

Updated lists of Caverion's largest shareholders and ownership structure by sector as per December 31, 2016, are available on Caverion's website at www.caverion.com/investors. The total combined holdings of the members of the Board of Directors, President and CEO and other members of the Group Management Board as per December 31, 2016, are presented in the notes to the financial statements.

Shares and share capital

Caverion Corporation has a single series of shares, and each share entitles its holder to one vote at the general meeting of the company and to an equal dividend. The company's shares have no nominal value. Caverion's articles of association neither have any redemption or consent clauses nor any provisions regarding the procedure of changing the articles. Caverion Corporation's share capital and the number of shares have not changed during the reporting period. Number of shares in Caverion Corporation was 125,596,092 and the share capital was EUR 1,000,000 at the end of the reporting period on December 31, 2016.

Shares held by the company, pledging, option rights

At the beginning of January 1, 2016, the number of shares was 125,596,092 and the share capital was EUR 1,000,000. Caverion held 512,091 treasury shares on January 1, 2016. During January–December 237 Caverion shares were returned to the company in accordance with the terms and conditions of the share-based incentive scheme of YIT Corporation. Caverion held 512,328 treasury shares at the end of December 2016. The number of shares outstanding was thus 125,083,764 on December 31, 2016. Own shares held by Caverion Corporation represent 0.41% of the total number of shares and voting rights.

Caverion's Board of Directors approved a long-term share-based incentive plan for the Group's senior management in December 2015 and continued the said plan in December 2016. The share based incentive plan consists of a Performance Share Plan (PSP) as the main structure supported by a Restricted Share Plan as a complementary structure for specific situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board. The first plans commenced at the beginning of 2016. The targets set for the first Performance Share Plan 2016–2018 were not met. No reward will therefore be paid to participants in the Performance Share Plan 2016–2018. The second plans commenced at the beginning of 2017 and any potential share rewards thereof will be delivered in the spring of 2020. If all targets will be met, the share rewards based on Performance Share Plan 2017–2019 will comprise a maximum of approximately 850,000 Caverion shares (gross before the deduction of applicable payroll tax). More information on the incentive plan was released in stock exchange releases on December 18, 2015 and December 21, 2016. Furthermore, more information on the earlier long-term share-based incentive plan 2014–2016 for the company's key senior executives has been released in a stock exchange release on May 26, 2014. The targets set for this plan were not met.

Caverion has not made any decision regarding the issue of option rights or other special rights entitling to shares. Caverion or its subsidiaries do not have any Caverion Corporation shares as a pledge.

Trading in shares

The opening price of Caverion's share was EUR 8.96 at the beginning of the year 2016. The closing rate on the last trading day of the review period on December 30 was EUR 7.92. The share price decreased by 12 percent during January–December. The highest price of the share during the review period January–December was EUR 9.38, the lowest was EUR 5.50 and the average price was EUR 6.86. Share turnover on Nasdaq Helsinki in January–December amounted to 63.8 million shares. The value of share turnover was EUR 437.8 million (source: Nasdaq Helsinki).

Caverion's shares are also traded in other market places, such as BATS Chi-X Europe, Turquoise, Aquis and Frankfurt Stock Exchange (Open Market). During January–December, 16.0 million Caverion Corporation shares changed hands in public alternative market places, corresponding to approximately 15.9 percent of the total share trade. Of the alternative market places, Caverion shares changed hands particularly in BATS Chi-X Europe. Furthermore, during January–December, 20.5 million Caverion Corporation shares changed hands in OTC trading outside Nasdaq Helsinki, corresponding to approximately 20.4 percent of the total share trade (source: Fidessa Fragmentation Index).

Caverion Corporation's market capitalisation at the end of the review period was EUR 990.7 million. Market capitalisation has been calculated excluding the 512,328 shares held by the company as per December 31, 2016.

Outlook for 2017

Guidance for 2017

Caverion estimates that the Group's revenue will remain at the previous year's level in 2017 (2016: EUR 2,364 million). Caverion estimates that the Group's EBITDA excluding restructuring costs will more than double in 2017 (2016: EUR 15.6 million).

In its guidance Caverion applies the following guidance terminology, with a +/– 2pp (percentage point) threshold to the said limits.

Positive change	Lower limit %	Upper limit %
At last year's level	–5%	5%
Grows	5%	15%
Grows clearly	15%	30%
Grows significantly	30%	100%
Doubles	100%	

Negative change	Lower limit %	Upper limit %
Decreases	–15%	–5%
Decreases clearly	–30%	–15%
Decreases significantly		–30%

Market outlook for Caverion's services and solutions

The megatrends in the industry, such as the increase of technology in buildings, energy efficiency requirements, increasing digitalisation and automation as well as urbanisation continue to promote demand for Caverion's services and solutions over the coming years.

Projects

The Technical Installation and Large Projects markets are expected to remain on a good and stable level, however price competition is expected to remain 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. Low interest rates and availability of financing are expected to support investments. 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 sector is expected to continue. Requirements for increased energy efficiency, better indoor conditions and tightening environmental legislation will be significant factors supporting the positive market development.

Services

The underlying demand for Technical Maintenance and Managed Services is expected to remain strong. As technology in buildings increases, the need for new services and the demand for Life Cycle Solutions are expected to increase. Clients' tendency towards focusing on their core operations continues to open opportunities for Caverion in terms of outsourced operations and maintenance especially for public authorities, industries and utilities.

Consolidated income statement

EUR million	Note	1.1.–31.12.2016	1.1.–31.12.2015
Revenue	2, 35	**2,364.1**	**2,443.0**
Other operating income	4	1.9	3.3
Materials and supplies		–648.2	–663.8
External services		–450.8	–426.9
Employee benefit expenses	7	–989.1	–978.2
Other operating expenses	5	–289.2	–286.0
Share of results in associated companies	15	–0.1	0.0
Depreciation, amortisation and impairment	6	–29.5	–26.5
Operating profit		**–40.8**	**65.0**
Financial income		1.2	0.8
Exchange rate differences (net)		0.2	0.0
Financial expenses		–4.1	–4.6
Financial income and expenses	9	–2.6	–3.7
Profit before taxes		**–43.5**	**61.3**
Income taxes	10	11.8	–14.7
Net profit for the financial year		**–31.7**	**46.6**
Attributable to:			
Owners of the parent		–31.7	46.6
Non-controlling interests		0.0	0.0
Earnings per share for profit attributable to owners of the parent:			
Earnings per share, basic, EUR	11	–0.25	0.37
Earnings per share, diluted, EUR		–0.25	0.37

The notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

EUR million	Note	1.1.–31.12.2016	1.1.–31.12.2015
Profit for the period		**–31.7**	**46.6**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in the fair value of defined benefit pension		–4.2	4.4
– Deferred tax		1.3	0.4
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedging	30		–0.3
– Deferred tax			
Change in fair value of available-for-sale assets	16	0.0	0.2
– Deferred tax			
Translation differences		1.0	–4.8
Other comprehensive income, total		**–1.9**	**–0.1**
Total comprehensive income		**–33.6**	**46.5**
Attributable to:			
Owners of the parent		–33.6	46.5
Non-controlling interests		0.0	0.0

The notes are an integral part of the consolidated financial statements.

Consolidated statement of financial position

EUR million	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment	12, 35	28.3	27.4
Goodwill	13, 14, 35	339.8	335.7
Other intangible assets	13, 35	53.0	47.5
Investments in associated companies	15	0.1	0.2
Available-for-sale financial assets	16	1.2	1.4
Receivables	17	3.3	2.6
Deferred tax assets	18	10.6	1.8*
Total non-current assets		**436.4**	**416.6**
Current assets			
Inventories	19	30.7	25.4
Trade receivables	20	378.2	351.7
POC receivables		244.4	254.0*
Other receivables		40.4	41.3
Income tax receivables		6.4	0.6
Cash and cash equivalents	21	47.7	68.1
Total current assets		**747.9**	**741.2**
TOTAL ASSETS		**1,184.3**	**1,157.7**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	22		
Share capital		1.0	1.0
Legal reserve		0.0	0.0
Other reserves		0.0	0.0
Treasury shares		–3.2	–3.2
Translation differences		–5.5	–6.5
Fair value reserve		–0.7	–0.7
Retained earnings		193.1	262.9*
		184.6	253.4*
Non-controlling interests		0.4	0.4
Total equity		**185.0**	**253.7**
Non-current liabilities			
Deferred tax liabilities	18	51.1	58.3
Pension obligations	24	45.4	42.5*
Provisions	25	7.1	9.0
Interest-bearing debts	26	127.6	75.2
Other liabilities	27	0.6	0.4
Total non-current liabilities		**231.7**	**185.5**
Current liabilities			
Trade payables	27	214.1	232.2
Advances received		192.5	195.3
Other payables		258.7	242.6
Income tax liabilities		6.5	8.1
Provisions	25	30.1	17.7
Interest-bearing debts	26	65.7	22.7
Total current liabilities		**767.6**	**718.5**
Total liabilities		**999.3**	**904.0**
TOTAL EQUITY AND LIABILITIES		**1,184.3**	**1,157.7**

The notes are an integral part of the consolidated financial statements.
* Items in Consolidated statement of financial position have been corrected to reflect prior period adjustments made in 2016.

Consolidated statement of cash flows

EUR million	Note	1.1.–31.12.2016	1.1.–31.12.2015
Cash flow from operating activities			
Net profit for the financial year		–31.7	46.6
Adjustments for:			
Depreciation, amortisation and impairment		29.5	26.5
Reversal of accrual-based items		12.1	0.0
Financial income and expenses		2.6	3.7
Gains on the sale of tangible and intangible assets		0.3	–0.1
Taxes		–11.8	14.7
Total adjustments		32.8	44.8
Change in working capital:			
Change in trade and other receivables		–12.5	–52.2
Change in inventories		–2.9	–5.1
Change in trade and other payables		–8.2	51.7
Total change in working capital		**–23.5**	**–5.6**
Operating cash flow before financial and tax items		**–22.4**	**85.8**
Interest paid		–3.9	–4.5
Other financial items, net		0.6	–0.6
Interest received		1.0	0.7
Dividends received		0.0	0.0
Taxes paid		–12.4	–9.9
Net cash generated from operating activities		**–37.0**	**71.6**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash		–4.2	0.8
Disposals of subsidiaries, net of cash		0.0	–0.2
Purchases of property, plant and equipment	12	–10.3	–8.8
Purchases of intangible assets	13	–23.5	–15.5
Decreases in other investments		0.1	0.0
Proceeds from sale of tangible and intangible assets		0.3	1.6
Proceeds from sale of available-for-sale financial assets		0.2	0.0
Net cash used in investing activities		**–37.4**	**–22.1**
Cash flow from financing activities			
Proceeds from borrowings	26	80.0	100.0
Repayment of borrowings	26	–24.9	–150.5
Change in current liabilities, net	26	34.6	–0.7
Repayment of finance lease debts	26	–3.7	–0.9
Proceeds from finance lease debts	26	2.8	0.0
Purchase of own shares	22	0.0	0.0
Dividends paid		–35.1	–27.6
Net cash used in financing activities		**53.8**	**–79.6**
Net change in cash and cash equivalents		**–20.6**	**–30.0**
Cash and cash equivalents at the beginning of the financial year		68.1	98.8
Foreign exchange rate effect on cash and cash equivalents		0.2	–0.6
Cash and cash equivalents at the end of the financial year	21	**47.7**	**68.1**

The notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

		Attributable to owners of the parent							
EUR million	**Note**	**Share capital**	**Retained earnings**	**Translation differences**	**Fair value reserve**	**Treasury shares**	**Total**	**Non-controlling interests**	**Total equity**
Equity January 1, 2016		**1.0**	**262.8**	**–6.5**	**–0.7**	**–3.2**	**253.4**	**0.4**	**253.7**
Comprehensive income 1–12/2016									
Profit for the period			–31.7				–31.7	0.0	–31.7
Other comprehensive income:									
Change in fair value of defined benefit pension			–4.2				–4.2		–4.2
– Deferred tax			1.3				1.3		1.3
Cash flow hedges	30						0.0		0.0
– Deferred tax									
Change in fair value of available for sale financial assets	16				0.0		0.0		0.0
– Deferred tax									
Translation differences				1.0			1.0		1.0
Comprehensive income 1–12/2016, total			–34.6	1.0	0.0		–33.6		–33.6
Transactions with owners									
Dividend distribution			–35.1				–35.1		–35.1
Purchase of own shares	22								
Share-based payments	23		0.0			0.0	0.0		0.0
Transactions with owners, total			–35.1			0.0	–35.1		–35.1
Disposal of subsidiaries				0.0			0.0		0.0
Equity on December 31, 2016		**1.0**	**193.1**	**–5.5**	**–0.7**	**–3.2**	**184.7**	**0.4**	**185.0**

EUR million	Note	Attributable to owners of the parent Share capital	Retained earnings	Translation differences	Fair value reserve	Treasury shares	Total	Non-controlling interests	Total equity
Equity January 1, 2015		**1.0**	**241.7**	**–1.8**	**–0.6**	**–3.2**	**237.2**	**0.6**	**237.8**
Correction of prior period error *			–2.9				–2.9		–2.9
Equity on January 1, 2015 after correction			**238.8**				**234.2**		**234.8**
Comprehensive income 1–12/2015									
Profit for the period			46.6				46.6		46.6
Other comprehensive income:									
Change in fair value of defined benefit pension			4.4				4.4		4.4
– Deferred tax			0.4				0.4		0.4
Cash flow hedges	30				–0.3		–0.3		–0.3
– Deferred tax									
Change in fair value of available for sale financial assets	16				0.2		0.2		0.2
– Deferred tax									
Translation differences				–4.8			–4.8		–4.8
Comprehensive income 1–12/2015, total			51.4	–4.8	–0.1		46.5		46.5
Transactions with owners									
Dividend distribution			–27.5				–27.5		–27.5
Purchase of own shares	22								
Share-based payments	23		0.2			0.0	0.2		0.2
Transactions with owners, total			–27.3			0.0	–27.3		–27.3
Disposal of subsidiaries				0.0			0.0	–0.3	–0.2
Equity on December 31, 2015		**1.0**	**262.9**	**–6.5**	**–0.7**	**–3.2**	**253.4**	**0.4**	**253.7**

* In 2016 financial statements two prior period errors were corrected. One relates to an old acquisition, in which a significant pension liability was missing from net assets of the acquired company. The other one is an old revenue recognition error, which resulted to too high POC-receivables. Both errors have been corrected to comparative period's opening balance according to IAS 8. The impact of corrections to 2015 opening balance was following: Retained earnings decreased by EUR 2.9 million, POC-receivables decreased by EUR 1.8 million, pension liability increased by EUR 2.0 million and deferred tax assets increased by EUR 0.8 million.

The notes are an integral part of the consolidated financial statements

Key figures

Consolidated income statement, Jan 1–Dec 31	2016	2015	2014
Revenue, EUR million	2,364.1	2,443.0	2,406.6
EBITDA, EUR million	–11.4	91.5	67.5
EBITDA margin, %	–0.5	3.7	2.8
EBITDA excluding restructuring costs, EUR million	15.6,[1]	–	–
EBITDA margin excluding restructuring costs, %	0.7,[1]	–	–
Operating profit, EUR million	–40.8	65.0	44.2
Operating profit margin, %	–1.7	2.7	1.8
Profit before taxes, EUR million	–43.5	61.3	36.5
% of revenue	–1.8	2.5	1.5
Profit for the period, EUR million	–31.7	46.6	27.6
% of revenue	–1.3	1.9	1.1

Consolidated statement of financial position, EUR million	31.12.2016	31.12.2015	31.12.2014
Total assets	1,184.3	1,157.7 [2]	1,133.5 [2]
Working capital	–2.6	–15.4 [2]	–21.1 [2]
Interest-bearing net debt	145.5	29.8	50.2

Key ratios and other data	2016	2015	2014
Equity ratio, %	18.7	26.4 [2]	24.4 [2]
Gearing ratio, %	78.7	11.7 [2]	21.4 [2]
Return on equity, %	–14.5 [2]	19.0 [2]	11.4 [2]
Operating cash flow before financial and tax items, EUR million	–22.4	85.8	113.5
Order backlog, EUR million	1,408.1	1,461.4	1,323.6
Personnel, average for the period	17,381	17,324	17,490
Personnel at the end of the period	16,913	17,399	17,355

Share-related key figures, Jan 1–Dec 31.	2016	2015	2014
Earnings per share, basic, EUR	–0.25	0.37	0.22
Earnings per share, diluted, EUR	–0.25	0.37	0.22
Equity per share, EUR	1.5	2.0	1.9
Dividend per share, EUR	0.00 [3]	0.28	0.22
Dividend per earnings, %	0.0 [3]	75.2	100.1
Effective dividend yield, %	0.0 [3]	3.1	3.3
Price per earnings (P/E ratio)	–31.2	24.2	30.3
Share price trend			
Share price on Dec 31, EUR	7.92	9.03	6.65
Low, EUR	5.50	6.67	5.37
High, EUR	9.38	9.69	8.92
Average, EUR	6.86	8.69	7.03
Share capitalization on Dec 31, EUR million	990.7	1,129.5	831.8
Share turnover trend			
Share turnover, thousands	63,831	36,439	50,953
Share turnover, %	51.0	29.1	40.6
Number of shares outstanding at the end of period, thousands	125,084	125,084	125,087
Weighted average number of shares, thousands	125,084	125,085	125,381
Weighted average number of shares, dilution adjusted, thousands	125,084	125,085	125,381

[1] Comparatives cannot be calculated as restructuring costs have not been reported separately in 2015 and 2014
[2] Key figures have been corrected to reflect prior period adjustments made in 2016
[3] Board of Directors' proposal

Calculation of key figures

EBITDA =	Operating profit (EBIT) + depreciation, amortisation and impairment
EBITDA excluding restructuring costs =	Operating profit(EBIT) + depreciation, amortisarion and impairment + restructuring costs
Working capital =	Inventories + trade and POC receivables + other current receivables – trade and POC payables – other current payables – advances received – current provisions
Interest-bearing net debt =	Interest-bearing liabilities – cash and cash equivalents
Equity ratio (%) =	Equity + non-controlling interest × 100 / Total assets – advances received
Gearing ratio (%) =	Interest-bearing liabilities – cash and cash equivalents × 100 / Shareholder's equity + non-controlling interest
Return on equity (%) =	Net profit for the period × 100 / Total equity (average of the figures for the accounting period)
Average number of employees =	The average number of employees at the end of each calendar month during the accounting period
Earnings / share, basic =	Net profit for the period (attributable for equity holders) / Weighted average number of shares outstanding during the period
Earnings / share, diluted =	Net profit for the period (attributable for equity holders) / Weighted average number of shares, dilution adjusted
Equity per share =	Shareholders' equity / Share issue-adjusted number of outstanding shares at the end of period
Dividend per share =	Dividend per share for the period / Adjustment ratios of share issues during the period and afterwards
Dividend per earnings (%) =	Dividend per share × 100 / Earnings per share
Effective dividend yield (%) =	Dividend per share × 100 / Share price on December 31
Price/earnings ratio (P/E ratio) =	Share price on December 31 / Earnings per share
Average price =	Total EUR value of all shares traded / Average number of all shares traded during the accounting period
Market capitalisation =	(Number of shares – treasury shares) × share price on the closing date
Share turnover =	Number of shares traded during the accounting period
Share turnover (%) =	Number of shares traded × 100 / Average number of outstanding shares

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Caverion Corporation (the "Parent company" or the "Company") with its subsidiaries (together, "Caverion" or "Caverion Group") is a service company in building systems, construction services and services for industry. Caverion designs, builds, operates and maintains user-friendly and energy-efficient technical solutions for buildings and industries throughout the life cycle of the property. Caverion's services are used in offices and retail properties, housing, public premises, industrial plants and infrastructure, among other places.

Caverion Corporation is domiciled in Helsinki, and its registered address is Panuntie 11, 00620 Helsinki, Finland. The company's shares are listed on the NASDAQ OMX Helsinki Ltd as of July 1, 2013. The copies of the consolidated financial statements are available at www.caverion.com or at the parent company's head office, Panuntie 11, 00620 Helsinki.

On June 30, 2013, the partial demerger of Building Systems business (the "demerger") of YIT Corporation became effective. At this date, all of the assets and liabilities directly related to Building Systems business were transferred to Caverion Corporation, a new company established in the partial demerger.

These consolidated financial statements were authorised for issue by the Board of Directors on February 6, 2017 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

The consolidated financial statements have been prepared in accordance with the basis of preparation and accounting policies set out below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Caverion Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union observing the standards and interpretations effective on December 31, 2016. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and corporate legislation complementing the IFRS regulation.

The figures in these consolidated financial statements are presented in million euros, unless stated otherwise. Rounding differences may occur.

Caverion Group's consolidated financial statements for the financial year ended 2016 have been prepared under the historical cost convention, except for available-for-sale investments, financial assets and liabilities at fair value through profit and loss and derivative instruments at fair value. Equity-settled share-based payments are measured at fair value at the grant date.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed under "Critical accounting estimates and judgements" below.

New and amended standards adopted by the Group

New and amended standards or interpretations haven't had any material effect on the consolidated financial statements.

Caverion Group's accounting principles

Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The total consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Caverion Group. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's assets.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Associated companies

The consolidated financial statements include associated companies in which the Group either holds 20%–50% of the voting rights or in which the Group otherwise has significant influence but not control. Investments in associated companies are accounted for using the equity method of accounting. Investments in associates are initially recorded at cost, and the carrying amount is increased or decreased to recognise the Caverion's share of the profit or loss of the associates after the date of the acquisition. The Group determines at each reporting date whether there is any objective that the investment in the associate is impaired.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When Group's share of losses in an associate exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated in to the extent of the Group's interest in each associate.

Transactions with non-controlling interests

The Group accounts transactions with non-controlling interests that do not result in loss of control as equity transactions. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any remaining interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognised through profit and loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if realised and recognised in the income statement. If the interest is reduced but control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are booked to non-controlling interest in equity.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and exercise judgement in the application of the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Accounting estimates and judgements are commented in more detail in connection with each item.

- Goodwill (Impairment of tangible and intangible assets)
- Long-term contracts
- Income taxes
- Provisions
- Employee benefit obligations
- Trade receivables (loans and other receivables)

Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in euros, which is the Group's presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction or valuation, where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income and expenses". All other foreign exchange gains and losses are presented in the income statement above operating profit. Non-monetary items are mainly measured at the exchange rates prevailing on the date of the transaction date.

Translation of the financial statements of foreign Group companies

The income statements of foreign Group companies are translated into euro using the average exchange rate for the reporting period. The balance sheets are translated at the closing rate at the date of that balance sheet. Translating the result for the period using different exchange rates in the income statement and balance sheet results in a translation difference, which is recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income. When a foreign subsidiary is disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Caverion Group applies exchange rates published by the European Central Bank in the consolidated financial statements. Exchange rates used:

		Income statement January–December 2016	Income statement January–December 2015	Statement of financial position December 31, 2016	Statement of financial position December 31, 2015
1 EUR =	CZK	27.0342	27.2831	27.0210	27.0230
	DKK	7.4453	7.4587	7.4344	7.4626
	NOK	9.2911	8.9444	9.0863	9.6030
	PLN	4.3635	4.1828	4.4103	4.2639
	RUB	74.1467	67.9899	64.3000	80.6736
	SEK	9.4676	9.3535	9.5525	9.1895

Operating segments

The profitability of Caverion Group has been presented as a single entity as from January 1, 2014 onwards. The chief operating decision-maker of Caverion is the Board of Directors. Due to the management structure of Caverion, the nature of its operations and its business areas, the Group is the relevant reportable operating segment.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost over their estimated useful lives as follows.

Buildings	40 years
Office equipment and furniture	5 years
Computers and computer supplies	3–5 years
Other tangible assets	10–40 years

The residual values and useful lives of assets are re viewed at the end of each reporting period. If necessary, they are adjusted to reflect the changes in expected economic benefits. Capital gains or losses on the disposal of property, plant and equipment are included in other operating income or expenses.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets of the acquiree and the fair value of the non-controlling interest in the acquiree on the date of acquisition. The net identifiable assets include the assets acquired and the liabilities assumed as well as the contingent liabilities. The consideration transferred is measured at fair value.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is measured at the original acquisition cost less impairment. Impairment is expensed immediately in the income statement and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed of.

Other intangible assets

An intangible asset is initially recognised in the balance sheet at acquisition cost when the acquisition cost can be reliably determined and the economic benefits are expected to flow from the asset to the Group. Intangible assets with a known or estimated limited useful life are expensed in the income statement on a straight-line basis over their useful life.

Other intangible assets acquired in connection with business acquisitions are recognised separately from goodwill if they meet the definition of an asset: they are separable or are based on contractual or other legal rights. Intangible assets recognised in connection with business acquisitions include e.g. the value of customer agreements and associated customer relationships, prohibition of competition agreements, and the value of acquired technology and industry-related process competence. The value of customer agreements and associated customer relationships and industry-related process competence is determined using the cash flows estimated according to the durability and duration of the assumed customer relations.

The amortisation periods of other intangible assets are as follows:

Customer relations and contract bases	3–5 years
Unpatented technology	3–5 years
Computer software and other items	2–5 years
Prohibition of competition	2–3 years

Research and development expenditure

Research expenditure is expensed in the income statement as incurred. Expenditure on the design of new or more advanced products is capitalised as intangible assets in the balance sheet as from the date when the product is technically feasible, can be utilised commercially and is expected to provide future financial benefits. Capitalised development expenditure is amortised over the useful life. Amortisation begins when the asset is available for use. Assets that are not yet available for use are tested annually for impairment. Development expenses from which no economic benefits are expected to flow to the Caverion Group are expensed in the income statement.

Impairment of tangible and intangible assets

At each closing date, Group evaluates whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of said asset is estimated. In addition, the recoverable amount is assessed annually for each of the following assets regardless of whether there is any indication of impairment: goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use. The need for impairment is assessed at the level of cash-generating units.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the value in use. The value in use is determined based on the discounted future net cash flows estimated to be recoverable from the assets in question or cash-generating units. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is recognised immediately in the income statement and is initially allocated to the goodwill allocated to the cash-generating unit and thereafter to other assets pro rata on the basis of their carrying amounts. An impairment loss is reversed when the circumstances change and the amount recoverable from the asset has changed since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years.

Goodwill is tested for any impairment annually in accordance with the accounting policy stated in note 13. Impairment losses on goodwill are never reversed. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The cash flows in the value-in-use calculations are based on the management's best estimate of market development for the subsequent years. The discount rate may be increased with a branch specific risk factor.

The recoverable amounts have been assessed in relation to different time periods and the sensitivity has been analysed for the changes of the discount rate, profitability and in the increase of the residual value. In 2016 and 2015, the goodwill testing did not result any impairment losses. As at December 31, 2016 and 2015 the goodwill of Caverion Group amounted to EUR 339.8 million and EUR 335.7 million, respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. The acquisition cost of materials and supplies is determined using the weighted average cost formula. The acquisition cost of work in progress comprises the value of materials, direct costs of labour, other direct costs and a systematic allocation of the variable manufacturing overheads and fixed overhead. The net realisable value is the estimated selling price in an orderly transaction less the estimated cost of completion and the estimated cost to make the sale.

Leases

Group as lessee

Leases concerning assets in which the Caverion Group holds a significant portion of the risks and rewards of ownership are classified as financial leases. A financial lease is recognised in the balance sheet at the lease's commencement at the lower of the fair value of the leased asset and the present value of minimum lease payments. Assets acquired under financial leases are depreciated over the shorter of the useful life of the asset and the lease term. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to income statement over the lease period so as to procure a constant periodic rate of interest on the remaining balance of the liability for each period. The liabilities arising from financial leases are included in the financial liabilities.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are treated as operating leases. Payments made under operating leases (net of any incentives received) are expensed in the income statement on a straight-line basis over the period of the lease.

Employee benefits

Pension liabilities

The Caverion Group has several different pension schemes both defined benefit and defined contribution pension plans, in accordance with local regulations and practices in countries where it operates.

Contributions to defined contribution pension plans are recognised in the income statement in the financial period during which the charge is due. The Caverion Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The Group has defined benefit pension plans in Norway, Austria, Germany and Finland. Obligations connected with the Group's defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The discount rate used in calculating the present value of the pension obligation is the market rate of high-quality corporate bonds. The maturity of the bonds used to determine the reference rate substantially corresponds to the maturity of the related pension obligation. In defined benefit plans, the pension liability recognised on the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. Pension expenditure is expensed in the income statement, allocating the costs over the employment term of the employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement.

Occupational pensions in Sweden have been insured under a pension scheme shared with numerous employers. It has not been possible to acquire sufficient information on these pension obligation for allocating the liabilities and assets by employers. Occupational pensions in Sweden have been treated on a defined contribution basis.

The present value of pension obligations depends on various factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Changes in the assumptions rate have an effect on the carrying amount of pension obligation. The discount rate used is the market rate of high-quality corporate bonds or the interest rate of treasury notes for the currency in which the benefits will be realised. The maturity of the instruments used to determine the reference rate used corresponds substantially to the maturity of the related pension obligation. Other assumptions are based on actuarial statistics and prevailing market conditions. As at December 31, 2016 and 2015 the pension liabilities amounted to EUR 45,4 million and EUR 42,5 million.

Share-based payments

The Group has a long-term share-based incentive plan for the company's key senior executives. The performance share plan forms a part of the incentive and commitment programme for the executives of Caverion Group. The plan consists of one three-year performance period in 2014–2016. It is followed by a one-year vesting period, after which the potential rewards will be paid in spring 2018. A person participating in the plan has the possibility to earn a reward only if his/her employment continues until the payment of the reward. The potential reward is based on the targets set for Group revenue and EBITDA margin until the end of 2016. The reward is to be paid in Caverion shares and as cash payment, which is intended to cover the taxes and tax-related costs arising from the reward.

A new long-term share-based incentive plan for the Group's senior management was started in 2016. The new plan consists of a Performance Share Plan, complemented with a Restricted Share Plan for special situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board.

The first plans will commence at the beginning of 2016 and any potential share rewards thereof will be delivered in the spring of 2019. The three-year plan period consists of a one-year operative financial performance period, followed by a two-year share price performance period. The potential share reward is based on the targets set for the year 2016 for Group revenue growth and Earnings per Share.

The Performance Share Plan contains a maximum value for the share reward payable to an individual participant. If the value of the share reward would at the time of payment exceed a maximum value set by the Board, the exceeding portion of the reward will not be paid. A person participating in the plan has the possibility to earn a share reward only if his/her employment continues until the payment of the reward.

Share allocations within the Restricted Share Plan 2016–2018 will be made for individually selected key employees in special situations. Under the complementary Restricted Share Plan each individual plan consists of a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Caverion continues until the delivery of the share reward.

The equity-settled share-based payments are valued based on the market price of Caverion share as of the grant date and are recognised as an employee benefit expense over the vesting period with corresponding entry in the equity. The liability resulting from the cash-settled share-based transactions is measured based on the market price of Caverion share as of the balance sheet date and accrued as an employee benefit expense with corresponding entry in the current liabilities until the settlement date.

See note 23 for more information on share-based payments.

Termination benefits

Termination benefits are payable when employment is terminated by the Caverion Group before normal retirement. The Caverion Group recognises termination benefits when it is committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. In addition, benefits that the Caverion Group has offered in connection with terminations to encourage voluntary redundancy are expensed. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. Other possible liabilities arising from the termination of employees in different jurisdictions are assessed at the closing date and recognised as an expense and liability.

Provisions

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a past event, the realisation of the payment obligation is probable and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditure required to settle the obligation. If reimbursement for some or all of the obligations can be received from a third party, the reimbursement is recorded as a separate asset, but only when it is practically certain that said reimbursement will be received. Provisions are recognised for onerous contracts when the obligatory expenditure required to meet obligations exceeds the economic benefits expected to be received from the contract. The amount of the warranty provision is set on the basis of experience of the realisation of these commitments. Provisions for restructuring are recognised when the Caverion Group has made a detailed restructuring plan and initiated the implementation of the plan or has communicated about it. Provisions are not recognised for the continuing operations of the Caverion Group

The recognition of provisions involves estimates concerning probability and quantity. Provisions are recognised for onerous contracts when the unavoidable costs required to meet obligations exceeds the benefits expected to be received under the contract. The amount of the warranty provision is set on the basis of experience of the realisation of these commitments. As at December 31, 2016 and 2015 the provisions amounted to EUR 37.2 million and EUR 26.7 million.

Income taxes

Tax expenses in the income statement comprise current and deferred taxes. Taxes are recognised in the income statement except when they are associated with items recognised in other comprehensive income or directly in shareholders' equity. Current taxes are calculated on the taxable income on the basis of the tax rate stipulated for each country by the balance sheet date. Taxes are adjusted for the taxes of previous financial periods, if applicable. The management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The tax provisions recognised in such situations are based on evaluations by the management.

Deferred taxes are calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be reverse in the foreseeable future. Deferred taxes have been calculated using the statutory tax rates or the tax rates substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. The most significant temporary differences arise from differences between the recognised revenue from long-term contracts using the percentage of completion method and taxable income, depreciation differences relating to property, plant and equipment, defined benefit pension plans, provisions deductible at a later date, measurement at fair value in connection with business combinations and unused tax losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group is subject to income taxes in several countries. Evaluating the total amount of income taxes at the Group level requires significant judgement, so the amount of total tax includes uncertainty. As at December 31, 2016 and 2015 the deferred taxes net liability amounted to EUR 40.5 million and EUR 56.4 million.

Financial assets

Classification and measurement

The financial assets are classified at initial recognition into the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the basis of the purpose for which they have been acquired.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets or derivatives held for trading that do not meet the criteria for hedge accounting. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives and other financial assets at fair value through profit and loss are initially measured at fair value, and transaction costs are expensed in the income statement. Subsequent to initial recognition, they are measured at fair value. Assets in this category are classified as non-current assets (Receivables) if expected to be settled after and current assets (Trade and other receivables) if expected to be settled within 12 months.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current. These assets are initially recognised at fair value, and transaction costs are expensed in the income statement. Subsequent to initial recognition, they are carried at amortised cost using the effective interest rate method less any impairment. The group's loans and receivables comprise loans receivables, trade receivables, cash and cash equivalents and other receivables.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less, they are classified as current. If not, they are presented as non-current.

The Group recognises an impairment loss on receivables when there is objective evidence that payment is not expected to occur. Caverion Group follows the measurement principle of trade receivables in divisions when recognising an impairment loss. Recognised impairment loss includes estimates and critical judgements. The estimates are based on historical credit losses, past practice of credit management, client specific analysis and economic conditions at the assessment date. As at December 31, 2016 and 2015 trade receivables amounted to EUR 378.2 million and EUR 351.7 million.

Cash and cash equivalents include cash in hand, bank deposits withdrawable on demand and liquid short-term investments with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These assets are initially recognised at fair value, plus any transaction costs. Subsequent to initial recognition, they are carried at fair value. They are non-current financial assets as Group intends not to dispose of them within the 12 months.

Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date which is the date on which the Caverion Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Caverion Group has transferred substantially all risk and rewards of ownership.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within finance income and expenses in the period in which they arise. Interest income from loans and receivables are presented in the income statement within finance income in the period in which they arise. Dividend income from financial assets is recognised in the income statement as part of financial income when the Caverion Group's right to receive payments is established.

Changes in the fair value of available for sale investments are recognised in other comprehensive income and are presented in the fair value reserves under shareholders' equity, net of tax. When investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement within financial income or expenses.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised costs

The Caverion Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset ("a loss event"). That loss event must impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired includes: default or delinquency in interest or principal payments, significant financial difficulty, restructuring of an amount due to the Caverion Group, indications that a debtor will enter bankruptcy or other financial reorganisation, observable data indicating that there is measurable decrease in expected cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement within other operating expenses and reflected in an allowance account. The Caverion Group considers evidence of impairment at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

According to the Group's policy for trade receivables, a loss of 50% is recognized in from all unsecured and doubtful receivables that are overdue more than 180 days and loss of 100% when receivables are overdue more than 360 days. Due to the application of the percentage of completion method, part of a reliably estimated impairment losses are included in the cost estimate of the project and considered as weakened margin forecast. Therefore impairment losses of trade receivables in onerous projects are included in the loss reserve.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement.

Assets classified as available for sale

For investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised initially in the income statement on investments are not reversed through the income statement.

Financial liabilities

Borrowings are recorded on the settlement date and initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost and any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Other borrowing costs are expensed in the period during which they are incurred. Fees paid on the establishment of loan facilities are recognised as expenses over the period of the facility to which it relates. Borrowings are derecognised when its contractual obligations are discharged or cancelled, or expire.

Borrowings are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the Caverion Group becomes party to an agreement and are subsequently re-measured at their fair value. Directly attributable transaction costs are recognised in the income statement. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currency forward contracts are used for hedging against the currency exposure of exchange rates and resulting changes in fair value are included in operating profit or financial income and expenses based on their nature in the financial period in which they were incurred. Interest rate swaps are used to hedge against changes in market interest rates. Changes in the fair value of interest rate swaps, that do not meet the hedge accounting criteria under IAS 39, are entered in financing income or expenses in the financial period in which they were incurred. Derivatives are classified as non-current liabilities when their contractual maturity is more than 12 months (Other liabilities) and current liabilities when maturity is less than 12 months (Trade and other payables).

Derivative instruments used in hedge accounting that meet the hedge accounting criteria under IAS 39 are entered in the balance sheet at fair value on the day that the Caverion Group becomes counterpart to the agreement. The Caverion Group has applied hedge accounting to hedge the benchmark rate of floating rate loans (cash flow hedging). The Caverion Group documents at inception of the transaction the relationship between the hedged item and the hedging instruments and assesses both at hedge inception and on an ongoing basis, of whether the derivatives are highly effective in offsetting changes in cash flows of hedged items. The effectiveness is assessed at each balance sheet date at minimum. The effective portion of changes in the fair value of derivative instruments, that qualify for cash flow hedges is recognised in other comprehensive income and accumulate in the fair value reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within financial income and expenses. Gains and losses accumulated in shareholders' equity are reclassified to income statement within financial income or expenses in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria of hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction occurs. Nevertheless, if the hedged forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within financial income or expense.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Treasury shares

The consideration paid for own shares and directly attributable costs are recognized as a deduction in equity. When the company sells its own shares, the consideration received, net of directly attributable transaction costs, is included in equity.

Revenue recognition

Income from the sale of products and services is recognised as revenue at fair value net of indirect taxes and discounts.

Goods and services sold

Group provides building services as well as industrial services and maintenance. Revenue from sales of goods is recorded when the significant risks and rewards and control associated with the ownership of the goods have been transferred to the buyer. Revenue for sales of short-term services is recognised in the accounting period in which the services are rendered.

Long-term contracts

Long-term service contracts and building service projects are recognised as revenue on the stage of completion basis when the outcome of the project can be estimated reliably. The stage of completion of long-term service contracts is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for the contract. Costs in excess of the stage of completion are capitalised as work in progress. Invoicing which exceeds the revenue recognised on the stage of completion basis is recognised in advances received from long-term projects. Invoicing which is less than the revenue recognised on the percentage of completion basis is deferred and presented as related accrued income.

Due to estimates included in the revenue recognition of long-term service contract and building service projects, revenue and profit presented by financial period only rarely correspond to the equal distribution of the total profit over the duration of the project. When revenue recognition from long-term projects is based on the percentage of completion method, the outcome of the projects is regularly and reliably estimated. Calculation of the total income of projects involves estimates on the total costs required to complete the project as well as on the development of billable work. If the estimates regarding the outcome of a contract change, the revenue and profits recognised are adjusted in the reporting period when the change first becomes known and can be estimated. If it is probable that the total costs required to complete a contract will exceed the total contract revenue, the expected loss is recognised as an expense immediately. For the years ended 31 December 2016, and 2015 the revenue from long-term service contract and building service projects amounted to EUR 1,371.5 million and EUR 1,468.7 million, respectively and they were 58% and 60% of the Caverion Group total revenue (note 2).

The Group can also carry out a pre agreed single project or a long-term service agreement through a construction consortium. The construction consortium is not a separate legal entity. The participating companies usually have a joint responsibility. Projects and long-term service agreements performed by the consortium are included in the reporting of the group company concerned and are recognised as revenue on the stage of completion basis according to the group company's participation portion in the consortium.

Interest and dividends

Interest income is recognised using the effective interest method and dividend income when the right to receive payment is established.

Evaluation of the future impact of new standards and interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments'. The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit and loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. The group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit and loss. In the Group this includes the negative fair values of derivatives. The group does not expect this to have a significant impact.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The group has not yet undertaken a detailed assessment of how this will affect to the accounting for its hedging relationships. The new standard also introduces expanded disclosure requirements and changes in presentation. The management is assessing the impact of the standard on the financial statements of the Group. Caverion plans to adopt the standard as of the effective date January 1, 2018.

IFRS 15, 'Revenue from contracts with customers'. This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts,' IAS 18, 'Revenue' and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard has been endorsed by EU in September 2016. The management is assessing the impact of the standard on the financial statements of the Group. Caverion plans to adopt the standard as of the effective date January 1, 2018.

Group management has performed an initial assessment of the impacts of IFRS 15 standard. The estimate can to a certain extent change during 2017 when a more detailed analysis is completed. Based on the current analysis, management's initial view is that the IFRS 15 standard does not have a significant impact on the company's revenue recognition or profitability, but instead, there will be only limited changes into the current revenue recognition based on the percentage of completion method. Significant impacts are neither expected to the Group's balance sheet after the adoption of the new standard.

IFRS 16 'Leases'. The new model requires the lessee to recognise almost all lease contracts on the balance sheet; the only optional exemptions are for certain short-term leases and leases of low-value assets. Whereas, under the previous guidance in IAS 17, Leases, a lessee had to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet), the new model requires the lessee to recognise almost all lease contracts on the balance sheet.

The standard will affect primarily the accounting for the group's operating leases. For further information on off balance sheet lease liabilities see note 31 Other lease agreements. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases.

Caverion plans to adopt the standard as of the effective date January 1, 2019.

Amendments to IAS 1: 'Disclosure Initiative'. Changes considers materiality and aggregation, the presentation of subtotals, structure of financial statements and the disclosure of accounting policies. The amendments have been endorsed by EU. The management is assessing the impact on the financial statements of the Group.

The management is also assessing the impact of other new standards, amendments to standards and interpretations, that are effective for annual periods beginning after January 1, 2015. These have not yet been endorsed by EU and it is expected that they do not have material impact on the financial statements of the Group.

2. LONG-TERM CONTRACTS

EUR million	2016	2015
Revenue recognised as revenue in the period from long-term service contracts and building service projects	1,371.5	1,468.7
Contract costs incurred and recognised profits less recognised losses to date for work in progress	2,500.0	1,925.3
Accrued income from long-term service contracts and projects	244.4	254.0*
Advances received	81.8	114.3

* Includes prior period error correction made in 2016

For long-term service contracts and building service projects the costs incurred plus recognised profits, which are higher than the invoiced amount, are shown in the statement of financial position under "Trade and other receivables". Advances received and difference that arises if the costs incurred and recognised profits are lower than the invoiced amount is included in "Accounts payable and other liabilities".

3. BUSINESS COMBINATIONS AND DISPOSALS

Assets and liabilities of the acquired businesses

EUR million	2016
Intangible assets	2.7
Tangible assets	0.2
Inventories	2.6
Trade and other receivables	1.9
Deferred tax assets	0.1
Cash and cash equivalents	1.2
Total assets	**8.6**
Interest-bearing debts	3.3
Pension liabilities	0.2
Provisions	0.0
Deferred tax liabilities	0.6
Other liabilities	3.2
Total liabilities	**7.2**
Net assets	**1.4**
Acquisition cost paid in cash	**5.5**
Goodwill	**4.1**

During the financial year Caverion finalised three acquisitions. Transaction prices were not disclosed.

During the period, Caverion signed an agreement with Mr Alfred Lotter on the purchase of the business of Arneg Kühlmöbel u. Ladeneinrichtungen, Produktions- u. Handelsgesellschaft mbH ("Arneg Kühlmöbel"). The transaction was approved by the Austrian Federal Competition Authority on January 19, 2016. In 2014, the company's revenue was about EUR 7.0 million. The company employs about 35 people.

Caverion signed an agreement with YIT Kuntatekniikka Oy to acquire the company's technical maintenance business in January. In connection with the transaction, approximately 60 employees from YIT Kuntatekniikka were transferred into Caverion Suomi Oy's employment. YIT Kuntatekniikka is jointly owned by the City of Mikkeli and YIT Construction Oy.

Caverion also strengthened its AV solutions expertise through the acquisition of Sähkötaso Esitystekniikka Oy in May. Sähkötaso Esitystekniikka Oy is the leading provider of AV solutions in Finland It has 28 employees. The revenue of Sähkötaso Esitystekniikka Oy amounted to EUR 12.5 million for the financial period ending March 31, 2016.

4. OTHER OPERATING INCOME

EUR million	2016	2015
Gains on the sale of tangible and intangible assets	0.1	0.6
Rental income	0.2	0.3
Other income	1.6	2.5
Total	**1.9**	**3.3**

5. OTHER OPERATING EXPENSES

EUR million	2016	2015
Losses on the sale of tangible and intangible assets	0.4	0.5
Expenses for leased office facilities	39.7	38.2
Other expenses for leases	43.4	41.8
Voluntary indirect personnel expenses	12.6	17.2
Other variable expenses for work in progress	60.5	65.6
Travel expenses	46.7	46.9
IT expenses	35.3	33.3
Premises expenses	8.9	8.6
Other fixed expenses [1)]	41.6	33.9
Total	**289.2**	**286.0**

[1)] Other fixed expenses include administrative, marketing and other fixed costs.

The Group's research and development expenditure amounted to EUR 3.2 (2.8) million in 2016. During the year, the Group has also invested significantly in a harmonised operational model, processes and system development.

Audit fee

EUR million	2016	2015
PricewaterhouseCoopers		
Audit fee	0.7	0.6
Statement	0.0	0.0
Tax services	0.2	0.1
Other services	0.2	0.1
Others	0.1	0.1
Total	**1.2**	**0.9**

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2016	2015
Depreciation and amortisation by asset category		
Intangible assets		
Allocations	6.1	8.1
Other intangible assets	15.2	9.6
Tangible assets		
Buildings and structures	0.4	0.5
Machinery and equipment	4.1	3.6
Machinery and equipment, finance lease	0.8	0.8
Other tangible assets	2.8	3.8
Total	**29.5**	**26.5**
Impairment		
Goodwill		
Depreciation, amortisation and impairment total	**29.5**	**26.5**

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2016	2015
Wages and salaries	768.4	763.7
Pension costs, defined contribution plan	83.3	80.1
Pension costs, defined benefit plan	0.3	0.8
Share-based compensation	–0.5	0.4
Other indirect employee costs	137.6	133.2
Total	**989.1**	**978.2**
Average number of personnel	**17,381**	**17,324**

Information on the management's salaries and fees and other employee benefits is presented in note 34. Related party transactions.

8. RESTRUCTURING COSTS

EUR million	2016
Personnel related costs	21.1
Rents	4.3
Other restructuring costs	1.5
Total	**26.9**

In June 2016, Caverion launched a large restructuring program, which continued rest of the year. Expenses attributable directly to the restructuring program have been reported separately as restructuring costs. In its interim and half yearly reports Caverion has disclosed also EBITDA excluding restructuring costs as an alternative key figure.

In 2015, Caverion did not report restructuring costs separately.

9. FINANCIAL INCOME AND EXPENSES

EUR million	2016	2015
Financial income		
Dividend income on available for sale investments	0.0	0.0
Interest income on loans and other receivables	0.9	0.6
Realised gains on available for sale investments	0.1	0.0
Other financial income on loans and other receivables	0.1	0.1
Financial income, total	**1.2**	**0.8**
Financial expenses		
Interest expenses on liabilities at amortised cost [1]	–2.7	–3.1
Other financial expenses on liabilities at amortised cost	–1.1	–1.4
Interest expenses on finance leases	–0.1	0.0
Changes in fair values on financial instruments at fair value through profit and loss account [2]	–0.2	0.0
Financial expenses, total	**–4.1**	**–4.6**
Exchange rate gains	17.9	22.6
Exchange rate losses	–17.6	–22.5
Exchange rate differences, net	**0.2**	**0.0**
Financial expenses, net	**–2.6**	**–3.7**

[1] Interest expenses on liabilities at amortised cost include EUR 0.3 (0.1) million interest expenses on derivatives.
[2] Measurement of interest rate derivatives at fair value.

10. INCOME TAXES

Income taxes in the income statement

EUR million	2016	2015
Tax expense for current year	4.4	15.2
Tax expense for previous years	0.5	0.5
Change in deferred tax assets and liabilities	–16.8	–1.1
Total income taxes	**–11.8**	**14.7**

The reconciliation between income taxes in the consolidated income statement and income taxes at the statutory tax rate in Finland 20.0% is as follows:

EUR million	2016	2015
Profit before taxes	**–43.5**	**61.3**
Income taxes at the tax rate in Finland (20.0%)	–8.7	12.3
Effect of different tax rates outside Finland [1)]	–3.1	1.5
Tax exempt income and non-deductible expenses	–0.4	0.8
Net results of associated companies	0.0	0.0
Impact of the changes in the tax rates on deferred taxes [2)]	0.4	0.5
Impact of losses for which deferred taxes is not recognised	0.0	–0.3
Reassessment of deferred taxes	0.8	0.5
Taxes for previous years	–0.7	–0.6
Income taxes in the income statement	**–11.8**	**14.7**

[1)] In 2016, the effect of the change of tax rate in Denmark from 23.5% to 22.0%, in Germany from 30.0% to 31.0% and in Norway from 27.0% to 25.0% in 2016. In 2015, the effect of the change of tax rate in Denmark from 24.5% to 23.5% in 2015.

[2)] In 2016, the effect of the change of tax rate in Norway from 25.0% to 24.0% in 2017. In 2015, the effect of the change of tax rate in Denmark from 23.5% to 22.0%, in Germany from 30.0% to 31.0% and in Norway from 27.0% to 25.0% in 2016.

11. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of shares outstanding during the year.

	2016	2015
Profit attributable to the owners of the parent company, EUR million	–31.7	46.6
Weighted average number of shares (1,000 shares)	125,084	125,085
Earnings per share, basic, EUR	–0.25	0.37

Diluted earnings per share is calculated by adjusting number of shares to assume conversion of all diluting potential shares. There were no diluting effects in 2016 and 2015.

	2016	2015
Profit attributable to the owners of the parent company, EUR million	–31.7	46.6
Weighted average number of shares (1,000 shares)	125,084	125,085
Weighted average number of shares, dilution adjusted (1,000 shares)	125,084	125,085
Earnings per share, diluted, EUR	–0.25	0.37

12. PROPERTY, PLANT AND EQUIPMENT

2016 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets [1]	Advance payments	Total
Historical cost at January 1, 2016	1.0	15.1	64.7	20.8	2.1	103.8
Translation differences	0.0	0.0	0.8	0.3	0.0	1.1
Increases	0.0	0.1	5.9	2.0	1.9	9.9
Acquisitions			0.4		0.0	0.4
Decreases			–6.0	–0.4	0.0	–6.5
Business disposals			0.0	0.0	0.0	0.0
Reclassifications between classes		0.0	0.8	0.0	–1.8	–1.0
Historical cost at December 31, 2016	**1.0**	**15.2**	**66.6**	**22.7**	**2.3**	**107.8**
Accumulated depreciation and impairment at January 1, 2016		–10.7	–51.7	–13.9		–76.3
Translation differences		0.0	–0.8	–0.2		–1.0
Depreciation		–0.4	–5.0	–2.8		–8.2
Accumulated depreciation of decreases		0.0	5.6	0.4		6.0
Accumulated depreciation and impairment at December 31, 2016		**–11.2**	**–51.8**	**–16.5**		**–79.5**
Carrying value January 1, 2016	1.0	4.4	13.0	7.0	2.1	27.4
Carrying value December 31, 2016	1.0	4.0	14.8	6.2	2.3	28.3

2015 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets [1]	Advance payments	Total
Historical cost at January 1, 2015	1.1	16.6	63.3	17.8	1.8	100.6
Translation differences	0.0	0.0	–0.8	–0.3	0.0	–0.7
Increases		0.4	5.3	2.9	1.2	9.3
Acquisitions			0.5			0.0
Decreases	–0.1	–2.0	–4.0	–0.7	–0.1	–6.9
Business disposals			–0.3	–0.1		–0.3
Reclassifications between classes		0.2	0.7	1.2	–0.8	1.3
Historical cost at December 31, 2015	**1.0**	**15.1**	**64.7**	**20.8**	**2.1**	**103.2**
Accumulated depreciation and impairment at January 1, 2015		–11.6	–52.1	–10.9		–74.6
Translation differences		0.0	0.7	0.2		0.6
Depreciation		–0.5	–4.4	–3.8		–7.9
Accumulated depreciation of decreases		1.4	4.1	0.6		6.0
Accumulated depreciation and impairment at December 31, 2015		**–10.7**	**–51.7**	**–13.9**		**–75.9**
Carrying value January 1, 2015	1.0	5.0	11.2	6.9	1.8	26.0
Carrying value December 31, 2015	1.0	4.4	13.0	7.0	2.1	27.4

[1] Other tangible assets include, among other things, leasehold improvement costs.

Finance lease assets

Tangible assets include assets leased by finance lease agreements as follows:

Machinery and equipment

EUR million	2016	2015
Historical cost at January 1	9.2	8.8
Translation differences	0.3	–0.4
Increases	0.5	0.5
Acquisitions	0.0	0.5
Decreases	–3.9	0.0
Business disposals	0.0	–0.1
Accumulated depreciation	–4.9	–7.7
Carrying value December 31	**1.2**	**1.5**

No impairment losses have been recognised during the financial years 2016 and 2015. The government grants received are not material. They have been deducted from the carrying value of the asset.

13. INTANGIBLE ASSETS

2016 EUR million	Goodwill	Allocations from business combinations	Other intangible assets [1]	Total other intangible assets
Historical cost at January 1, 2016	336.6	71.0	62.8	133.9
Increases			23.4	23.4
Acquisitions	4.1	2.7	0.1	2.8
Decreases		–12.9	–0.6	–13.5
Reclassifications between classes		0.0	1.0	1.0
Translation differences		–0.3	0.2	–0.1
Historical cost at December 31, 2016	**340.7**	**60.5**	**86.9**	**147.4**
Accumulated amortisation at January 1, 2016	–0.9	–60.6	–25.8	–86.4
Amortisation		–6.1	–15.2	–21.3
Translation differences		0.2	–0.1	0.1
Accumulated amortisation of decreases and reclassifications		12.9	0.2	13.2
Accumulated amortisation at December 31, 2016	**–0.9**	**–53.5**	**–40.9**	**–94.4**
Carrying value January 1, 2016	335.7	10.5	37.0	47.5
Carrying value December 31, 2016	339.8	7.0	46.0	53.0

2015 EUR million	Goodwill	Allocations from business combinations	Other intangible assets [1]	Total other intangible assets
Historical cost at January 1, 2015	336.6	71.7	49.7	121.4
Increases			15.6	15.6
Acquisitions		0.1	0.0	0.1
Decreases		–4.5	–1.0	–5.5
Reclassifications between classes		4.2	–1.2	3.0
Translation differences		–0.4	–0.3	–0.7
Historical cost at December 31, 2015	**336.6**	**71.0**	**62.8**	**133.9**
Accumulated amortisation at January 1, 2015	–0.9	–53.2	–17.3	–70.5
Amortisation		–8.1	–9.6	–17.7
Translation differences		0.4	0.1	0.6
Accumulated amortisation of decreases		0.3	1.0	1.3
Accumulated amortisation at December 31, 2015	**–0.9**	**–60.6**	**–25.8**	**–86.4**
Carrying value January 1, 2015	335.7	18.5	32.3	50.8
Carrying value December 31, 2015	335.7	10.5	37.0	47.5

[1] Other intangible assets include e.g. computer software and licenses.

Allocations from business combinations:	2016	2015
Customer relations and contract bases	3.3	5.0
Order backlog	3.7	5.4
Total	**7.0**	**10.5**

14. GOODWILL

Goodwill is allocated to the cash generating units (CGU) as follows:

EUR million	2016	2015
Finland	72.3	68.9
Sweden	36.6	36.6
Norway	69.7	69.7
Denmark	7.6	7.6
Industrial Solutions	47.0	47.0
Germany	86.0	86.0
Austria	18.3	17.6
Poland	2.4	2.4
Total goodwill	**339.8**	**335.7**

Goodwill is reviewed for potential impairment whenever there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest cash generating unit level (CGU) which generates independent cash flows. The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. The future cash flow projections are based on the budget approved by the top management and the Board of Directors and other long term financial plans. Cash flow projections cover three years,The terminal value is defined by extrapolating it on the basis of average development during the forecasted planning horizon. Cash flows beyond the forecast period are projected by using a 1.5 percent long-term growth rate (Poland 2%), that is based on a prudent estimate about the long-term growth rate. In 2015, the estimated growth rate was 2 percent. Future growth estimates are based on on the former experience and information available by external market research institutions on market development

The discount rate used in the impairment testing is weighted average pre-tax cost of capital (WACC). The discount rate reflects the total cost of equity and debt and the market risks related to the segment. The WACC components are risk-free interest rate, market risk premium, comparable peer industry beta, gearing and credit spread. The discount rate used in impairment tests has been defined as in 2015. The decrease in the discount rates is mainly caused by the combined effect of decrease in the risk-free rate and change in debt risk premium. In 2016, the WACC range o was between 7.5%–8.7% (2015: 8.1%–9.5%).

In 2016, Austria and Czech were combined to one single CGU (Austria). This is based to the fact that both entities have a common management and that Czech entity is in practise one of regions in division Austria.

The goodwill test results are evaluated by comparing the recoverable amount (E) with the carrying value of the CGU assets (T), as follows:

	Ratio			Estimate
E		<	T	Impairment
E	0–20%	>	T	Slightly above
E	20–50%	>	T	Clearly above
E	50%–	>	T	Substantially above

As a result of the impairment tests performed no impairment loss has been recognised in 2016 or in 2015. In all CGUs the recoverable amount exceeded carrying value substantially.

Sensitivity analyses for the recoverable cash flows have been made assessing the impact of changes in e.g. discount rate, sales volume and profitability as well as terminal growth rate. There is an impairment risk of Germany goodwill in case net sales and profitability will be significantly lower than in current conservative forecasts. In other CGUs or related to other tested factors sensitivity analyses performed during 2016 and 2015 did not indicate any impairment risk.

15. INVESTMENTS IN ASSOCIATED COMPANIES

EUR million	2016	2015
Historical costs on January 1	0.2	0.1
Share of the profit	0.0	0.0
Historical costs on December 31	**0.1**	**0.2**

The carrying amounts of the shares in associated companies do not include goodwill.

Group's associated companies and their assets, liabilities, revenue and profit/loss

EUR million	Company	Domicile	Assets	Liabilities	Revenue	Profit/loss	Ownership
2016	Arandur Oy	Vantaa	3.8	3.5	5.3	0.0	33%
2015	Arandur Oy	Vantaa	4.4	3.9	5.3	0.1	33%

16. AVAILABLE FOR SALE INVESTMENTS

EUR million	2016	2015
Carrying value January 1	1.4	1.3
Translation differences	0.0	0.0
Increases		
Decreases	–0.2	0.0
Changes in fair values	0.0	0.1
Carrying value December 31	**1.2**	**1.4**
Available for sale investments consist of as follows:		
Quoted shares	0.7	0.7
Unquoted shares	0.5	0.7
Total	**1.2**	**1.4**

17. NON-CURRENT RECEIVABLES

EUR million	2016 Carrying Value	2016 Fair Value	2015 Carrying Value	2015 Fair value
Other receivables [1]	2.2	2.2	2.6	2.6
Loan receivables	1.1	1.1		

[1] Other receivables include defined benefit plan pension assets EUR 2.1 (2.1) million.

Reconciliation to note 29:

EUR million	2016	2015
Other receivables	2.2	2.6
Loan receivables	1.1	
Defined benefit pension asset	–2.1	–2.1
Difference	1.2	0.5

Non-current receivables do not include receivables from related parties.

18. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2016	2015
Deferred tax asset	10.6	1.8[1]
Deferred tax liability	–51.1	–58.3
Deferred tax liability, net	**–40.5**	**–56.4**
Changes in deferred tax assets and liabilities:		
Deferred tax liability, net January 1	–56.4	–58.6
Translation difference	–1.6	0.7
Changes recognised in income statement	16.5	1.1
Changes recognised in comprehensive income	1.3	0.5
Acquisitions and allocations	–0.4	0.0
Deferred tax liability, net December 31	**–40.5**	**–56.4**

[1] Includes prior period error correction made in 2016

Changes in deferred tax assets and liabilities before the offset

2016 EUR million	Jan 1	Translation difference	In the income statement	Comprehen-sive income	Acquisitions and allocations	Dec 31
Deferred tax assets:						
Provisions	4.6	0.1	0.1	0.0	–	4.8
Tax losses carried forward	6.5	0.0	8.5	–	–	15.0
Pension obligations	7.0	–0.2	0.1	1.2	–	8.0
Other items	2.9	–0.3	0.9	0.1	0.1	3.7
Total deferred tax assets	**21.0**	**–0.5**	**9.5**	**1.3**	**0.1**	**31.5**
Deferred tax liabilities:						
Allocation of intangible assets[1)]	34.6	0.8	–0.1			35.4
Accumulated depreciation differences	7.1	–0.1	–4.6		–	2.3
Pension obligations	0.4	0.0	0.0			0.4
Percentage of completion method	33.0	0.4	1.3			34.7
Inventories	1.4	0.0	–1.4			0.0
Other items	0.9	0.0	–2.2	0.0	0.4	–0.9
Total deferred tax liabilities	**77.5**	**1.1**	**–7.1**	**0.0**	**0.4**	**71.9**

2015 EUR million	Jan 1	Translation difference	In the income statement	Comprehen-sive income	Acquisitions and allocations	Dec 31
Deferred tax assets:						
Provisions	4.8	–0.1	–0.1	0.0	–	4.6
Tax losses carried forward	10.3	–0.2	–3.6	–	–	6.5
Pension obligations [2)]	6.5	–0.1	0.1	0.5	–	7.0
Other items [2)]	2.2	0.0	0.8			2.9
Total deferred tax assets	**23.8**	**–0.3**	**–2.9**	**0.5**	**–**	**21.0**
Deferred tax liabilities:						
Allocation of intangible assets [1)]	37.8	–0.8	–2.4			34.6
Accumulated depreciation differences	5.1	0.1	1.9		0.0	7.1
Pension obligations	0.4	0.0	0.0			0.4
Percentage of completion method	36.9	–0.3	–3.6			33.0
Inventories	1.6	0.0	–0.2			1.4
Available-for-sale investments	0.6	0.0	0.3			0.9
Total deferred tax liabilities	**82.4**	**–1.0**	**–3.9**	**0.0**	**0.0**	**77.5**

[1)] Capitalisation of intangible assets include besides capitalization of intangible assets, the deductible amount of the deferred taxes of goodwill from the separate entities
[2)] Includes prior period error correction made in 2016

The deferred tax assets on the taxable losses will be booked to the extent the benefit is expected to be able to deduct from the taxable profit in the future. No deferred tax asset of EUR 2.3 (2.3) million has been recognized on accumulated losses, of which some part is not approved by tax authorities. Deferred tax liability on undistributed earnings of subsidiaries, where the tax will be paid on the distribution of earnings, has not been recognized in the statement of financial position, because distribution of the earnings is in the control of the Group and it is not probable in the foreseeable future.

19. INVENTORIES

EUR million	2016	2015
Raw materials and consumables	15.9	15.8
Work in progress	14.7	9.6
Advance payments	0.2	0.1
Total inventories	**30.7**	**25.4**

The Group didn't make any write-downs of inventories during financial years 2016 or 2015.

20. TRADE AND OTHER RECEIVABLES

EUR million	2016 Carrying value	2015 Carrying value
Trade receivables	378.2	351.7
Accrued income from long-term projects [1]	244.4	254.0 [2]
Loan receivables	1.1	0.0
Accrued income	22.7	26.4
Other receivables	16.6	14.9
Total	**663.1**	**647.0**

Trade receivables average amount was EUR 321.4 (309.3) million in 2016. Group has not received collaterals.

Reconciliation to note 29:

EUR million	2016	2015
Trade receivables	378.2	351.7
Accrued income from long-term projects [1]	244.4	254.0 [2]
Loan receivables	1.1	0.0
Other receivables	16.6	14.9
Total	**640.3**	**620.6**

[1] Additional information is presented in note 2. Long-term contracts
[2] Includes prior period error correction made in 2016

21. CASH AND CASH EQUIVALENTS

EUR million	2016 Carrying value	2016 Fair value	2015 Carrying value	2015 Fair value
Cash at bank and in hand	47.7	47.7	66.5	66.5
Short-term money market investments	0.0	0.0	1.6	1.6
Cash and cash equivalents	**47.7**	**47.7**	**68.1**	**68.1**

Cash and cash equivalents presented in the consolidated statement of cash flows:

EUR million	2016	2015
Cash and cash equivalents	47.7	68.1

22. NOTES TO THE EQUITY

Share capital and treasury shares

	Number of outstanding shares	Share capital EUR million	Treasury shares EUR million
Jan 1, 2015	125,086,835	1.0	–3.2
Transfer of treasury shares			
Return of treasury shares	–2,834		0.0
Dec 31, 2015	**125,084,001**	**1.0**	**–3.2**
Jan 1, 2016	125,084,001	1.0	–3.2
Transfer of treasury shares			
Return of treasury shares	–237		
Dec 31, 2016	**125,083,764**	**1.0**	**–3.2**

The total number of Caverion Corporation's shares was 125,596,092 and the share capital amounted to EUR 1.0 million on December 31, 2016.
All the issued and subscribed shares have been fully paid to the company. Shares do not have a nominal value.

Treasury shares

Changes in treasury shares of Caverion Corporation during the accounting period:

	Number of shares
Jan 1, 2016	512,091
Treasury shares granted	
Return of treasury shares	237
Dec 31, 2016	**512,328**

During January–December 2016, 237 Caverion shares were returned to the company in accordance with the terms and conditions of the share-based incentive plan transferred to Caverion Corporation in partial demerger.

The consideration paid for the treasury shares amounted to EUR 3.2 million on Dec 31, 2016 and is disclosed as a separate fund in equity. The consideration paid on treasury shares decreases the distributable equity of Caverion Corporation. Caverion Corporation holds the own shares as treasury shares and has the right to return them to the market in the future.

Translation differences

Translation differences include the exchange rate differences recognised in group consolidation. In addition, the portion of the gains and losses of effective hedges on the net investment in foreign subsidiaries, which are hedged with currency forwards, is recognised in equity. There were no hedges of a net investment in a foreign operation in years 2016 and 2015.

Fair value reserve

Fair value reserve includes movements in the fair value of the available-for-sale financial assets and the derivative instruments used for cash flow hedging.

Dividends

The Annual General Meeting, held on March 21, 2016, decided that a dividend of EUR 0.28 was to be paid per share (meaning a total of EUR 35.0 million) for the financial year 2015. No dividend was paid for the treasury shares.

The Board of Directors proposes to the Annual General Meeting to be held on March 17, 2017 that no dividend will be paid for 2016.

Shareholders

At the end of December 2016, the number of registered shareholders in Caverion was 30,539 (2015: 30,594). At the end of December 2016, a total of 35.1 percent of the shares were owned by nominee-registered and non-Finnish investors (2015: 34.6%).

Updated lists of Caverion's largest shareholders, the holdings of public insiders and ownership structure by sector as per December 31, 2016, are available on Caverion's website at www.caverion.com/investors.

No shareholder, member or other person is controlling Caverion as meant in the Securities Markets Act section 2 paragraph 4. Caverion is not subject to any arrangements which separate the possession of the securities and the economic rights vested in them. The Board of Directors is not aware of any shareholder agreements or other similar type of arrangements having effect on Caverion shareholders or that might have a significant impact on share price.

Caverion Corporation's essential financing agreements include a change of control clause which is applicable in case more than 50 percent of company's shares are acquired by a single entity or parties controlled by it.

Major shareholders on December 31, 2016

Shareholder	Shares, pcs	% of all shares
1. Structor S.A.	17,565,000	14.0
2. Funds held by Antti Herlin, including directly held shares	15,375,180	12.2
3. Ilmarinen Mutual Pension Insurance Company	5,013,946	4.0
4. Fondita funds	3,465,000	2.8
5. Nordea funds	3,144,827	2.5
6. Mandatum companies	3,015,237	2.4
7. Varma Mutual Pension Insurance Company	1,864,393	1.5
8. The State Pension Fund	1,850,000	1.5
9. Aktia funds	1,808,860	1.4
10. OP funds	1,724,398	1.4
11. Elo Pension Company	1,611,089	1.3
12. Säästöpankki funds	1,102,534	0.9
13. Brotherus Ilkka	1,048,265	0.8
14. Odin funds	944,797	0.8
15. Evli funds	719,225	0.6
16. Alandia companies	711,730	0.6
17. Funds held by Ari Lehtoranta, including directly held shares	553,323	0.4
18. Caverion Oyj	512,328	0.4
19. Foundation of Brita Maria Renlunds minne	412,000	0.3
20. Kaleva Mutual Insurance Company	356,285	0.3
20 largest, total	62,798,417	50.0
Other shareholders	37,590,624	29.9
Nominee registered total	25,207,051	20.1
All shares	**125,596,092**	**100.0**

Ownership structure by sector on December 31, 2016

Sector	Shareholders	% of owners	Shares	% of all shares
Nominee registered and non-Finnish holders	141	0.5	44,094,455	35.1
Households	28,535	93.4	24,743,563	19.7
General government	27	0.1	11,738,530	9.3
Financial and insurance corporations	72	0.2	15,490,309	12.3
Non-profit institutions	395	1.3	6,490,699	5.2
Non-financial corporations and housing corporations	1,369	4.5	23,038,536	18.3
On common and special accounts	0	0.0	0	0.0
Total	**30,539**	**100.0**	**125,596,092**	**100.0**

The ownership structure is based on the classification of sectors determined by Statistics Finland.

The information is based on the list of company shareholders maintained by Euroclear Finland Oy. Each nominee register is recorded in the share register as a single shareholder. Through one nominee register it is possible to administrate portfolios of several investors.

Caverion Group management ownership of Caverion Group on December 31, 2016

Members of the Board		Holding	Holdings of interest parties	Total
Ehrnrooth Markus	Member	0	0	0
Hyvönen Anna	Member	0	0	0
Lindqvist Eva	Member	1,500	0	1,500
Puheloinen Ari	Member	0	0	0
Rosenlew Michael	Vice Chairman of the Board	45,200	0	45,200
Total		**46,700**	**0**	**46,700**

Group Management Board		Holding	Holdings of interest parties	Total
Ala-Härkönen Martti	CFO	15,000	0	15,000
Eskola Merja	Senior Vice President, Human Resources	1,500	0	1,500
Gaaserud Knut	Executive Vice President & CEO, Division Norway	506	0	506
Hacklin Jarno	Executive Vice President & CEO, Division Finland	6,586	0	6,586
Kühn Werner	Executive Vice President & CEO, Division Germany	38,500	0	38,500
Malmberg Matti	Senior Vice President, Group Delivery & Operations Development	3,804	0	3,804
Pitkäkoski Juhani	Executive Vice President & CEO, Division Industrial Solutions	53,100	0	53,100
Sacklén Nicklas	Group Senior Vice President and CEO of Division Eastern Europe	0	0	0
Simmet Manfred	Senior Vice President & CEO, Division Austria	2,377	0	2,377
Tocklin Klas	Executive Vice President & CEO, Division Sweden	771	0	771
Toikkanen Sakari	Interim President and CEO	23,382	0	23,382
Total		**145,526**	**0**	**145,526**
Lehtoranta Ari Tapio	President and CEO from January 1, 2017	553,310	13	553,323

23. SHARE-BASED PAYMENTS

Caverion has two long-term share-based incentive plans for the company's key senior executives. The performance share plans form a part of the incentive and commitment programme for the executives of Caverion Group. The key aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in its targets. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

2014 plan consists of one three-year performance period in 2014–2016. It is followed by a one-year commitment period, after which the potential rewards will be paid in spring 2018. A person participating in the plan has the possibility to earn a reward only if his/her employment continues until the payment of the reward. After the shares have been delivered, they will be freely transferable.

The potential reward is based on the targets set for Group revenue and EBITDA margin until the end of 2016. The reward is to be paid in Caverion shares and as cash payment, which is intended to cover the taxes and tax-related costs arising from the reward. If all targets will be reached, the share award will in total correspond to a maximum of 500,000 Caverion shares. The plan covers 32 persons at the end of the financial year 2016.

Caverion's Board of Directors approved a new long-term share-based incentive plan for the Group's senior management in December 2015. The new plan consists of a Performance Share Plan, complemented with a Restricted Share Plan for special situations.

The first plans will commence at the beginning of 2016 and any potential share rewards thereof will be delivered in the spring of 2019. The three-year plan period consists of a one-year operative financial performance period, followed by a two-year share price performance period. The potential share reward is based on the targets set for the year 2016 for Group revenue growth and Earnings per Share. If all targets will be met, the share rewards based on the first Plan for 2016–2018 will comprise a maximum of approximately 662,000 Caverion shares. The plan covers 70 persons at the end of the financial year 2016.

The Performance Share Plan contains a maximum value for the share reward payable to an individual participant. If the value of the share reward would at the time of payment exceed a maximum value set by the Board, the exceeding portion of the reward will not be paid. A person participating in the plan has the possibility to earn a share reward only if his/her employment continues until the payment of the reward.

Share allocations within the Restricted Share Plan 2016–2018 will be made for individually selected key employees in special situations. Under the complementary Restricted Share Plan each individual plan consists of a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Caverion continues until the delivery of the share reward.

Plan	Share-based incentive plan 2016–2018	Share-based incentive plan 2014–2016
Issuing date	Dec 17, 2015	May 26, 2014
Maximum number of shares	662,000	500,000
Dividend adjustment	Yes	–
Grant date	Feb 15, 2016	Sep 16, 2014, Dec 19, 2014 and Jun 18, 2015
Share price on grant date (EUR)	8.28	5.21, 5.54, and 7.37
Beginning of earning period	Jan 1, 2016	Jan 1, 2014
End of earning period	Dec 31, 2016	Dec 31, 2016
End of restriction period	Feb 28, 2019	April 30, 2018
Vesting conditions	Revenue and earnings per share (EPS), continued employment	Revenue and EBITDA margin, continued employment
Maximum contractual life, years	3.0	3.6
Remaining contractual life, years	2.2	2.3
Number of persons at the end of the reporting year	70	32
Payment method	Cash and shares	Cash and shares

Changes in plan during the period		
January 1, 2016		
Outstanding at the beginning of the reporting period	0	452,250
Changes during the period		
Granted	313,500	74,000
Forfeited	93,700	150,400
December 31, 2016		
Outstanding at the end of the period	219,800	375,850

Costs recognised for the share-based incentive plan

The consolidated financial statements include cost from share-based incentive plan amounting to EUR –0.5 (0.3) million. The accrued liabilities related to cash-settled part of the compensation amounted to EUR 0.0 (0.4) million in 2015. EUR –0.2 (0.2) million of the cost recognised is related to the Group management board.

Share-based incentive plan transferred to Caverion Corporation in the partial demerger

YIT Group had a share-based incentive plan for its key personnel in years 2010 - 2012. On April 25, 2013 the Board of Directors of the YIT Corporation made a decision about removing the restriction of transfer and obligation to return the shares from the YIT shares that were owned or received on the basis of the share-based incentive plan by employees transferring to Caverion Group. Respectively, in the demerger, a restriction of transfer and obligation to return the shares to Caverion Corporation in accordance with the original terms were added to the shares of Caverion Corporation to be given to the employees. In these consolidated financial statements expenses have been recognised based on revaluation as at July 1, 2013 of the Caverion Corporation's shares given to the employees. Share incentive plan expired during 2016.

The consolidated financial statements include cost from these share-based incentive plans amounting to EUR 0.0 (0.1) million. EUR 0.0 (0.0) million of the cost recognised is related to the Group management board.

24. EMPLOYEE BENEFIT OBLIGATIONS

Obligations in the statement of financial position:

EUR million	2016	2015
Defined benefit plans	45.4	42.5*
Liability in the statement of financial position	45.4	42.5*
Pension asset in the statement of financial position	–2.1	–2.1
Net liability	**43.3**	**40.5***

Income statement charge:

EUR million	2016	2015
Defined benefit plans	-0.3	-0.8
Included in financial expenses	**-0.8**	**-1.1**
Income statement charge, total (income (+) / expense(–))	**–1.1**	**–1.8**

Remeasurements, included in other comprehensive income:

EUR million	2016	2015
Defined benefit plans	–3.0	–0.9
Change in foreign exchange rates	–1.3	1.4
Included in other comprehensive income, total	**–4.2**	**0.5**

* Includes prior period error correction made in 2016

Defined benefit pension plans

The Group has a defined benefit pension plans in Norway, Germany, Austria and Finland. In all plans the pension liability has been calculated based on the number the years employed and the salary level. Most of the pension plans are managed in insurance companies, which follow the local pension legislation in their management.

The amounts recognised in the statement of financial position are determined as follows:

EUR million	2016	2015
Present value of funded obligations	5.9	6.1
Fair value of plan assets	–8.1	–8.1
Net deficit of funded plans	**–2.1**	**–2.1**
Present value of unfunded obligations	45.4	42.5*
Total net deficit of defined benefit pension plans	**43.3**	**40.5**
Liability in the statement of financial position	45.4	42.5*
Receivable in the statement of financial position	–2.1	–2.1

The movement in the net defined benefit obligation over the year is as follows:

EUR million	Present value of obligation	Fair value of plan assets	Total net obligation
At January 1, 2016	**48.6**	**–8.1**	**40.5**
Current service cost	0.8	0.1	0.9
Interest expense	1.0	–0.2	0.8
Past service costs	–0.7	0.0	–0.7
Gains on settlements	0.0	0.0	0.0
Remeasurements:			
Return on plan assets, excluding interest expense	0.0	0.0	0.0
Gain (–) / loss (+) from change in demographic assumptions	0.5	0.0	0.5
Gain (–) / loss (+) from change in financial assumptions	2.9	–0.1	2.8
Experience gains (–) / losses (+)	–0.3	0.0	–0.3
Exchange difference	0.3	0.0	0.3
Employers' contributions	0.0	0.0	0.0
Acquired pension liability	0.2	0.0	0.2
Benefit payments from plans	–2.0	0.3	–1.7
At December 31, 2016	**51.3**	**–8.1**	**43.3**

EUR million	Present value of obligation	Fair value of plan assets	Total net obligation
At January 1, 2015	**47.8***	**–8.1**	**39.7**
Current service cost	0.5	0.1	0.5
Interest expense	1.1	0.0	1.1
Gains on settlements	0.0	0.0	0.0
Remeasurements:			
Return on plan assets, excluding interest expense	0.6	0.0	0.6
Gain (–) / loss (+) from change in demographic assumptions	–1.3	–0.4	–1.7
Gain (–) / loss (+) from change in financial assumptions	1.8	0.0	1.8
Experience gains (–) / losses (+)	0.1	0.0	0.1
Exchange difference	–0.3	0.0	–0.3
Employers' contributions	0.0	0.0	0.0
Benefit payments from plans	–1.7	0.3	–1.4
At December 31, 2015	**48.6**	**–8.1**	**40.5**

* Includes prior period error correction made in 2016

The weighted average duration of the defined benefit plan obligation in Caverion Group is 15 (17) years.

The significant actuarial assumptions were as follows:

2016	Discount rate	Salary growth rate	Pension growth rate
Finland	1.80%	1.4–1.7%	1.7–2.0%
Norway	2.50%	2.25%	–
Germany	1.80%	3.00%	2.25%
Austria	1.80%	–	2.25%

2015	Discount rate	Salary growth rate	Pension growth rate
Finland	2.30%	1.70%	1.90%
Norway	2.60%	2.50%	0.00%
Germany	2.25%	3.00%	2.25%
Austria	2.25%	–	2.25%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2016	Impact on defined benefit obligation *		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 4.2–8.3%	Increase by 4.6–9.5%
Salary growth rate	0.50%	Increase by 0.0%	Decrease by 0.0%
Pension growth rate	0.25-0.50%	Increase by 1.9–3.6%	Decrease by 1.8–3.5%

2015	Impact on defined benefit obligation *		
	Increase in assumption	Decrease in assumption	Olettaman vähennys
Discount rate	0.50%	Decrease by 4.0–8.2%	Increase by 4.3–9.4%
Salary growth rate	0.50%	Increase by 0.0–0.3%	Decrease by 0.0–0.3%
Pension growth rate	0.25-0.50%	Increase by 1.7–3.6%	Decrease by 1.6–3.4%

* Based on the sensitivity analyses of the Group's most significant pension arrangements. The impacts of the other pension arrangements are similar.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

Plan assets are comprised as follows:

EUR million	2016	%	2015	%
Equity instruments	5.5	68	5.5	68
Debt instruments	0.9	12	1.0	12
Property	0.0	0	0.0	0
Cash and cash equivalents	1.7	20	1.7	20
Total plan assets	**8.1**	**100**	**8.1**	**100**

The investments positions included in pension plans are managed by insurance companies using theirs investment policy to cover the duration and cash flow of the pension obligation.

Employer contributionsare expected to be zero in year 2017.

Multi-employer plan in Sweden

In Sweden, Caverion participates in a multi-employer defined benefit plan in Alecta insurance company. 1111 employees of Caverion Sverige AB are insured through this pension plan. This multi-employer plan has not been able to deliver sufficient information for defined benefit accounting purposes, thus Caverion has accounted for this pension plan as a contribution plan.

Alecta's possible surplus may be credited to employer company or to employee. The expected contributions to the plan for the next annual reporting period are EUR 7.5 million.

Through its defined benefit pension plans the group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields – A decrease in corporate bond yields will increase plan liabilities.

Inflation risk – Some of the group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

Life expectancy – The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

25. PROVISIONS

EUR million	Guarantee reserve	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	Total
January 1, 2016	17.5	2.0	0.9	2.4	3.9	26.7
Translation differences	0.0	0.0	–0.1	0.0	0.0	–0.1
Provision additions	4.0	2.9	15.0	1.3	2.8	26.1
Released during the period	–6.6	–1.8	–3.7	–0.4	–2.7	–15.2
Reversals of unused provisions	–0.1	0.0	0.0	–0.4	0.0	–0.5
Business disposals	0.2	0.0	0.0	0.0	0.0	0.2
December 31, 2016	**14.9**	**3.1**	**12.1**	**3.0**	**4.0**	**37.2**
Non-current provisions	4.4		0.5		2.2	7.1
Current provisions	10.5	3.1	11.6	3.0	1.9	30.1
Total	**14.9**	**3.1**	**12.1**	**3.0**	**4.0**	**37.2**

EUR million	Guarantee reserve	Provisions for loss making projects	Restructuring provisions	Legal provisions	Other provisions	Total
January 1, 2015	16.3	2.2	2.8	2.7	3.6	27.6
Translation differences	0.0	0.0	0.0	0.0		0.0
Provision additions	6.2	1.4	0.6	0.5	2.9	11.6
Released during the period	–4.7	–1.5	–2.5	–0.6	–2.2	–11.4
Reversals of unused provisions	–0.1		0.0	–0.3	–0.3	–0.7
Business disposals	–0.2	–0.1			–0.0	–0.3
December 31, 2015	**17.5**	**2.0**	**0.9**	**2.4**	**3.9**	**26.7**
Non-current provisions	6.3		0.6		2.2	9.0
Current provisions	11.2	2.0	0.4	2.4	1.8	17.7
Total	**17.5**	**2.0**	**0.9**	**2.4**	**3.9**	**26.7**

Provisions for contractual guarantees are determined on the basis of experience of the realisation of commitments. Provisions are presented as non-current or current provisions based on the forecasted date of the release of the provision.

26. BORROWINGS

EUR million	2016 Carrying value	2015 Carrying value
Non-current liabilities		
Loans from financial institutions	109.6	69.8
Pension loans	15.3	4.0
Other loans	0.5	0.5
Finance lease liabilities	2.1	0.9
Non-current liabilities, total	**127.6**	**75.2**

EUR million	2016 Carrying value	2015 Carrying value
Current liabilities		
Loans from financial institutions	20.0	19.9
Commercial papers	35.0	0.0
Pension loans	8.7	2.0
Other loans	0.0	0.0
Finance lease liabilities	2.1	0.7
Current liabilities, total	**65.7**	**22.7**

In the table are included all other liabilities than presented in note 27. Trade and other payables.

Finance lease liabilities

EUR million	2016	2015
Finance lease liabilities fall due in as follows:		
Minimum lease payments		
No later than 1 year	2.1	0.8
1–5 years	2.1	0.9
Total minimum lease payments	**4.3**	**1.7**
Present value of minimum lease payments		
No later than 1 year	2.0	0.7
1–5 years	2.1	0.9
Total present value of minimum lease payments	**4.1**	**1.6**
Future finance charges	0.1	0.1
Finance expenses charged to income statement	0.1	0.0

Main finance lease agreements are the agreements of cars, audiovisual equipment, machinery and equipment both in production and offices.

27. TRADE AND OTHER PAYABLES

EUR million	2016 Carrying value	2015 Carrying value
Non-current liabilities		
Liabilities of derivative instruments	0.5	0.3
Advances received		0.0
Other liabilities	0.1	0.1
Total non-current payables	**0.6**	**0.4**
Current liabilities		
Trade payables	214.1	232.2
Accrued expenses	150.5	142.0
Accrued expenses in work in progress	25.7	24.5
Advances received [1]	192.5	195.3
Other payables	82.5	76.1
Total current payables	**665.3**	**670.1**

[1] Advances received consist of advances received and of invoiced advances. Advances received from the long-term contracts are presented in note 2.

Accrued expenses

EUR million	2016	2015
Accrued employee-related liabilities	119.2	115.5
Interest expenses	0.3	0.2
Liabilities of derivative instruments	0.3	0.1
Other accrued expenses	30.7	26.2

The carrying value of the interest-free liabilities reflects nearly the fair value of them.

Reconciliation to note 29:

EUR million	2016	2015
Non-current liabilities	0.1	0.1
Derivatives	0.5	0.3
Total	**0.6**	**0.4**

EUR million	2016	2015
Current trade payables and other liabilities	665.3	670.1
Accrued expenses	–150.5	–142.0
Accrued expenses in work in progress	–25.7	–24.5
Total	**489.1**	**503.5**

28. NOMINAL VALUES AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

Nominal values

EUR million	2016	2015
Foreign exchange forward contracts, hedge accounting not applied	26.9	76.9
Interest rate derivatives		
Hedge accounting applied		
Interest rate swaps		90.0
Hedge accounting not applied		
Interest rate swaps	70.0	

Fair values EUR million	2016 Positive fair value (carrying value)	2016 Negative fair value (carrying value)	2016 Net value	2015 Positive fair value (carrying value)	2015 Negative fair value (carrying value)	2015 Net value
Foreign exchange forward contracts						
Hedge accounting not applied	0.2	–0.3	–0.1	0.1	–0.1	0.0
Interest rate derivatives						
Hedge accounting applied					–0.3	–0.3
Hedge accounting not applied		–0.5	–0.5			
Total	**0.2**	**–0.8**	**–0.6**	**0.1**	**–0.4**	**–0.3**
Netting fair values of derivative financial instruments subject to netting agreements	–0.2	0.2		–0.1	0.1	
Net total	**0.0**	**–0.6**	**–0.6**	**0.0**	**–0.3**	**–0.3**

All derivatives are hedges according to Caverion Group's Treasury Policy, but hedge accounting as defined in IAS 39, is applied only on certain derivative contracts. Foreign exchange forward contracts are mainly designated as hedges of financial items and have been charged to P/L in finance income/expenses. Foreign exchange forward contracts mature in 2017. The average interest rate fixing term of Group's interest-bearing loans has been increased by interest rate derivatives. The changes in the fair value of derivatives with hedge accounting applied for are recognised in fair value reserve in equity and the changes in fair value for derivatives with hedge accounting not applied for, are recognised in profit and loss account. Hedge accounting for valid interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued during the financial year.

Group's derivative instruments are subject to offsetting, enforceable master netting arrangements or similar agreements. In certain circumstances – e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. Master netting agreements do not meet the criteria for offsetting in the statement of financial position and amounts are presented on a gross basis. Other financial assets or liabilities for example trade receivables or trade payables do not include any amounts subject to netting agreements.

29. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

2016 EUR million	Available for sale investments	Loans and other receivables	Held for trading	Derivatives in hedge accounting	Finance liabilities	Carrying value	Fair value				Note
Valuation	Fair value	Measured at amortised cost	Fair value	Fair value	Measured at amortised cost		Level 1	Level 2	Level 3	Total	
Non-current financial assets											
Available for sale investments	1.2					1.2	0.7		0.5	1.2	16
Trade receivables and other receivables		1.2				1.2					17
Current financial assets											
Trade receivables and other receivables		640.3				640.3					20
Derivatives (hedge accounting not applied)			0.2			0.2		0.2		0.2	20, 28
Cash and cash equivalents		47.7				47.7					21
Total	**1.2**	**689.3**	**0.2**			**690.7**	**0.7**	**0.2**	**0.5**	**1.4**	
Non-current financial liabilities											
Borrowings					127.6	127.6		128.9			26
Trade payables and other liabilities					0.1	0.1					27
Derivatives (hedge accounting applied)			0.5			0.5		0.5		0.5	27, 28
Current financial liabilities											
Borrowings					65.7	65.7					26
Trade payables and other liabilities					489.1	489.1					27
Derivatives (hedge accounting not applied)			0.3			0.3		0.3		0.3	27, 28
Total			**0.8**		**682.5**	**683.3**		**129.7**		**0.8**	

2015 EUR million	Available for sale investments	Loans and other receivables	Held for trading	Derivatives in hedge accounting	Finance liabilities	Carrying value	Fair value				Note
Valuation	Fair value	Measured at amortised cost	Fair value	Fair value	Measured at amortised cost		Level 1	Level 2	Level 3	Total	
Non-current financial assets											
Available for sale investments	1.4					1.4	0.7		0.7	1.4	16
Trade receivables and other receivables		0.5				0.5					17
Current financial assets											
Trade receivables and other receivables		620.6				620.6					20
Derivatives (hedge accounting not applied)			0.1			0.1		0.1		0.1	20, 28
Cash and cash equivalents		68.1				68.1					21
Total	**1.4**	**689.2**	**0.1**			**690.7**	**0.7**	**0.1**	**0.7**	**1.5**	
Non-current financial liabilities											
Borrowings					75.2	75.2		77.3		77.3	26
Trade payables and other liabilities					0.1	0.1					27
Derivatives (hedge accounting applied)				0.3		0.3		0.3		0.3	27, 28
Current financial liabilities											
Borrowings					22.7	22.7					26
Trade payables and other liabilities					503.5	503.5					27
Derivatives (hedge accounting applied)											27, 28
Derivatives (hedge accounting not applied)			0.1			0.1		0.1		0.1	27, 28
Total			**0.1**	**0.3**	**601.5**	**602.0**		**77.7**		**77.7**	

Measurement of fair values

Valuation techniques and significant unobservable inputs used in fair value measurement:

a) Financial instruments in level 1

Fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily funds and OMXH equity investments classified as available for sale.

b) Financial instruments in level 2

Fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair values for the derivative instruments categorised in Level 2 have been defined as follows: The fair values of foreign exchange forward and forward rate agreements have been defined by using the market prices at the closing day. The fair values of interest rate swaps are based on discounted cash flows. The fair values of non-current loans are based on discounted cash flows. Discount rate is defined to be the rate that Group was to pay for an equivalent external loan at the year-end. It consists of a risk-free market rate and company and maturity related risk premium of 1.00–2.60% p.a (0.75–2.35% in 2015).

c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The available-for-sale investments categorised in Level 3 are non-listed equity instruments and they are measured at acquisition cost less any impairment or prices obtained from a broker as their fair value cannot be measured reliably.

There were no transfers between the levels of the fair value hierarchy during the period ended 31 December 2016.

Changes in the items categorized into level 3 are presented below:

EUR million	Assets 2016	Liabilities 2016	Assets 2015	Liabilities 2015
Opening balance	0.7		0.7	
Transfers into/from level 3				
Purchases and sales	–0.2			
Gains and losses recognised in profit and loss				
Gains and losses recognised in comprehensive profit and loss				
Closing balance	**0.5**		**0.7**	

30. FINANCIAL RISK MANAGEMENT

Caverion Group is exposed in its business operations to liquidity risk, credit risk, foreign exchange risk and interest rate risk. The objective of Caverion's financial risk management is to minimize the uncertainty which the changes in financial markets cause to its financial performance.

Risk management is carried out by Caverion Group Treasury in co-operation with divisions under policies approved by the Board of Directors of Caverion Group. Financing activities are carried out by finance personnel and management in the divisions and subsidiaries. Responsibilities in between the Group Treasury and divisions are defined in the Group's treasury policy. Divisions are responsible for providing the Group Treasury 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. In addition, the Group's treasury policy defines main principles and methods for financial risk management, cash management and specific financing-related areas e.g. commercial guarantees, relationships with financiers and customer financing.

Interest rate risk

Caverion has interest-bearing receivables in its cash and cash equivalents but otherwise its revenues and cash flows from operating activities are mostly independent of changes in market interest rates.

Caverion's exposure to cash flow interest rate risk arises mainly from current and non-current loans and related interest rate derivatives. Borrowing issued at floating interest rates expose Caverion to cash flow interest rate risk, which is hedged by interest rate derivatives. To manage the interest rate risk, the Board of Directors of the Caverion Group has defined an average interest rate fixing term target for the Group's net debt (excluding cash). At the reporting date the average interest rate fixing term of net debt (excluding cash) was 5.8 months.

Interest rate derivatives are used to hedge the re-pricing risk of floating-rate loans. Nominal hedged amount is EUR 70 million (EUR 90 million in 2015) and its reference interest rate is 6 month Euribor. The hedged cash flows will realise within four subsequent reporting periods (notes 28 and 29). Hedge accounting under IAS 39 for these interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued during the financial year. The fair value of interest rate swap agreements is derived from the discounted future cash flows. Fair values of derivatives are recognised in the income statement within financial income and expenses according to accounting policies in 2016.

The weighted average effective interest rate of the whole loan portfolio after hedges was 1.91% in 2016 (1.32% in 2015). Interest rate derivatives increase the average effective interest rate of the loan portfolio by 0.16 percentage points in 2016 (0.19 percentage points increase in 2015). Fixed-rate loans after hedges accounted for approximately 15 percent of the Group's borrowings.

In addition to the targeted average interest rate fixing term of net debt the Caverion Group management monitors monthly the effect of the possible change in interest rate level on the Caverion Group's financial result. The monitored number is the effect of one percentage point rise in interest rate level on yearly net interest expenses. The effect on Caverion's yearly net interest expenses would have been an increase of EUR 0.6 million in 2016 (a decrease of EUR 0.7 million in 2015). In addition, the effect of fair valuation of interest rate derivatives for which hedge accounting is not applied would have decreased the net interest costs by EUR 1.3 million for the period when interest rates rise by one percentage point.

Credit and counterparty risk

Caverion's credit risk arises from outstanding receivable balances, long term agreements with customers, as well as cash and cash equivalents/deposits and derivative financial instruments with banks.The Group Treasury is responsible for the counterparty risk of derivative instruments and financial investment products. Local entities are responsible for managing the credit risk related to operating items, such as trade receivables. Customer base and the nature of commercial contracts differ in each Caverion's business area hence finance department of each segment manage the customer specific credit risk together with business units.

Counterparties to the financial instruments are chosen based on the Caverion Group management's estimate on their reliability. Board of Directors of the Caverion Group accepts the main banks used by the Caverion Group and counterparties to short-term investments and derivative instruments and their limits. Short-term investments related to liquidity management are made according to the Caverion's treasury policy. No impairment has been recognised on derivative instruments or investment products in the reporting period. The Caverion Group's management does not expect any credit losses from non-performance by counterparties to investment products or derivative instruments.

The Group manages credit risk relating to operating items, for instance, by advance payments, upfront payment programs in projects, payment guarantees and careful assessment of the credit quality of the customer. Majority of the Caverion Group's operating activities are based on established, reliable customer relationships and generally adopted contractual terms. The payment terms of the invoices are mainly from 14 to 45 days. Credit background of new customers is assessed comprehensively and when necessary, guarantees are required and client's paying behavior is monitored actively. The Caverion Group does not have any significant concentrations of credit risk as the clientele is widespread and geographically spread into the countries in which the Group operates.

The credit losses and impairment of receivables were EUR 1.9 million in 2016 and EUR 0.6 million in 2015. The Group's maximum exposure to credit risk at the balance sheet date (December 31, 2016) is the carrying amount of the financial assets.

Age analysis of trade receivables December 31, 2016

EUR million	Carrying amount	Impaired	Gross
Not past due [1)]	272.4	–0.1	272.5
1 to 90 days	49.8	–0.2	50.1
91 to 80 days	9.0	–0.1	9.0
181 to 360 days	16.3	–1.6	17.9
Over 360 days	30.7	–4.5	35.3
Total	**378.2**	**–6.5**	**384.8**

Age analysis of trade receivables December 31, 2015

EUR million	Carrying amount	Impaired	Gross
Not past due [1)]	263.8	0.0	263.8
1 to 90 days	40.7	–0.3	41.0
91 to 80 days	6.4	–0.9	7.3
181 to 360 days	4.2	–0.7	4.9
Over 360 days	36.5	–3.3	39.8
Total	**351.7**	**–5.2**	**356.9**

[1)] There are no material trade receivables that would be otherwise past due but whose terms have been renegotiated. For additional information on trade receivables, please see note 20.

There are EUR 47,0 (40,7) million overdue receivables that are more than 180 days old. Majority of these receivables is related to disputed contracts. Receivables and related risk are monitored on regular basis and risk assessments are updated always when there are changes in circumstances. A receivable is impaired when payment is seen improbable. Overdue receivables include identified risks amounting up to EUR 10 million. For these risks, the criteria for impairment has not been fulfilled by the date of the financial statements.

As a result of partial demerger of YIT Corporation registered on 30 June 2013, a secondary liability has been generated to Caverion Corporation, a new company established in the partial demerger, for those liabilities that have been generated before the registration of the demerger and remain with YIT Corporation after the demerger. Caverion Corporation has a secondary liability relating to the Group guarantees that remain with YIT Corporation after the demerger, if YIT Corporation falls into default. These Group guarantees amounted to EUR 266.8 million at the end of December 2016 (EUR 338.2 million).

Liquidity risk

The Caverion's management evaluates and monitors continuously the amount of funding required in the Group's business activities to ensure it has adequate liquid funds to finance its operations, repay its loans at maturity and pay annual dividends. The funding requirements have been evaluated based on annual budget, monthly financial forecast and short-term, timely cash planning. The Caverion's Group Treasury is responsible for maintaining sufficient funding, availability of different funding sources and controlled maturity profile of external loans.

Caverion Corporation signed a new EUR 60 million unsecured long-term bullet term loan agreement with its core banks in December. The loan will be used for general corporate purposes and it will balance the debt maturity structure, provide financial flexibility and support the Group's liquidity management going forward. The loan was raised in late December 2016 and it will mature as a bullet loan in the end of February 2021. Approximately 67 percent of the loans have been raised from banks and other financial institutions, approximately 18 percent directly from the money markets, and approximately 13 percent from insurance companies.

Caverion Group's interest-bearing loans and borrowings amounted to 193.3 million at the end of December (EUR 97.9 million in 2015). A total of EUR 65.7 million of the interest-bearing loans and borrowings will fall due during the next 12 months.

Caverion's external loans are subject to a financial covenant based on the ratio of the Group's net debt to EBITDA. This ratio shall not at any time exceed 3.5:1. In connection with the financing arrangement agreed on December 22, 2016, Caverion and its lending parties confirmed the EBITDA calculation principles related to the Group's financial covenant (Net Debt/EBITDA). At the end of 2016, the Group's Net debt to EBITDA was 2.8 according to the confirmed calculation principles. The covenant ratio is continuously monitored and evaluated against actual and forecasted EBITDA and net debt figures.

To manage liquidity risk the Caverion Group uses cash and cash equivalents, Group accounts with overdraft facilities, credit facilities and commercial papers. Caverion's cash and cash equivalents amounted to EUR 47.7 million at the end of December (EUR 68.1 million in 2015). In addition, Caverion has undrawn overdraft facilities amounting to EUR 19 million and undrawn committed revolving credit facilities amounting to EUR 100 million. The committed revolving credit facilities are valid until May 2020.

Cash management and funding is centralized in the Caverion's Group Treasury. With a centralized cash management, the use of liquid funds can be optimized between different units of the Group.

The following table describes the contractual maturities of financial liabilities. The amounts are undiscounted. Interest cash flows of floating rate loans and derivative instruments are based on the interest rates prevailing on December 31, 2016 (December 31, 2015). Cash flows of foreign currency denominated loans are translated into euro at the reporting date. Cash flows of foreign currency forward contracts are translated into euro at forward rates.

Contractual maturity analysis of financial liabilities and interest payments at December 31, 2016

EUR million	2017	2018	2019	2020	2021	2022–	Total	Note
Loans from financial institutions	22.6	22.3	21.9	11.5	60.3		138.5	26, 29
Commercial papers	35.0						35.0	26, 29
Pension loans	8.8	8.8	6.7				24.3	26, 29
Finance lease liabilities	2.1	1.8	0.4	0.0	0.0		4.3	26, 29
Other financial liabilities						0.5	0.5	26, 29
Trade and other payables	489.1						489.1	27, 29
Interest rate derivatives Hedge accounting not applied	0.3	0.2	0.1	0.0			0.6	27, 28, 29
Foreign currency derivatives	0.1						0.1	27, 28, 29

Contractual maturity analysis of financial liabilities and interest payments at December 31, 2015

EUR million	2016	2017	2018	2019	2020	2020–	Total	Note
Loans from financial institutions	20.7	20.6	20.4	20.2	10.0		92.0	26, 29
Pension loans	2.1	2.1	2.0				6.2	26, 29
Finance lease liabilities	0.7	0.5	0.3	0.1	0.0		1.6	26, 29
Other financial liabilities	0.5						0.5	26, 29
Trade and other payables	503.5						503.5	27, 29
Interest rate derivatives Hedge accounting not applied	0.2	0.1	0.1	0.1	0.0		0.5	27, 28, 29
Foreign currency derivatives	0.1						0.1	27, 28, 29

Foreign exchange risk

The Caverion Group operates internationally and is exposed to foreign exchange risks arising from the currencies of the countries in which it operates. Risk arises mainly from the recognised assets and liabilities and net investments in foreign operations. In addition, commercial contracts in the subsidiaries cause foreign exchange risk, but the contracts are mainly denominated in the entity's own functional currencies.

The objective of foreign exchange risk management is to reduce uncertainty caused by foreign exchange rate movements on income statement through measurement of cash flows and commercial receivables and payables. By the decision of Board of Directors of Caverion Group, the investments in foreign operations are not hedged for foreign exchange translation risk.

Foreign currency denominated net investments at the balance sheet date

EUR million	2016 Net investment	2015 Net investment
SEK	5.5	58.5
NOK	–2.6	–2.6
DKK	8.6	12.0
Other currencies	5.4	2.8

Here net investment comprises equity invested in foreign subsidiaries and internal loans that qualify for net investment classification deducted by possible goodwill in the subsidiaries balance sheet.

According to the Caverion Group's Treasury policy, all group companies are responsible for identifying and hedging the foreign exchange risk related to the foreign currency denominated cash flows. All firm commitments over EUR 0.2 million must be hedged, by intra-group transactions with the Caverion Group Treasury. The Caverion Group Treasury hedges the net position with external counterparties but does not apply hedge accounting to derivatives hedging foreign exchange risk. Accordingly, the fair value changes of derivative instruments are recognised in consolidated income statement. In 2016 the most significant currencies in the Caverion Group, that relate to commercial agreements and their hedges are Swedish Crown and Norwegian Crown. If the euro had strengthened by 5% against the Swedish Crown at the reporting date, valuation of the foreign exchange contracts would have caused a pre-tax foreign exchange gain of EUR 0,3 million. The similar strengthening against the Norwegian Crown would have caused a pre-tax foreign exchange gain of EUR 0.2 million.

Excluding foreign exchange differences due to derivatives relating to the commercial agreements, the strengthening or weakening of the Euro would not have a significant impact on the Caverion Group's result, if the translation difference in consolidation is not considered. The sensitivity analysis comprises the foreign exchange derivative contracts made for hedging, both the internal and external loans and receivables, which offset the effect of changes in foreign exchange rates.

Capital management

The objective of capital management in Caverion Group is to maintain an optimal capital structure, maximise the return on the respective capital employed, and to minimise the cost of capital within the limits and principles stated in the Treasury Policy. The capital structure is modified primarily by directing investments and working capital employed.

31. OTHER LEASE AGREEMENTS

Group as lessee

The future minimum lease payments under non-cancellable operating leases:

EUR million	2016	2015
No later than 1 year	52.3	50.5
1–5 years	104.5	96.5
Later than 5 years	20.7	22.3
Total	**177.5**	**169.2**

The lease payments of non-cancellable operating leases charged to income statement amounted to EUR 60.0 (57.0) million.

The Group has leased the office facilities. The lease agreements of office facilities have a maximum validity period of 9 years. Some of the agreements include the possibility of continuing after the initial expiry date. The index, renewal, and other terms of the lease agreements of office facilities are dissimilar to each other. Operating leases include also the liabilities of operating lease agreements of employee cars, which have the average duration of four years.

32. COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2016	2015
Guarantees given on behalf of associated companies	0.2	0.2
Other commitments		
Other contingent liabilities	0.2	0.2

The Group parent company has guaranteed obligations of its subsidiaries. On December 31, 2016 the total amount of these guarantees was EUR 533.0 (491.7) million. These consist of counter guarantees for external guarantees and parent company guarantees given according to general contracting practices.

Group companies are engaged in legal proceedings which are connected to ordinary business operations. The outcomes of the proceedings are difficult to predict, but if a case is deemed to require a provision that has been made on the basis of a best estimate.

In addition, the investigation of violations of competition law related regulations in the technical services industry in Germany continues. As part of the investigation, German authorities have searched information from various technical services providers, including Caverion. Caverion co-operates with the local authorities. Based on the currently available information, it is still not possible to evaluate the magnitude of the potential risk for Caverion related to these issues. It is possible that the costs, sanctions and indemnities can be material.

As part of the co-operation with the authorities Caverion has identified activities during 2009–2011 which are likely to fulfil the criteria of corruption or other criminal conduct in connection with one of its client projects executed at the time. Caverion has brought its findings to the immediate attention of authorities and supports them fully to further investigate the case. It is possible that these suspected infringements may cause considerable damage to Caverion in terms of fines, civil claims as well as legal expenses. However, the end result and magnitude of the potential damages cannot be assessed at this time. Caverion is monitoring the situation and will disclose any relevant information as required under the relevant regulations.

No provisions related to above mentioned investigations has been booked in 2016 financial statements.

Entities participating in the demerger are jointly and severally responsible for the liabilities of the demerging entity which have been generated before the registration of the demerger. As a consequence, a secondary liability up to the allocated net asset value was generated to Caverion Corporation, incorporated due to the partial demerger of YIT Corporation, for those liabilities that were generated before the registration of the demerger and remain with YIT Corporation after the demerger. Creditors of YIT Corporation's major financial liabilities have waived their right to claim for settlement from Caverion Corporation on the basis of the secondary liability. Caverion Corporation has a secondary liability relating to the Group guarantees which remain with YIT Corporation after the demerger. These Group guarantees amounted to EUR 266.8 (338.2) million at the end of December 2016.

33. SUBSIDIARIES

Company name	Domicile	Holding of Caverion Group, %	Holding of Caverion Corporation, %
Caverion Suomi Ltd	Helsinki	100.00	100.00
Caverion GmbH	Munich	100.00	100.00
Caverion Industria Ltd	Helsinki	100.00	100.00
Caverion Sverige AB	Solna	100.00	100.00
Caverion Norge AS	Oslo	100.00	100.00
Caverion Danmark A/S	Fredericia	100.00	100.00
Caverion Österreich GmbH	Vienna	100.00	100.00
Caverion Emerging Markets Ltd	Helsinki	100.00	100.00
Caverion Internal Services AB	Solna	100.00	100.00
Caverion Eesti AS	Tallinn	100.00	
Caverion Latvija SIA	Riga	100.00	
UAB Caverion Lietuva	Vilnius	100.00	
Caverion Huber Invest Ltd	Helsinki	100.00	
Caverion Česká rebublika s.r.o	Prague	100.00	
Caverion Polska Sp.z.o.o.	Warsaw	100.00	
Caverion Deutschland GmbH	Munich	100.00	
Duatec GmbH	Munich	100.00	
OOO Duatec RUS	Moscow	100.00	
MISAB Sprinkler & VVS AB	Solna	100.00	
ZAO Caverion St. Petersburg	St. Petersburg	100.00	
OOO Caverion Elmek	Moscow	100.00	
Teollisuus Invest Ltd	Helsinki	100.00	
OOO Peter Industry Service	St. Petersburg	100.00	
Ltd Botnia Mill Service Ab [1)]	Kemi	49.83	
Kiinteistö Ltd Leppävirran Teollisuustalotie 1	Leppävirta	60.00	

[1)] Oy Botnia Mill Service Ab is fully consolidated due to Caverion Group's controlling interest based on shareholder's agreement.

Caverion doesn't have subsidiaries with material non-controlling interests based on Group's view.

34. RELATED PARTY TRANSACTIONS

EUR million	2016	2015
Sales of goods and services to associated companies	1.3	1.2

Goods and services to other related parties are sold on the basis of price lists in force with non-related parties.

Key management compensation

Key management includes members of the Board of Directors and Group Management Board of Caverion Corporation. The compensation paid to key management for employee services is presented below:

EUR million	2016	2015
Salaries and other short-term employee benefits	4.4	4.7
Post-employment benefits	0.1	0.1
Total	**4.5**	**4.9**

Information on share-incentive schemes has been presented in note 23. Share-based payments.

Compensation paid for members of the Board of Directors and President and CEO

EUR million	2016	2015
President and CEO		
Strand Fredrik, President and CEO as to May 17, 2016	0.3	0.5
Toikkanen Sakari, Presidnet and CEO as from May 18, 2016	0.2	
Total	**0.5**	**0.5**
Members of the Board of Directors		
Ehrnrooth Markus	0.1	0.0
Hyvönen Anna	0.1	0.1
Lehtoranta Ari, Chairman of the Board	0.1	0.1
Lindqvist Eva	0.1	0.1
Puheloinen Ari	0.1	0.0
Rosenlew Michael	0.1	0.1
Total	**0.4**	**0.4**

Fredrik Strand's termination compensation, pensions and retirement age

The contractual retirement age of the President and CEO Fredrik Strand has been 65 years. His pension scheme has been determined according to a defined contribution based pension scheme. He has not been included in the collectively agreed occupational pension plan in Sweden and nor to the Finnish statutory pension system. During Jan 1, 2016–May 17, 2016 the cost of his total pension scheme was EUR 71,120. The President and CEO's contractual notice period has been six months.

After the joint agreement of discontinuation as President and CEO of Caverion Group on 17th of May 2016, Mr. Strand has been paid a notice period compensation of 246,595 euros (including fringe benefits of 3,272 euros) and after that a severance payment amounting to 12 months' base salary as monthly payments. The last monthly payment will be paid in November 2017 and the total severance payment will be 515,760 euros.

Remuneration of the CEO and Management

Ari Lehtoranta started as the President and CEO of Caverion Corporation January 1, 2017. President and CEO Ari Lehtoranta's total monthly salary is 55,000 EUR including fridge benefits.

The notice period for both parties is six months. Severance pay (if the company terminates the agreement) is compensation amounting to 12 months' base salary as monthly payments after the termination date. Ari Lehtoranta has a supplementary defined contribution pension plan, annual contribution being 20% of the base salary. Retirement age is 63 years.

EUR	Fixed base salary	Fringe benefits	Short-term incentive	Total 2016
Group Management Board members excluding President and CEO*	2,739,315	120,343	597,232	3,456,890

* Includes the members' total remuneration for the period they have been members of the Group Management Board

Other members of the Group Management Board do not have any supplementary executive pension schemes. For other members of the Group Management Board the statutory retirement age applies.

Loans to related parties

Loans to any related parties do not exist.

35. DISTRIBUTION OF REVENUE AND NON-CURRENT ASSETS

Geographical distribution of revenue and non-current assets

EUR million	2016 Revenue from external customers	2016 Non-current assets	2015 Revenue from external customers	2015 Non-current assets
Sweden	561.3	52.7	616.9	53.9
Finland	573.6	147.6	527.0	137.0
Norway	359.5	77.1	400.2	79.7
Germany	477.0	103.7	504.6	102.5
Austria	148.5	23.1	144.2	22.1
Denmark	126.3	12.5	124.7	11.0
Other countries	117.9	4.4	125.3	4.5
Group total	**2,364.1**	**421.2**	**2,443.0**	**410.6**

Revenues are presented by location of customers and assets by location of assets.

Revenue by businesses

EUR million	2016	%	2015	%
Service	1,130.6	48	1,290.7	53
Projects	1,233.6	52	1,152.3	47
Group total	**2,364.1**	100	**2,443.0**	100

Revenue by customers

Caverion's customer base consists of a large number of customers in several geographical areas and no individual customer represents a material share of its revenue.

36. EVENTS AFTER THE REPORTING PERIOD

Caverion announced on February 3, 2017 that Caverion Suomi Oy (Finland) has been served with a corporate fine claim amounting to a minimum of EUR 300,000 in connection with sponsorship of equestrian sports in Finland. In addition, a charge has been brought against Jarno Hacklin, a member of Caverion's Group Management Board. YIT Kiinteistötekniikka Oy, currently Caverion Suomi Oy, sponsored equestrian sports during the years in question, 2007 to 2012, with a total amount of approximately 65,000 euros. The same object was sponsored by many other companies apart from Caverion. The Finnish National Bureau of Investigation has investigated this sponsoring by different companies, suspecting it to have been bribes. Mr. Hacklin acted as the CEO of YIT Kiinteistötekniikka Oy from June 2011 until June 2013. In addition to Mr. Hacklin a charge has also been brought against another person working in operative tasks. Caverion Suomi Oy contests the claim and both accused persons deny the guilt. Caverion has carried out an internal investigation into the matter, and based on the results, both persons have the confidence of the company and continue in their current roles in Caverion.

Income statement, Parent company, FAS

EUR	Note	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Other operating income	1	57,942,916.48	32,858,373.57
Personnel expenses	2	–10,707,456.14	–9,150,523.34
Depreciation and value adjustments	3	–2,292,434.06	–2,014,464.91
Other operating expenses	4	–47,230,229.91	–23,908,925.56
OPERATING LOSS		**–2,287,203.63**	**–2,215,540.24**
Financial income and expenses	5	20,812,117.51	13,372,622.22
PROFIT BEFORE APPROPRIATIONS AND TAXES		**18,524,913.88**	**11,157,081.98**
Appropriations	6	11,545,916.81	17,176,854.82
Income taxes	7	–2,022,257.75	–3,236,603.21
PROFIT FOR THE FINANCIAL PERIOD		**28,048,572.94**	**25,097,333.59**

Balance sheet, Parent company, FAS

EUR	Note	31.12.2016	31.12.2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	19,443,160.52	10,741,399.21
Tangible assets	8	230,112.97	281,109.94
Investments	9	415,082,569.52	401,582,569.52
TOTAL NON-CURRENT ASSETS		**434,755,843.01**	**412,605,078.67**
CURRENT ASSETS			
Long-term receivables	10	60,120,000.00	60,246,100.00
Current receivables	11	44,158,340.88	47,994,590.76
Cash and cash equivalents		34,643,665.01	47,977,510.37
TOTAL CURRENT ASSETS		**138,922,005.89**	**156,218,201.13**
TOTAL ASSETS		**573,677,848.90**	**568,823,279.80**
EQUITY AND LIABILITIES			
EQUITY	12		
Share capital		1,000,000.00	1,000,000.00
Retained earnings		114,175,153.47	124,101,340.16
Profit for the period		28,048,572.94	25,097,333.59
Fair value reserve		–295,661.98	–295,661.98
Treasury shares		–3,213,988.55	–3,213,159.00
TOTAL EQUITY		**139,714,075.88**	**146,689,852.77**
APPROPRIATIONS	13	**722,332.78**	**868,249.59**
LIABILITIES			
Non-current liabilities	15	125,808,401.88	74,295,661.97
Current liabilities	16	307,433,038.36	346,969,515.47
TOTAL LIABILITIES		**433,241,440.24**	**421,265,177.44**
TOTAL EQUITY AND LIABILITIES		**573,677,848.90**	**568,823,279.80**

Cash flow statement, Parent company, FAS

EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Cash flow from operating activities		
Profit / loss before extraordinary items	18,524,913.88	11,157,081.98
Adjustments for:		
Depreciations	2,292,434.06	2,014,464.91
Other	273,119.87	33,077.53
Gains and disposals of sales of subsidiary shares	0.00	0.00
Financial income and expenses	–20,812,117.51	–13,372,622.22
Cash flow before change in working capital	**278,350.30**	**–167,997.80**
Change in working capital		
Change in trade and other receivables	–299,755.23	–2,987,797.35
Change in long-term receivables	6,100.00	–5,000.00
Change in trade and other payables	2,372,920.22	3,636,278.33
Cash flow before financial items and taxes	**2,357,615.29**	**475,483.18**
Cash flow from operating activities		
Interest paid and financial expenses	–20,388,316.99	–23,051,219.20
Dividends received	20,007,446.52	12,420,544.31
Interest received and financial income	21,594,811.43	22,852,723.06
Income taxes paid	–4,643,449.76	–2,016,277.86
Cash flow from operating activities	**18,928,106.49**	**10,681,253.49**
Cash flow from investing activities		
Purchases of tangible and intangible assets	–10,118,198.40	–3,249,460.36
Channge in non-current loans	120,000.00	–240,000.00
Change in current interest-bearing receivables	–421,513.95	62,225.16
Subsidiary investments	–13,500,000.00	–10,000,000.00
Proceeds of sales of subsidiary shares	0.00	0.00
Cash flow from investing activities	**–23,919,712.35**	**–13,427,235.20**
Cash flow from financing activities		
Purchase of own shares	0.00	0.00
Group contributions received	17,500,000.00	16,350,000.00
Repayment of borrowings	–22,000,000.00	–150,454,545.46
Proceeds of borrowings	80,000,000.00	100,000,000.00
Change in current loans	–48,818,719.22	29,975,337.38
Dividends paid	–35,023,520.28	–27,518,775.24
Cash flow from financing activities	**–8,342,239.50**	**–31,647,983.32**
Net change in cash and cash equivalents	**–13,333,845.36**	**–34,393,965.03**
Cash and cash equivalents at the beginning of the financial year	47,977,510.37	82,371,475.40
Cash and cash equivalents at the end of the financial year	34,643,665.01	47,977,510.37

Notes to the financial statements, Parent company

Caverion Corporation accounting principles

The financial statements have been prepared in accordance with the Finnish accounting standards (FAS).

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of transaction.

The balance sheet has been translated using the European Central Bank rates on the closing date.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income and expenses".

Valuation of assets

Intangible and tangible assets are recognized in the balance sheet at original purchase cost less depreciation according to plan and possible impairment.

Depreciations according to plan are calculated using the straight-line method to allocate the cost to over their estimated useful lives.

The estimated useful lives of assets are the following:

Intangible assets	2–5 years
Buildings	10 years
Machinery and equipment	3 years

Investments in subsidiaries and other companies are measured at historical cost, or fair value in case the fair value is less than historical cost.

Income recognition

The income from intra-group service sales is recorded as other operating income when the service is completed.

Future expenses and losses

Future expenses and losses which relate to the financial year or previous financial years and are likely to materialize, are recognized as an expense in the income statement. When the precise amount or timing of realization is not known, they are presented in the balance sheet provisions for contingent losses.

Accrual of pension costs

The pension cover of parent company is handled by external pension insurance companies. Pension costs are recognized as costs in the income statement in the year to which these contributions relate.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current. These assets are recognised at acquisition cost, and transaction costs are expensed in the income statement over the period of the loan to which it relates.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less, they are classified as current. If not, they are presented as non-current.

Cash and cash equivalents include cash in hand, bank deposits withdrawable on demand and liquid short-term investments with original maturities of three months or less.

Financial liabilities and other liabilities

Borrowings are recorded on the settlement date at acquisition cost, and transaction costs are expensed in the financing expenses in the statement of income over the period of the liability to which it relates. Other borrowing costs are expensed in the period during which they are incurred. Fees paid on the establishment of loan facilities are recognised as expenses over the period of the facility to which it relates. Borrowings are derecognised when its contractual obligations are discharged or cancelled, or expire.

Borrowings are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities. Trade payables are recognised at acquisition cost.

Derivative instruments

Derivative contracts that are used to hedge currency and the interest rate risks are valued at fair value. The fair values of interest rate swaps and foreign exchange derivatives are presented in the note 18 Derivative instruments.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currency. Foreign exchange derivatives are valued employing the market forward exchange rate quoted on the balance sheet date. Foreign exchange gains and losses related to business operations are included in operating profit. Foreign exchange gains and losses associated with financing are reported in financial income and expenses. Foreign exchange derivatives mature within 2017. Hedge accounting is not applied to foreign exchange derivatives.

Interest rate derivatives are used to hedge against changes in market interest rates. The fair values of interest rate derivatives are derived by discounting the contractual future cash flows to the present value. The change in fair value of interest rate derivatives, that are not in the hedge accounting, is recognised in the income statement within financial income and expenses. The changes in the fair value of derivative instruments, that qualify for cash flow hedges is recognised in other comprehensive income and accumulate in the fair value reserve. Hedge accounting for interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued during the financial year. The accounting principles related to derivative instruments and hedge accounting are described more specifically in Group's accounting principles in the section: Derivative financial instruments and hedge accounting.

Income taxes

Income taxes of the financial year are recognized in the income statement. Deferred taxes have not booked in the parent company's financial statements.

Notes to income statement, Parent company

1. OTHER OPERATING INCOME

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Service income	57,942.9	32,858.4
Gains on disposals of investments	0	0
Total	**57,942.9**	**32,858.4**

2. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Personnel expenses		
Wages, salaries and fees	9,079.8	7,261.7
Pension expenses	1,680.9	1,141.5
Other indirect personnel costs	–53.3	747.3
Total	**10,707.5**	**9,150.5**
Average personnel	94.5	78.0
Salaries and fees to the management		
President and executive Vice President	594.2	529.9
Members of the Board of Directors	375.9	354.6
Total	**970.1**	**884.5**

3. DEPRECIATIONS AND VALUE ADJUSTMENTS

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Depreciation on other tangible assets	2,241.4	1,943.4
Depreciations on buildings and structures	16.1	16.1
Depreciations on machinery and equipment	34.9	54.9
Total	**2,292.4**	**2,014.5**

4. OTHER OPERATING EXPENSES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
The fees for the auditors		
PriceWaterhouseCoopers Oy, Authorised Public Accountants		
Audit fee	223.5	176.0
Tax services	8.2	19.0
Other services	55.7	79.0
Total	**287.4**	**274.0**

5. FINANCIAL INCOME AND EXPENSES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Dividend income		
From Group companies	20,007.4	12,420.5
Interest income from non-current investments		
From Group companies	1,922.3	1,739.9
Other interest and financial income		
From Group companies	1,564.4	2,036.0
From other companies	30.5	81.1
Total	**1,594.9**	**2,117.1**
Other interest and financial expenses		
Interest expenses to Group companies	–409.1	–338.8
Interest expenses to others	–1,362.9	–1,698.8
Other expenses to others	–862.0	–934.8
Measurement of interest rate derivatives at fair value	–179.4	0.0
Total	**–2,813.5**	**–2,972.4**
Exchange rate gains	18,108.0	19,577.3
Fair value change in derivatives	–109.4	259.4
Exchange rate losses	–17,897.6	–19,769.3
Total	**101.0**	**67.5**
Total financial income and expenses	**20,812.1**	**13,372.6**

6. APPROPRIATIONS

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
The accumulated difference between the depreciations	145.9	–323.1
Group contributions	11,400.0	17,500.0

7. INCOME TAXES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Income taxes on operating activities	2,022.3	3,236.6
Total	**2,022.3**	**3,236.6**

Notes to balance sheet, Parent company

8. CHANGES IN FIXED ASSETS

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Intangible assets		
Intangible rights		
Historical cost at Jan 01	9,745.7	6,867.1
Increases	1,467.1	2,878.6
Decreases		
Historical cost at Dec 31	11,212.8	9,745.7
Accumulated depreciations and value adjustments Jan 1	–4,229.6	–2,286.2
Depreciations for the period	–2,241.4	–1,943.4
Accumulated depreciations and value adjustments Dec 31	–6,471.0	–4,229.6
Book value at December 31	**4,741.8**	**5,516.1**
Advance payments and construction in progress		
Historical cost at Jan 1	5,225.3	4,880.5
Increases	19,940.1	11,488.8
Decreases	–10,464.0	–11,144.0
Historical cost at Dec 31	14,701.4	5,225.3
Book value at December 31	**14,701.4**	**5225.3** *
Total intangible assets	**19,443.1**	**10,741.4**

* Advance payments and construction in progress has been moved to intangible assets on 2016.

Tangible assets		
Land and water areas		
Historical cost at Jan 1	109.8	109.8
Increases		
Decreases		
Historical cost at Dec 31	109.8	109.8
Book value at December 31	**109.8**	**109.8**
Buildings and structures		
Historical cost at Jan 1	160.9	160.9
Increases		
Decreases		
Historical cost at Dec 31	160.9	160.9
Accumulated depreciations and value adjustments Jan 1	–40.2	–24.1
Depreciations for the period	–16.1	–16.1
Accumulated depreciations and value adjustments Dec 31	–56.3	–40.2
Book value at December 31	**104.6**	**120.7**

Machinery and equipment		
Historical cost at Jan 1	181.7	155.7
Increases		26.1
Decreases		
Historical cost at Dec 31	181.7	181.7
Accumulated depreciations and value adjustments Jan 1	–131.1	–76.2
Depreciations for the period	–34.9	–54.9
Accumulated depreciations and value adjustments Dec 31	–166.1	–131.1
Book value at December 31	**15.7**	**50.6**
Total tangible assets	**230.1**	**281.1**

9. INVESTMENTS

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Shares in Group companies		
Historical cost at Jan 1	401,582.6	391,582.6
Increases	13,500.0	10,000.0
Decreases	0.0	0.0
Historical cost at Dec 31	415,082.6	401,582.6
Total investments	**415,082.6**	**401,582.6**

10. NON-CURRENT RECEIVABLES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Receivables from Group companies		
Loan receivables	60,120.0	60,240.0
Receivables from others	0.0	6.1
Total non-current receivables	**60,120.0**	**60,246.1**

11. CURRENT RECEIVABLES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Receivables from group companies		
Trade receivables	28,666.6	23,850.7
Loan receivables	897.6	60.0
Other receivables	11,858.7	18,311.8
Receivables, group external		
Other receivables	191.5	115.0
Accrued income	2,544.0	5,657.1
Total	**44,158.3**	**47,994.6**
Accrued income		
Accrued financial expences	688.2	591.4
Tax receivables	1,430.6	0.0
Other receivables	425.2	5,065.8
Total	**2,544.0**	**5,657.1**

12. EQUITY

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Share capital Jan 1	1,000.0	1,000.0
Share capital Dec 31	1,000.0	1,000.0
Retained earnings Jan 1	145,985.5	148,416.6
Treasury share reserve	–0.8	–9.7
Dividend distribution	–35,023.5	–27,518.8
Retained earnings Dec 31	**110,961.2**	**120,888.2**
Net profit for the financial period	28,048.6	25,097.3
Fair value reserve 1.1.	–295.7	–4.1
Cash flow hedges	0.0	–291.6
Fair value reserve 31.12.	–295.7	–295.7
Total equity	**139,714.1**	**146,689.9**
Distributable funds at Dec 31		
Retained earnings	110,961.2	120,888.2
Net profit for the financial period	28,048.6	25,097.3
Fair value reserve	–295.7	–295.7
Distributable fund from shareholders' equity	**138,714.1**	**145,689.9**

Treasury shares of Caverion Corporation

December 31, 2016 parent company had treasury shares as follows:

	Number	Total number of shares	% of total share capital and voting rates
	512,328	125,596,092	0.41 %

Caverion Corporation acquired and received own shares during the year 2016 as follows:

Time	Amount	Price (average)	Price (spread)
Mar 31, 2016	237	3.50	3.50

13. APPROPRIATIONS

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Accumulated depreciation difference Jan 1	868.2	545.1
Decrease	–145.9	323.1
Accumulated depreciation difference Dec 31	**722.3**	**868.2**

14. DEFERRED TAX RECEIVABLES AND LIABILITIES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Deferred tax receivables		
Postponed depreciation	0.0	0.0
Other temporary differences	307.0	281.2
Total	**307.0**	**281.2**
Deferred tax liabilities		
Accumulated depreciation difference	144.2	173.4
Other temporary differences	80.9	53.9
Total	**225.1**	**227.4**
Deferred taxes have not booked in the parent company's financial statements.		

15. NON-CURRENT LIABILITIES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Liabilities to Group companies		
Other loans	15,333.3	4,000.0
Liabilities, external		
Loans from credit institutions	110,000.0	70,000.0
Derivative liabilities	475.1	295.7
Pension loans	0.0	0.0
Total	**125,808.4**	**74,295.7**

16. CURRENT LIABILITIES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Liabilities to Group companies		
Trade payables	854.4	850.2
Accrued expenses	3,186.1	2,789.7
Other liabilities	240,638.4	317,741.4
Liabilities, external		
Loans from credit institutions	20,000.0	20,000.0
Commercial papers	34,993.7	0.0
Trade payables	1,818.5	697.1
Other current liabilities	1,387.8	1,204.8
Accrued expenses	4,554.0	3,686.4
Total	**307,433.0**	**346,969.5**
Accrued expenses		
Personnel expenses	2,920.5	1,516.2
Interest expenses	226.1	140.6
Accrued expenses for group companies	3,186.1	2,789.7
Taxes	0.0	1,190.6
Other expenses	1,407.4	839.0
Total	**7,740.1**	**6,476.1**

17. COMMITMENTS AND CONTINGENT LIABILITIES

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
Leasing and rent commitments		
Payble during the current financial year	979.9	960.4
Payable in susequent years	4,845.0	6,305.6
Total	**5,824.9**	**7,266.0**
Guarantees		
On behalf of Group companies		
Contractual work guarantees	509,005.6	485,691.1
Loan guarantee	24,000.0	6,000.0
Leasing commitment guarantees	12,720.0	9,024.5

18. DERIVATIVE INSTRUMENTS

1,000 EUR	1.1.2016–31.12.2016	1.1.2015–31.12.2015
External foreign currency forward contracts		
Fair value	–133.6	–45.3
Value of underlying instruments	26,915.6	76,892.8
Internal foreign currency forward contracts		
Fair value	–20.7	0.4
Value of underlying instruments	3,457.3	3,237.2
Interest rate swaps		
Fair value	–475.1	–295.7
Value of underlying instruments	70,000.0	90,000.0

Derivative instruments are categorised in Level 2 in fair value hierarchy. The fair values for the derivative instruments categorised in Level 2 have been defined as follows:

The fair values of foreign exchange forward agreements have been defined by using the market prices at the closing day.

Hedge accounting for interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued during the financial year.

The fair values of interest rate swaps are based on discounted cash flows. There were no transfers between the levels of the fair value hierarchy during the period.

19. SALARIES AND FEES TO THE MANAGEMENT

Decision-making regarding remuneration

Caverion Corporation's Annual General Meeting decides on the remuneration for the Board of Directors. The Human Resources Committee of the Board of Directors is responsible for preparing the remuneration for the Board of Directors. The Human Resources Committee also prepares general remuneration principles, bonus plans, long-term incentive schemes and the compensation policy of Caverion Group which the Board of Directors approve.

The Board of Directors appoints the President and CEO and approves his/her terms of employment and remuneration. The Board of Directors also appoints the members of the Group Management Board. According to Caverion guidelines all individual remuneration decisions have to be approved by applying the manager's manager principle. Regarding Group Management Board members, the Chairman of the Board approves Group Management Board members' remuneration decisions.

Remuneration of the Board of Directors

Caverion Corporation's Annual General Meeting on March 17, 2015 decided that the Board of Directors' shall be paid remuneration as follows in 2015:

- Chairman EUR 6,600 per month (EUR 79,200 per year)
- Vice Chairman EUR 5,000 per month (EUR 60,000 per year)
- Members EUR 3,900 per month (EUR 46,800 per year)

A meeting fee of EUR 550 is paid for each Board and Committee meeting attended in addition to travel costs associated. None of the Board members have an employment relationship or service contract with Caverion Group and they are not covered by any of Caverion Group's bonus plans, share-based incentive schemes or pension plans.

Fees paid to the members of the Board of Directors

EUR	Board membership	Audit committee meetings	Personnel committee meetings	Board meetings	Total 2016	Total 2015
Henrik Ehrnrooth						17,600
Markus Ehrnrooth	46,800	2,200		8,250	57,250	43,100
Anna Hyvönen	46,800		1,650	7,700	56,150	53,400
Ari Lehtoranta	69,300		1,650	7,150	78,100	81,800
Eva Lindqvist	46,800	2,200		8,250	57,250	51,750
Ari Puheloinen	46,800		1,650	7,700	56,150	42,000
Michael Rosenlew	60,000	2,200		8,800	71,000	64,950
Total	**316,500**	**6,600**	**4,950**	**47,850**	**375,900**	**354,600**

Management remuneration

The remuneration paid to the Group's Management Board members consists of:

- Fixed base salary
- Fringe benefits
- Short-term incentive scheme, such as annual performance bonus plan, and
- Long-term incentive scheme, such as share-based incentive plans

Short term incentive schemes

The basis of remuneration at Caverion is a fixed base salary, in addition to which Group's management and most of the salaried employees are included in a performance based short-term incentive plans. During 2016 common project and service incentive plans were implemented to cover more employees than earlier and the implementation will continue in the coming years.

The aim of the annual short-term incentive plan is to reward the management and selected employees based on the achievement of pre-defined and measurable strategic targets. The Board of Directors ratifies the rules of the short-term incentive plan every year, according to which possible incentives are paid. Performance of the Group, the President and CEO as well as Group Management Board members is evaluated by the Board of Directors. The amount of possible incentives is approved by the Board of Directors after the financial statements have been prepared.

The amount of the possible incentive payment is based on the achievement of the set financial performance targets, such as the Group's and/or division's financial result, strategic targets and/or development objectives set separately. Individual target incentive opportunity and maximum incentive opportunity are based on role responsibilities. Possible incentive payments can vary from zero payment to the pre-defined maximum incentive payment based on the achievement of targets set.

Performance and development discussions are an essential part of the annual incentive plan and performance development process at Caverion. In these discussions, individual targets, their relative weighting and realisation of the previously agreed targets are reviewed.

The maximum short-term incentive paid to the President and CEO may equal 80% of the annual fixed base salary. The maximum short-term incentive plan paid to the members of the Group Management Board may equal 60% of the annual fixed base salary.

Long term incentive schemes

Long-term incentive schemes at Caverion are determined by the Board of Directors and they are part of the management remuneration at Caverion Group. The key aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in becoming a leading European provider of advanced and sustainable lifecycle solutions for buildings and industries. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

Performance share plan 2014–2016

The Board of Directors approved Performance share plan 2014–2016 in its May 2014 meeting. The plan consists of one three-year performance period in 2014–2016. It is followed by a one-year vesting period, after which the potential rewards would have been paid in spring 2018. The potential reward has been based on the targets set for Group revenue and EBITDA margin until the end of 2016. The targets set for the Performance Share Plan 2014–2016 were not met and therefore no rewards will be paid to the participants. There haven't been expenses related to the plan in 2016.

Share-based long-term incentive plan 2016–2018

Caverion's Board of Directors approved a share-based long-term incentive plan in its December 2015 meeting. The plan consists of a Performance Share Plan, complemented with a Restricted Share Plan for special situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board.

The Performance Share Plan 2016–2018 consists of a one-year operative financial performance period (2016), followed by a two-year share price performance period. The potential reward has been based on the targets set for Group revenue and Earnings per share (EPS) until the end of 2016. The targets set for the Performance Share Plan 2016–2018 were not met and therefore no rewards will be paid to the participants of the plan. There haven't been expenses related to the plan in 2016.

Remuneration paid to the President and CEO

The Board of Directors decides on the remuneration, benefits and other terms of the Managing Director agreement of the President and CEO. The remuneration paid to the President and CEO consists of fixed base salary, fringe benefits, annual short-term incentive plan, long-term incentive plan and other possible benefits such as defined contribution pension scheme. The President and CEO's annual short-term incentive can be up to 80% of the annual fixed base salary. In 2016, 50% of the total incentive opportunity was based on Group's EBITDA and 50% on Group's cash flow. These measures are in line with Caverion's strategic targets.

Pension, retirement age and termination compensation

The contractual retirement age of the President and CEO Fredrik Strand has been 65 years. His pension scheme has been determined according to a defined contribution based pension scheme. He has not been included in the collectively agreed occupational pension plan in Sweden and nor to the Finnish statutory pension system. During 1.1.2016–17.5.2016 the cost of his total pension scheme was EUR 71,120. Other members of the Group Management Board do not have individual supplementary executive pension schemes. The President and CEO's contractual notice period has been six months. After the joint agreement of discontinuation as President and CEO of Caverion Group on 17th of May 2016, Mr. Strand has been paid a notice period compensation of 246,595 euros (including fringe benefits of 3,272 euros) and after that a severance payment amounting to 12 months' base salary as monthly payments. The last monthly payment will be paid in November 2017 and the total severance payment will be 515,760 euros.

Remuneration paid to the President and CEO in 2016

1.1.–17.5.2016 Fredrik Strand's base salary and fringe benefits as the President and CEO was EUR 231,662. Incentives paid totalled to EUR 65,750.

18.5.–31.12.2016 Sakari Toikkanen's base salary and fringe benefits as the interim President and CEO was EUR 225,673.

	Fixed base salary	Fringe benefits	Short-term incentive payment	Total pension scheme	Total 2016
Fredrik Strand Jan 1–May 17, 2016	228,389	3,272	65,750	71,120	368,532
Sakari Toikkanen May 18–Dec 31, 2016	221,895	3,778			225,673

President and CEO's pension costs		Total 2016
Fredrik Strand	Statutory pension scheme	58,572
Fredrik Strand	Defined contribution pension scheme	142,241
Sakari Toikkanen	Statutory pension scheme	53,688

Loans to associated parties

The President and CEO and the members of the Board of Directors did not have cash loans from the company or its subsidiaries on December 31, 2016.

The Board of Directors' proposal for the distribution of profit

The distributable equity of Caverion Corporation on 31 December 2016 is

Retained earnings	110,961,164.92
Profit for the period	28,048,572.94
Retained earnings, total	**139,009,737.86**
Fair value reserve	–295,661.98
Distributable equity, total	**138,714,075.88**

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2016.

Signature of the Report of the Board of Directors and Financial Statements

Helsinki, February 6, 2017

Michael Rosenlew
Vice Chairman

Markus Ehrnrooth

Anna Hyvönen

Eva Lindqvist

Ari Puheloinen

Ari Lehtoranta
President and CEO

The Auditor's Note

Our auditor's report has been issued today

Helsinki, February 7, 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Auditor's Report
(Translation of the Finnish Original)

To the Annual General Meeting of Caverion Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Caverion Oyj (business identity code 2534127–4) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated income statement, balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, which include a summary of significant accounting policies
- the parent company's income statement, balance sheet, statement of cash flows and notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

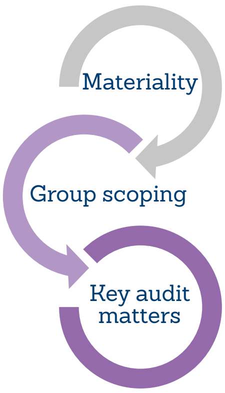
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview



- Overall group materiality: 6 million euro, which represents 0,25% of group's revenue.

- The group audit scope included the significant reporting units in Austria, Denmark, Finland, Germany, Norway and Sweden, covering the vast majority of revenue, assets and liabilities.

- Revenue recognition
- Valuation of trade receivables past due 360 days
- Valuation of goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	6 million euro
How we determined it	0,25% of group's revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the most appropriate benchmark given the performance of the group this year. We chose 0,25% which corresponds to our understanding of the company and its business environment and is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. We performed audits of the financial information at 9 reporting units in Austria, Denmark, Finland, Germany, Norway and Sweden which are considered significant either because of their individual financial significance or due to their specific nature. These audits covered a vast majority of revenue, assets and liabilities of the Group. We also carried out specific audit procedures over group functions and areas of significant judgement, including goodwill, taxes and material claims at the Group's head office. For the remaining reporting units, we performed analytical procedures.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition	
Refer to notes 1 and 2 in the consolidated financial statements for the accounting principles of revenue recognition and detail of revenues recognized. Revenue recognition, especially related to the group's project business, is significant to the financial statements based on the degree of management judgment and accounting estimates required to account for revenue. Revenue is recognised using the percentage of completion method, where progress is determined in most cases by comparing actual costs incurred to date with the total estimated costs of the contract. Various factors of uncertainty related to future events affect the projections made regarding the total revenues and costs related to a project, for example contracts may be amended while their execution is in progress. The judgments related to revenue recognition reflect both management's experience of similar projects and its expectations regarding future events. Significant management judgements relate to possible sales contract additions and cost estimates, and accordingly our audit procedures were focused on these areas.	We assessed the group's revenue recognition policies for compliance with the applicable accounting standards. Our testing of revenue included both testing of the company's controls, as well as substantive audit procedures targeted at selected contracts. Our testing of controls focused on the IT systems and process level controls used by the company. Our substantive testing of the revenue and project margin on projects focused on the estimates and assumptions applied by management. Our procedures included, on a sample basis, the following: ◦ Agreeing total project revenue estimates to sales contracts, and amendments as appropriate. ◦ Testing the accuracy of the cost estimates by examining supporting documents and discussing the progress and the specific risks of the contracts with project management. ◦ Recalculating the project completion stage by comparing actual costs incurred to date in the accounting records, with the total estimated costs of the contract. ◦ Performing retrospective test of contracts completed during the financial year, whereby historical margin estimates were compared to actual outcomes.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of trade receivables past due over 360 days	
Refer to notes 1 and 30 in the consolidated financial statements for the related disclosures. At 31 December, 2016 the group's accounts receivable balance past due over 360 days amounted to 30,7 million euro. As described in note 1 to the consolidated financial statements, an allowance for impairment of 100 per cent is recognised for amounts which are overdue more than 360 days. Any deviation from the above rule is allowed only in specific circumstances. Our audit focused on receivables past due over 360 days, because the balance is significant and the valuation requires special judgment by the management, including expectations about the future.	Our audit procedures included an evaluation of the significant judgments made by management not to impair the trade receivables past due over 360 days. For this purpose, we examined documentation supporting the valuation of these trade receivables and discussed the judgements and the status of the collection process with business, finance and legal management of the entity and the group. We also tested the group's disclosures about the trade receivables and the related risks, such as credit risk, and the aging of trade receivables in note 30 in the consolidated financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Goodwill	
Refer to notes 1 and 14 in the consolidated financial statements for details of goodwill. At 31 December, 2016 the group's goodwill balance amounted to 339,8 million euro. The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying value may be impaired. The recoverable amount is compared to the carrying value of the goodwill in the cash generating units. The recoverable amounts are determined using the Value In Use model. Value In Use calculations are subject to significant management judgement, especially regarding future cash flows and discount rates. Our audit procedures were focused on the valuation of goodwill due to the size of the goodwill balance and the high level of management judgement involved.	We evaluated the assumptions used by the management in the impairment calculation. We tested the methodology applied in the Value In Use calculation as compared to the requirements of IAS 36, Impairment of Assets, and the mathematical accuracy of management's model. We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to the latest Board approved budgets. We tested the key underlying assumptions for the cash flow forecasts, including revenue and profitability forecasts, discount rate used and the implied growth rate beyond the forecasted period. We compared the financial year 2016 actual results to the result forecasts included in the impairment test in 2015. We considered whether the sensitivity analysis performed by management around key drivers of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions. We additionally assessed the discount rates applied within the model for appropriateness. We also considered the appropriateness of the related disclosures provided in notes 1 and 14 in the Group financial statements

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 7 February, 2017

PricewaterhouseCoopers Oy
Authorised Public Accountant

Heikki Lassila
Authorised Public Accountant

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