Q3 2018 | Interim report July-September 2018

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Improved profitability and cash flow

JULY–SEPTEMBER 2018

- **Order intake decreased 4.9% to EUR 37.2 million (39.1)**
- **Order book increased 7.3% to EUR 104.7 million (97.5)**
- **Revenues decreased 5.9% to EUR 49.2 million (52.2)**
- **EBIT excluding non-recurring items increased to EUR 2.1 million (0.8), corresponding to an improvement of the EBIT margin to 4.4% (1.6%)**
- **Non-recurring items resulted in an income of EUR 0.7 million, due to a lower outcome of an extraordinary warranty cost at the end of a project**
- **Net result for the period was EUR 1.2 million (-7.6)**
- **Earnings per share, basic and diluted, amounted to EUR 0.016 (-0.097)**
- **Operating cash flow amounted to EUR 4.3 million (-2.7)**

JANUARY–SEPTEMBER 2018

- **Order intake increased 11.4% to EUR 167.3 million (150.1)**
- **Order book increased 7.3% to EUR 104.7 million (97.5)**
- **Revenues decreased 4.9% to EUR 148.1 million (155.8)**
- **EBIT excluding non-recurring items increased to EUR 3.8 million (2.7), corresponding to an improvement of the EBIT margin to 2.6% (1.7%)**
- **Non-recurring items amounted to EUR 6.5 million, of which EUR 6.8 million is related to the US litigation provision**
- **Net result for the period was EUR -5.1 million (-11.4)**
- **Earnings per share, basic and diluted, amounted to EUR -0.065 (-0.145)**
- **Operating cash flow amounted to EUR -0.5 million (-5.0)**
- **Net debt increased to EUR 31.3 million (FY2017: 20.4)**

Unless otherwise stated, figures in brackets refer to the same period in the preceding year.

TRANSFORMATION PLAN – IMPORTANT EVENTS

Q3-Q4 2017	Q1 2018	Q2 2018	Q3 2018
• 50 Transformation Projects defined and launched • Balance sheet review resulting in operational, impairment and tax write-downs • Introduction of new organization, consisting of three fully accountable Divisions: Ports & Maritime, Airports & Industry and Services	• Granular Market Assessment finalized • One Cavotec identity launched: vision, mission and values • Top team strengthened: four key management recruitments • 25% of Transformation Projects completed	• New production facility opened in Milan • 40% of Transformation Projects completed • Implementation of sales management and CRM tool • Production planning and inventory planning tools implemented	• 65% of Transformation Projects completed • Commercial excellence initiative launched

FINANCIAL SUMMARY	Quarter			YTD			LTM Rolling	Full Year	
EUR 000's	Q318	Q317	Delta	9M18	9M17	Delta	Q318-Q417	FY17	Delta
Order intake	37,197	39,110	-4.9%	167,266	150,105	11.4%	211,780	194,618	8.8%
Order book	104,691	97,534	7.3%	104,691	97,534	7.3%	104,691	85,577	22.3%
Revenues	49,157	52,219	-5.9%	148,145	155,760	-4.9%	204,746	212,360	-3.6%
EBITDA excluding non-recurring items	3,482	1,871	86.1%	7,101	5,940	19.5%	15,086	13,925	8.3%
EBITDA excluding non-recurring items %	7.1%	3.6%	3.5 pp	4.8%	3.8%	1.0 pp	7.5%	6.6%	0.9 pp
EBITDA	4,144	-4,533	-191.4%	553	-1,146	-148.2%	8,021	6,322	26.9%
EBITDA, %	8.4%	-8.7%	17.1 pp	0.4%	-0.7%	1.1 pp	3.9%	3.0%	0.9 pp
EBIT excluding non-recurring items	2,142	828	158.7%	3,798	2,689	41.2%	10,696	9,587	11.6%
EBIT excluding non-recurring items %	4.4%	1.6%	2.8 pp	2.6%	1.7%	0.9 pp	5.4%	4.5%	0.9 pp
EBIT	2,803	-6,663	-142.1%	-2,752	-5,484	-49.8%	-15,266	-17,997	-15.2%
EBIT, %	5.7%	-12.8%	18.5 pp	-1.9%	-3.5%	1.6 pp	-7.5%	-8.5%	1.0 pp
Result for the period	1,225	-7,586	-116.1%	-5,064	-11,357	-55.4%	-25,479	-31,771	-19.8%
Basic and diluted earnings per share, EUR	0.016	-0.097	-116.5%	-0.065	-0.145	-55.2%	-0.108	-0.405	-73.3%
Operating cash flow	4,303	-2,744	-256.8%	-528	-5,028	-89.5%	17,362	12,861	35.0%
Net debt	-31,293	-37,180	-15.8%	-31,293	-37,180	-15.8%	-31,293	-20,441	-53.1%
Equity/assets ratio	43.6%	51.2%	-7.6 pp	43.6%	51.2%	-7.6 pp	43.6%*	49.6%	-6.0 pp
Leverage ratio	2.07x	2.34x	0.27x	2.07x	2.34x	0.27x	2.07x*	1.47x	-0.6x
Full time equivalent employees	942	982	-40	942	982	-40	942*	970	-28

** Balances per 9M18*

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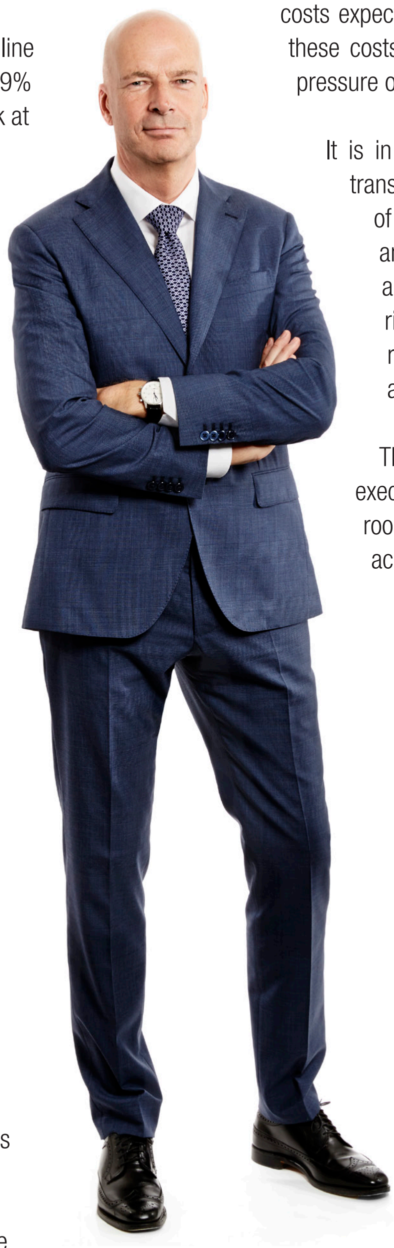
Comment from the CEO

Transformation progressing according to plan – restructuring programme and fully guaranteed rights issue next steps

Cavotec's order intake increased 11.4% year-over-year in the first nine months and the order book was at the end of the quarter worth EUR 104.7 million. This is 7.3% higher than at the same time in 2017 and 22.3% higher than at the end of last year. This gives us a solid base to build on.

Revenues in the nine months to date were in line with last year in local currencies, but down 4.9% including exchange effects. The soft order book at the end of 2017 explains the development to some extent but continuing start-up issues in our new production facility in Italy also contributed. The production issues are being addressed under the leadership of our Chief Operations Officer, who is in place since July, and should be solved before the year end.



A New Day, our transformation program, is progressing well with two thirds of the 50 projects completed or almost completed. We see clear signs that the transformation is starting to take hold. Higher quality decision making as a result of the new processes has increased the cost control in the Group. This translated into higher gross and EBIT margins in the third quarter, despite the lower revenues.

At the beginning of October, we announced the second phase in the transformation of Cavotec with a programme to address structural inefficiencies in the Group caused by a historically fragmented organization. The programme will focus on reducing SG&A and other inefficiencies and is targeting annual savings of approximately EUR 10 million by 2021, whereof significant run-rate savings already in 2019.

The reduction in headcount as a consequence of the restructuring is estimated to be around 100 people spread across multiple locations. In addition, the programme will include a reduction in the number of legal entities the Group has today. This is expected to improve the effective tax rate and result in lower statutory costs.

Short-term, however, the restructuring will result in one-off costs expected to amount to EUR 7 million. A majority of these costs will be accounted for in 2018 thus putting pressure on our balance sheet.

It is in the light of this, very encouraging that the transformation of the Group has the full support of our major owners. Separately, Cavotec today announced its plans for a new rights issue of approximately EUR 20 million with preferential rights for its existing shareholders. The entire rights issue will be covered by a subscription and guarantee undertaking by Bure Equity AB.

This gives us the full firepower needed to swiftly execute on the restructuring and also provides room for quick actions on opportunities for accelerated growth.

Lugano, November 2, 2018

Mikael Norin
Chief Executive Officer

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ORDER INTAKE AND REVENUES

	Order Intake			
EUR 000's	**Q318**	**Q317**	**9M18**	**9M17**
Order Intake	37,197	39,110	167,266	150,105
Increase/decrease	-1,913	-7,342	17,161	-3,175
Percentage change	-4.9%	-15.8%	11.4%	-2.1%
Of which				
- Volumes and prices	-7.5%	-17.6%	10.6%	-3.0%
- Currency effects	2.6%	1.7%	0.8%	0.9%

	Revenues			
EUR 000's	**Q318**	**Q317**	**9M18**	**9M17**
Revenues	49,157	52,219	148,145	155,760
Increase/decrease	-3,062	954	-7,615	4,463
Percentage change	-5.9%	1.9%	-4.9%	3.0%
Of which				
- Volumes and prices	-4.5%	1.7%	-0.3%	2.9%
- Currency effects	-1.4%	0.2%	-4.6%	0.0%

DIVISIONS

	Order Intake								
EUR 000's	**Q318**	**Q317**	**Change %**	**9M18**	**9M17**	**Change %**	**LTM Rolling**	**FY17**	**Change %**
Ports & Maritime	12,951	9,151	41.5%	63,763	46,459	37.2%	84,636	67,332	25.7%
Airports & Industry	24,246	29,959	-19.1%	103,503	103,646	-0.1%	127,144	127,286	-0.1%
Total	**37,197**	**39,110**	**-4.9%**	**167,266**	**150,105**	**11.4%**	**211,780**	**194,618**	**8.8%**

	Revenues								
EUR 000's	**Q318**	**Q317**	**Change %**	**9M18**	**9M17**	**Change %**	**LTM Rolling**	**FY17**	**Change %**
Ports & Maritime	18,362	19,084	-3.8%	49,091	56,734	-13.5%	72,072	79,715	-9.6%
Airports & Industry	30,795	33,135	-7.1%	99,054	99,026	0.0%	132,673	132,645	0.0%
Total	**49,157**	**52,219**	**-5.9%**	**148,145**	**155,760**	**-4.9%**	**204,745**	**212,360**	**-3.6%**

	Book/Bill ratio				Order Book		
EUR 000's	**Q318**	**Q317**	**9M18**	**9M17**	**9M18**	**9M17**	**Change %**
Ports & Maritime	0.71	0.48	1.30	0.82	50,445	37,780	33.5%
Airports & Industry	0.79	0.90	1.04	1.05	54,246	59,754	-9.2%
Total	**0.76**	**0.75**	**1.13**	**0.96**	**104,691**	**97,534**	**7.3%**

Financial Review

JULY–SEPTEMBER 2018

Order intake and Revenues
Order intake decreased 4.9% to EUR 37.2 million (39.1). The lower order intake compared to the same quarter 2017 is mainly explained by delayed Airport orders in the USA and Asia.

Order book for the period ended at EUR 104.7 million (97.5).

Revenues decreased 5.9% to EUR 49.2 million (52.2) compared to the same period 2017. Excluding FX impact, the decrease was 4.5%. The decrease is due to pending deliveries for Ports & Maritime projects in China as well as delayed deliveries due to production challenges in the new production facility in Italy.

Ports & Maritime
Order intake increased 41.5% compared to the same period in 2017. The increase is mainly explained by orders in the ship building industry and the development of ports on the USA's East Coast. The interest for MoorMaster™ continues to be strong and is primarily linked to the E-ferry market in Northern Europe, with new orders in the third quarter.

Revenues decreased 3.8% to EUR 18.4 million (19.1). The decrease is to a large extent explained by low order intake in the second half of 2017, the postponed deliveries in China and delayed deliveries due to internal production challenges.

Airports & Industry
Order intake decreased 19.1% compared to the same period 2017. Demand was low in Asia and decreasing in the Middle East, while the European market continued to show strong development.

Revenues decreased 7.1% to EUR 30.8 million (33.1). The decrease is due to delays in Airport projects in the Middle East and US. Industry partly compensated for the lower sales.

EBIT
EBIT for the quarter amounted to EUR 2.8 million (-6.7), corresponding to a margin of 5.7% (-12.8%). This includes a non-recurring income of EUR 0.7 million, due to a lower outcome of an extraordinary warranty cost at the end of a project.

The increase in EBIT is driven by improved operational profitability and better general cost control.

Profit for the period and earnings per share
Finance costs amounted to EUR 0.5 million (0.9). The decrease is explained by positive currency exchange differences.

The net result for the period was EUR 1.2 million (-7.6).

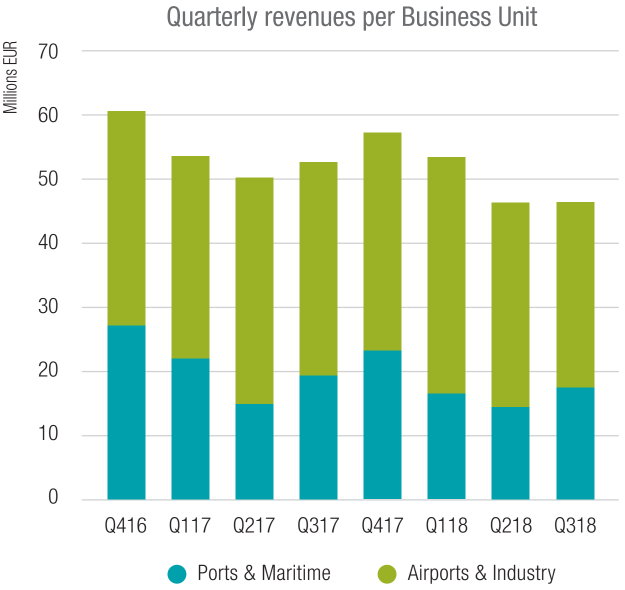
Earnings per share, basic and diluted, increased to EUR 0.016 (-0.097).

Cash flow
The operating cash flow amounted to EUR 4.3 million (-2.7). The stronger cash flow is explained by continued improvement in working capital management.

Investing activities include CAPEX of EUR 0.5 million (-0.9).

Cash flow from financing activities was EUR -6.5 million (2.2), as a consequence of partial repayments of loans and payment of the capital reduction to the shareholders.

Cash and cash equivalents amounted to EUR 14.8 million as of 30 September 2018 (16.9).



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Financial Position
Cavotec's total assets amounted to EUR 217.3 million as of 30 September 2018 (31 December 2017: 210.7). The equity to assets ratio was 43.6% (31 December 2017: 49.6%) and the net debt amounted to EUR 31.3 million as of 30 September 2018 (31 December 2017: 20.4).

Employees
The number of full time equivalent employees in Cavotec Group was 942 as of 30 September 2018 (982). The decrease is mainly a result of measures following the implementation of the transformation plan, leading to higher efficiency.

JANUARY–SEPTEMBER 2018

Order intake and Revenues
Order intake increased 11.4% to EUR 167.3 million (150.1). The higher order intake compared to the same period in 2017 is mainly explained by strong sales performance in the first half of the year, resulting in several large orders taken in both the Ports & Maritime and Airports & Industry.

Revenues decreased 4.9% to EUR 148.1 million (155.8) in the first nine months 2018, compared to the same period last year. Excluding FX impact, revenues for the first nine months of 2018 were in line with the same period of last year. The flat revenue is primarily explained by a soft order book at the end of 2017 and postponed and delayed deliveries.

EBIT
EBIT for the first nine months of 2018 amounted to EUR -2.8 million (-5.5), corresponding to a margin of -1.9% (-3.5%). This figure includes non-recurring items EUR 6.5 million, of which EUR 6.8 million is related to the US litigation provision.

Profit for the period and earnings per share
Finance costs amounted to EUR 1.5 million (1.2).

The net result for the period was EUR -5.1 million (-11.4).

Earnings per share, basic and diluted, increased to EUR -0.065 (-0.145).

2500+ Series 400Hz Solid State Frequency Converters in Hong Kong.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 000's	Unaudited three months 30 Sep, 2018	Unaudited three months 30 Sep, 2017	Unaudited nine months 30 Sep, 2018	Unaudited nine months 30 Sep, 2017	Audited year 31 Dec, 2017
Revenue from sales of goods and services	49,157	52,219	148,145	155,760	212,360
Other income	360	1,150	2,474	2,888	4,187
Cost of materials	(23,186)	(32,773)	(70,518)	(82,371)	(107,931)
Employee costs	(14,307)	(16,604)	(47,357)	(50,526)	(65,866)
Operating expenses	(7,879)	(8,524)	(32,191)	(26,896)	(36,428)
Gross Operating Result	**4,145**	**(4,533)**	**553**	**(1,146)**	**6,322**
Depreciation and amortisation	(1,341)	(2,130)	(3,305)	(4,338)	(4,334)
Impairment losses	-	-	-	-	(19,986)
Operating Result	**2,804**	**(6,663)**	**(2,752)**	**(5,484)**	**(17,998)**
Interest income	21	85	62	160	259
Interest expenses	(487)	(422)	(1,511)	(1,199)	(1,702)
Currency exchange differences - net	38	(529)	1,530	(2,713)	(3,409)
Other financial item	-	-	-	(242)	(242)
Profit /(loss) before income tax	**2,375**	**(7,529)**	**(2,671)**	**(9,478)**	**(23,092)**
Income taxes	(1,150)	(57)	(2,393)	(1,879)	(8,679)
Profit /(loss) for the period	**1,225**	**(7,586)**	**(5,064)**	**(11,357)**	**(31,771)**
Other comprehensive income:					
Remeasurements of post employment benefit obligations	(7)	15	(13)	34	18
Items that will not be reclassified to profit or loss	**(7)**	**15**	**(13)**	**34**	**18**
Currency translation differences	(449)	(1,309)	(2,328)	(5,573)	(6,084)
Items that may be subsequently reclassified to profit /(loss)	**(449)**	**(1,309)**	**(2,328)**	**(5,573)**	**(6,084)**
Other comprehensive income for the year, net of tax	**(456)**	**(1,293)**	**(2,341)**	**(5,538)**	**(6,066)**
Total comprehensive income for the period	**769**	**(8,879)**	**(7,405)**	**(16,895)**	**(37,837)**
Total comprehensive income attributable to:					
Equity holders of the Group	767	(8,878)	(7,406)	(16,891)	(37,833)
Non-controlling interest	2	(1)	1	(4)	(4)
Total	**769**	**(8,879)**	**(7,405)**	**(16,895)**	**(37,837)**
Profit (loss) attributed to:					
Equity holders of the Group	1,225	(7,586)	(5,064)	(11,357)	(31,771)
Total	**1,225**	**(7,586)**	**(5,064)**	**(11,357)**	**(31,771)**
Basic and diluted earnings per share attributed to the equity holders of the Group	0.016	(0.097)	(0.065)	(0.145)	(0.405)
Average number of shares	78,461,277	78,415,813	78,451,825	78,415,813	78,415,902

CONSOLIDATED BALANCE SHEET

EUR 000's	Unaudited 30 Sep, 2018	Unaudited 30 Sep, 2017	Audited 31 Dec, 2017
Assets			
Current assets			
Cash and cash equivalents	14,786	16,905	28,718
Trade receivables	45,672	40,696	40,958
Tax assets	720	658	914
Other current receivables	12,526	17,569	5,401
Contract assets	3,255	4,486	5,229
Inventories	42,341	41,720	36,819
Assets held for sale	3,211	3,816	4,815
Total current assets	**122,511**	**125,850**	**122,854**
Non-current assets			
Property, plant and equipment	23,178	19,636	18,168
Intangible assets	53,309	71,818	52,971
Non-current financial assets	272	269	264
Deferred tax assets	10,634	20,010	9,294
Other non-current receivables	7,351	7,240	7,134
Total non-current assets	**94,744**	**118,973**	**87,831**
Total assets	**217,255**	**244,823**	**210,685**
Equity and Liabilities			
Current liabilities			
Current financial liabilities	(2,246)	(2,212)	(2,873)
Trade payables	(43,471)	(34,795)	(33,585)
Tax liabilities	(1,970)	(2,007)	(1,110)
Provision for risk and charges, current	(9,911)	(6,409)	(5,362)
Other current liabilities	(12,077)	(11,154)	(9,676)
Total current liabilities	**(69,675)**	**(56,577)**	**(52,606)**
Non-current liabilities			
Non-current financial liabilities	(43,317)	(51,129)	(45,627)
Deferred tax liabilities	(2,599)	(6,651)	(2,813)
Other non-current liabilities	(653)	(586)	(777)
Provision for risk and charges, non-current	(6,259)	(4,537)	(4,387)
Total non-current liabilities	**(52,828)**	**(62,903)**	**(53,604)**
Total liabilities	**(122,503)**	**(119,480)**	**(106,210)**
Equity			
Equity attributable to owners of the parent	(94,724)	(125,316)	(104,448)
Non-controlling interests	(28)	(27)	(27)
Total equity	**(94,752)**	**(125,343)**	**(104,475)**
Total equity and liabilities	**(217,255)**	**(244,823)**	**(210,685)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 000's	Share Capital	Reserves	Retained earnings	Equity related to owners of the parent	Non-controlling interest	Total equity
Unaudited						
Balance as at 1 January 2017	(86,842)	(12,094)	(46,482)	**(145,418)**	(32)	**(145,450)**
(Profit) / Loss for the period	-	-	11,357	**11,357**	-	**11,357**
Currency translation differences	-	5,569	-	**5,569**	4	**5,573**
Remeasurements of post employment benefit obligations	-	(34)	-	**(34)**	-	**(34)**
Total comprehensive income and expenses	**-**	**5,534**	**11,357**	**16,891**	**4**	**16,895**
Capital reduction	3,216	(6)	-	**3,210**	-	**3,210**
Transactions with shareholders	**3,216**	**(6)**	**-**	**3,210**	**-**	**3,210**
Balance as at 30 September 2017	**(83,626)**	**(6,566)**	**(35,124)**	**(125,316)**	**(27)**	**(125,343)**
Audited						
Balance as at 1 January 2017	(86,842)	(12,094)	(46,482)	**(145,418)**	(32)	**(145,450)**
(Profit) / Loss for the period	-	-	31,771	**31,771**	-	**31,771**
Currency translation differences	-	6,080	-	**6,080**	4	**6,084**
Remeasurements of post employment benefit obligations	-	(18)	-	**(18)**	-	**(18)**
Total comprehensive income and expenses	**-**	**6,062**	**31,771**	**37,833**	**4**	**37,837**
Capital reduction	3,216	(6)	-	**3,210**	-	**3,210**
Issue of treasury shares to employees	-	(73)	-	**(73)**	-	**(73)**
Transactions with shareholders	**3,216**	**(79)**	**-**	**3,137**	**-**	**3,137**
Balance as at 31 December 2017	**(83,626)**	**(6,111)**	**(14,711)**	**(104,448)**	**(27)**	**(104,475)**
Unaudited						
Change in accounting policy	-	-	1,061	**1,061**	-	**1,061**
Balance as at 1 January 2018	(83,626)	(6,111)	(13,650)	**(103,387)**	(27)	**(103,414)**
(Profit) / Loss for the period	-	-	5,064	**5,064**	-	**5,064**
Currency translation differences	-	2,329	-	**2,329**	(1)	**2,328**
Remeasurements of post employment benefit obligations	-	13	-	**13**	-	**13**
Total comprehensive income and expenses	**-**	**2,342**	**5,064**	**7,406**	**(1)**	**7,405**
Capital reduction	1,287	-	-	**1,287**	-	**1,287**
Issue of treasury shares to employees	-	(30)	-	**(30)**	-	**(30)**
Transactions with shareholders	**1,287**	**(30)**	**-**	**1,257**	**-**	**1,257**
Balance as at 30 September 2018	**(82,339)**	**(3,799)**	**(8,586)**	**(94,724)**	**(28)**	**(94,752)**

CONSOLIDATED STATEMENT OF CASH FLOWS - INDIRECT METHOD

EUR 000's	Unaudited three months 30 Sep, 2018	Unaudited three months 30 Sep, 2017	Unaudited nine months 30 Sep, 2018	Unaudited nine months 30 Sep, 2017	Audited year 31 Dec, 2017
Profit /(loss) for the period	**1,225**	**(7,586)**	**(5,064)**	**(11,357)**	**(31,771)**
Adjustments for:					
Net interest expenses	362	253	1,171	796	1,123
Current taxes	1,357	959	3,875	2,494	2,438
Depreciation and amortisation	1,341	2,130	3,305	4,338	4,334
Impairment losses	-	-	-	-	19,986
Deferred tax	(207)	(903)	(1,482)	(615)	6,241
Provision for risks and charges	46	6,382	6,805	5,407	1,613
Capital gain or loss on assets	(19)	(41)	(259)	(112)	(119)
Other items not involving cash flows	(94)	725	(1,211)	3,659	3,410
Interest paid	(350)	(239)	(1,180)	(698)	(1,110)
Taxes paid	(278)	396	(2,819)	(3,681)	(4,874)
	2,158	**9,662**	**8,205**	**11,588**	**33,042**
Cash flow before changes in working capital	**3,383**	**2,076**	**3,141**	**231**	**1,271**
Impact of changes in working capital:					
Inventories	(3,468)	1,720	(6,345)	(6,503)	1,372
Trade receivables	(621)	(2,163)	(4,123)	11,758	11,309
Other current receivables	(1,078)	(2,567)	(5,156)	(15,964)	(4,595)
Trade payables	6,689	(2,533)	9,886	4,748	3,630
Other current liabilities	(555)	546	2,414	(58)	(1,143)
Long term receivables and liabilities	(47)	177	(344)	760	1,017
Impact of changes involving working capital	**920**	**(4,820)**	**(3,668)**	**(5,259)**	**11,590**
Net cash inflow / (outflow) from operating activities	**4,303**	**(2,744)**	**(528)**	**(5,028)**	**12,861**
Financial activities:					
Proceeds of loans and borrowings	(75)	2,233	6,621	19,877	16,063
(Repayments) of loans and borrowings	(5,039)	-	(9,979)	(1,560)	(2,649)
Capital reduction	(1,357)	-	(1,357)	(3,605)	(3,539)
Net cash inflow / (outflow) from financial activities	**(6,471)**	**2,233**	**(4,715)**	**14,712**	**9,875**
Investing activities:					
Investments in property, plant and equipment	757	(502)	(6,981)	(1,692)	(2,112)
Investments in intangible assets	(238)	(496)	(895)	(1,540)	(1,585)
Increase in other assets	(1)	-	(1)	-	-
Disposal of assets	5	76	228	204	207
Net cash inflow / (outflow) from investing activities	**523**	**(922)**	**(7,649)**	**(3,028)**	**(3,490)**
Cash and cash equivalent at the beginning of the period	18,553	19,272	28,718	14,982	14,982
Cash flow for the period	(1,646)	(1,433)	(12,891)	6,656	19,246
Currency exchange differences	(2,121)	(934)	(1,041)	(4,733)	(5,510)
Cash and cash equivalent at the end of the period	**14,786**	**16,905**	**14,786**	**16,905**	**28,718**

SEGMENT INFORMATION

EUR 000's	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Unaudited Three months ended 30 September 2018				
Revenue from sales of goods and services	18,362	30,795	-	**49,157**
Other income	154	206	-	**360**
Cost of materials and operating expenses before depreciation and amortisation	(16,382)	(28,666)	(324)	**(45,372)**
Gross Operating Result	**2,134**	**2,335**	**(324)**	**4,145**
Unaudited Three months ended 30 September 2017				
Revenue from sales of goods and services	19,084	33,135	-	**52,219**
Other income	657	493	-	**1,150**
Cost of materials and operating expenses before depreciation and amortisation	(22,869)	(33,748)	(1,284)	**(57,901)**
Gross Operating Result	**(3,128)**	**(120)**	**(1,284)**	**(4,533)**
Unaudited Nine months ended 30 September 2018				
Revenue from sales of goods and services	49,091	99,054	-	**148,145**
Other income	808	1,666	-	**2,474**
Cost of materials and operating expenses before depreciation and amortisation	(49,336)	(96,264)	(4,466)	**(150,066)**
Gross Operating Result	**563**	**4,456**	**(4,466)**	**553**
Unaudited Nine months ended 30 September 2017				
Revenue from sales of goods and services	56,734	99,026	-	**155,760**
Other income	1,189	1,699	-	**2,888**
Cost of materials and operating expenses before depreciation and amortisation	(61,043)	(94,025)	(4,725)	**(159,793)**
Gross Operating Result	**(3,121)**	**6,700**	**(4,725)**	**(1,146)**
Audited Year ended 31 December 2017				
Revenue from sales of goods and services	79,715	132,645	-	**212,360**
Other income	1,868	2,319	-	**4,187**
Cost of materials and operating expenses before depreciation and amortisation	(80,769)	(123,110)	(6,346)	**(210,225)**
Gross Operating Result	**814**	**11,854**	**(6,346)**	**6,322**

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Report on the Review

of Interim consolidated financial statements to the Board of Directors of Cavotec SA

Lugano

Introduction

We have reviewed the interim consolidated financial statements on pages 6 to 10 (statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow statement and notes on pages 13 and 14) of Cavotec SA for the nine months period ended 30 September 2018. The Board of Directors is responsible for the preparation and presentation of this interim consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers SA

Daniel Anliker　　　　Efrem Dell'Era

Lugano, 2 November 2018

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PARENT COMPANY - CONDENSED STATEMENT OF COMPREHENSIVE INCOME

CAVOTEC SA EUR 000's	Unaudited three months 30 Sep, 2018	Unaudited three months 30 Sep, 2017	Unaudited nine months 30 Sep, 2018	Unaudited nine months 30 Sep, 2017	Audited year 31 Dec, 2017
Other income	815	855	2,495	2,319	2,612
Employee benefit costs	(83)	(296)	(721)	(1,310)	(1,438)
Operating expenses	(233)	(199)	(806)	(976)	(19,575)
Operating Result	**499**	**360**	**968**	**33**	**(18,401)**
Interest expenses - net	(6)	(6)	(20)	(20)	(27)
Currency exchange differences - net	(69)	(14)	(73)	(421)	(420)
Profit / (Loss) before income tax	**424**	**340**	**875**	**(408)**	**(18,848)**
Income taxes	(132)	25	(92)	(125)	(177)
Profit / (Loss) for the period	**292**	**365**	**783**	**(533)**	**(19,024)**
Other comprehensive income:					
Actuarial gain (loss)	-	-	-	-	24
Total comprehensive income for the period	**292**	**365**	**783**	**(533)**	**(19,000)**

PARENT COMPANY - CONDENSED BALANCE SHEET

CAVOTEC SA EUR 000's	Unaudited 30 Sep, 2018	Unaudited 30 Sep, 2017	Audited year 31 Dec, 2017
Assets			
Current assets			
Cash and cash equivalents	240	126	19
Trade receivable	427	466	1,020
Tax assets	3	54	20
Other current receivables	1,753	577	9
Total current assets	**2,423**	**1,223**	**1,068**
Non-current assets			
Investment in subsidiary companies	137,306	155,622	137,303
Deferred tax assets	98	56	42
Total non-current assets	**137,404**	**155,678**	**137,345**
Total assets	**139,827**	**156,901**	**138,414**
Equity and Liabilities			
Current liabilities			
Bank overdrafts	(64,702)	(61,961)	(62,002)
Current financial liabilities	(955)	(1,955)	(1,955)
Trade payables	(181)	(75)	(249)
Other current liabilities	(762)	(427)	(387)
Total current liabilities	**(66,600)**	**(64,418)**	**(64,593)**
Non-current liabilities			
Provision for risks and charges - non current	(63)	(504)	(63)
Other non-current liabilities	(491)	(440)	(613)
Total non-current liabilities	**(554)**	**(944)**	**(676)**
Total liabilities	**(67,154)**	**(65,362)**	**(65,269)**
Total equity	**(72,673)**	**(91,539)**	**(73,144)**
Total equity and liabilities	**(139,827)**	**(156,901)**	**(138,414)**

CAVOTEC
WE CONNECT THE FUTURE

General information

Cavotec wants to contribute to a *future* world that is cleaner, safer and more efficient by providing innovative *connection* solutions for ships, aircraft and mobile equipment *today*.

We thrive by shaping future expectations in the areas we are active in. Our credibility comes from our application expertise, dedication to innovation and world class operations. Our success rests on the core values we live by: Integrity, Accountability, Performance and Team Work.

Cavotec's personnel, located in some 30 countries around the world, represent a large number of cultures and provide customers with local support, backed by the Group's global network of engineering expertise.

Cavotec SA, the Parent company, is a limited liability company incorporated and domiciled in Switzerland and listed on Nasdaq OMX in Stockholm, Sweden.

These unaudited Financial Statements have been approved by the Board of Directors for publication on 2 November 2018.

Basis of preparation of Financial Statements

This quarterly report was prepared in accordance with IFRS, applying IAS 34 Interim Financial Reporting. The same accounting and valuation policies were applied in the most recent annual report with the exception of the amendments effective from 1 January 2018. These changes had an impact on Cavotec's financial statements as described below. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended in December 2017.

The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the key aspects of the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

Impact of adoptions

The Group has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated.
The following table summarizes the impact of transition to IFRS 15 on retained earnings 1 January 2018.

Construction contracts reassessed at point in time under IFRS 15

The following contract has been restated due to the right to payment not met.

EUR thousands	December 31, 2017	Adjustment IFRS 15	Adjusted January 1, 2018
Assets			
Current assets			
Other current assets	10,630	(2,003)	8,627
Inventories	36,819	942	37,761
Total assets	**210,685**	**(1,061)**	**209,624**
Equity and liabilities			
Equity			
Retained earnings	(14,711)	1,061	(13,650)
Total Equity	**(104,448)**	**1,061**	**(103,387)**

IFRS 15 is adopted retrospectively without using the practical expedient for completed contracts.

The Group has also taken advantage of the exemption in IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement requirements. The adoption had no impact on retained earnings.

Changes in presentation of comparative figures

In 2017 contract assets were included in other current receivables. In order to improve comparability, the numbers presented for 31 December 2017 were adjusted and are now presented in different lines, other current receivables and contract assets.

Accounting policies

IFRS 15 - Revenue from customers

The company has redefined the revenue streams in order to meet the revenue recognition requirements as listed in IFRS 15:

- Integrated Systems: Long Term Contracts with high level of customization based on the request of the customer for a complete set of Airport or Port solutions. When no alternative use and right to payment are confirmed, revenue is recognized *over time*.
- Individual Products: The customer receives detailed listing of products description with related prices; they are not customized and they do not include engineering or installation, or if any it represents a minimal portion of the total order. Revenues is recognized *at a point in time* based on incoterms.
- Maintenance: Service contract for periodic maintenance or field services. As the customer receives the benefit as service is performed, revenue is recognized *over time*.

IFRS 9 - Financial instruments

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

New standards, amendments and interpretations not yet adopted

IFRS 16 Leases

It substantially changes the financial statements as the majority of leases will become on-balance sheet liabilities with corresponding right of use assets on the balance sheet. The standard replaces IAS 17 Leases and is effective January 1, 2019. The Group is currently assessing the impact of adopting IFRS 16.

Segment information

In January 2017 the Group introduced a new organizational structure based on two Divisions: "Ports & Maritime" and "Airports & Industry", that represented also the new reporting segments. Towards the end of the year, the creation of the new "Services Division" has been announced, to be effective since 1 January 2018. As of Q318 there's no indication that total revenues for Services Division will exceed 10% of total Group revenues, therefore the new division won't be reported as a separate reporting segment yet.

Legal disputes

Following the lawsuit against Mr. Colaco, the former owner of INET Airport Systems, the Orange County Superior Court issued a verdict in favour of Cavotec in June 2015.

Mr. Colaco has proceeded with an appeal of the judgement, for which the Court of Appeal of the State of California has now issued a verdict. In the verdict the Court upheld the original award of punitive damages to Cavotec. However, the Court reversed the previous decisions that Mr Colaco was not entitled to an earn-out payment and to reimburse Cavotec's legal costs.

Cavotec has, a result of the verdict, made a non-recurring provision in the second quarter 2018 results of EUR 6.8 million including accrued interest, in line with IFRS accounting rules.

Subsequent events

In October 2018, a restructuring programme was initiated in order to achieve annual savings of approximately EUR 10 million by 2021, whereof significant run-rate savings already in 2019. The restructuring will result in one-off costs expected to amount to EUR 7 million, a majority of which will be accounted for in 2018.

Noteworthy risks and uncertainties

There have been no changes to what was stated by Cavotec in its Annual Report for 2017 under Risk management.

Forward looking statement

Some statements in this report are forward-looking, and the actual outcome could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcome. Such factors include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, and major customer credit losses.

Financial calendar

21 February 2019	Q418
15 March 2019	2018 Annual Report
7 May 2019	Investor Information Meeting

Q318 Conference call

A conference call for shareholders, analysts and media will be held on 2 November 2018 at 10:00 CET.

Participating on the conference call from Cavotec will be Mikael Norin, CEO, and Kristiina Leppänen, CFO & IR. The meeting will start with some background on the Q318 results and will be followed by a Q&A session.

Conference call Dial-in numbers:
UK: +442030089807
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Analysts & Media

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This is information that Cavotec SA is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:01 CET on 2 November 2018.

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