ANNUAL REPORT 2018

CAVOTEC

WE CONNECT THE FUTURE

€ 197.0 M
Revenues

€ 3.9 M
Adjusted EBIT

€ 211.5 M
Order Intake

>25
Countries where Cavotec operates

896
Full-time equivalent employees

Cavotec in Brief

We are a global engineering group that designs and manufactures automated connection and electrification systems for ports, airports and industrial applications worldwide. Our innovative technologies ensure safe, efficient and sustainable operations, and contribute to a future world that is cleaner, safer and more efficient.

Our business activities are conducted in the following three divisions:

PORTS & MARITIME
A global leader in automated mooring, shore power, crane electrification, and connection and charging systems.

AIRPORTS & INDUSTRY
This division provides state-of-the-art ground support equipment (GSE) for aircraft, and automation, control and electrification systems for a wide variety of industry sectors.

SERVICES
Our dedicated division is ready to respond to any service and support request from customers. The division was launched in July 2018, with the strategic objective of developing a profitable and growing after-market business for the whole Group.

Cavotec: What, Why, How

We are a global engineering group active in more than 25 countries. We share a common identity and direction based on a clearly defined culture and vision:

WHAT
We connect the future.

WHY
We want to contribute to a world that is cleaner, safer and more efficient by providing innovative connection solutions for ships, aircraft and mobile equipment today.

HOW
We thrive by shaping future expectations in the areas in which we are active. Our credibility derives from our expertise and dedication to innovation and world-class operations. Our success rest on our core values: Integrity, Accountability, Performance, and Teamwork.

Contents

2018 Highlights: Transformation and Business Milestones

Decision-making simplified
We introduced a new organisational structure that assigns the Ports & Maritime, Airports & Industry and Services divisions clear profit and loss ownership.

Services division launched
In January, we established our Services division, which became fully operational in July. Services provides customers with a wide range of after-sales support including inspection, maintenance and training.

Executive team strengthened
We recruited a new Chief HR Officer, a President of Services, and a new COO to our executive team. A new CFO and a new President of Ports & Maritime also joined the Group after year-end 2018.

Processes streamlined
We implemented some 50 "A New Day" initiatives – including new production planning and inventory processes and a CRM system – to transform Cavotec into a world-class company.

Market analysis conducted
A granular market assessment to define where growth can be optimised showed that Cavotec's niche markets are expected to grow annually between four and 10%.

Cost savings identified
We launched a programme targeting annual savings of approximately EUR 10M by 2021 through SG&A reductions and other efficiencies; significant run-rate savings are expected already in 2019.

Rights issue announced
In November, we announced a EUR 18.5M rights issue to support our restructuring programme and future growth. The rights issue was successfully completed in January 2019.

Manufacturing plant opens
We opened a new production facility in Milan at the end of May. Despite some teething issues with this facility we are convinced that it will ensure manufacturing and supply chain excellence in the years ahead.

EUR 8M Airports order
An EUR 8M order to supply cooling systems for a major modernisation project at Bahrain International Airport further strengthened our position in the Middle East airports market.

First e-ferry connection in Asia
Our vessel charging technologies connect Asia's first e-ferry to the grid, thereby cutting emissions and reducing operating costs - as well as illustrating our strengths in this growing segment.

EUR 9M auto-mooring deals
Orders for MoorMaster™ automated mooring systems at e-ferry berths across Norway ensure the technology is well-positioned in a segment poised for rapid growth.

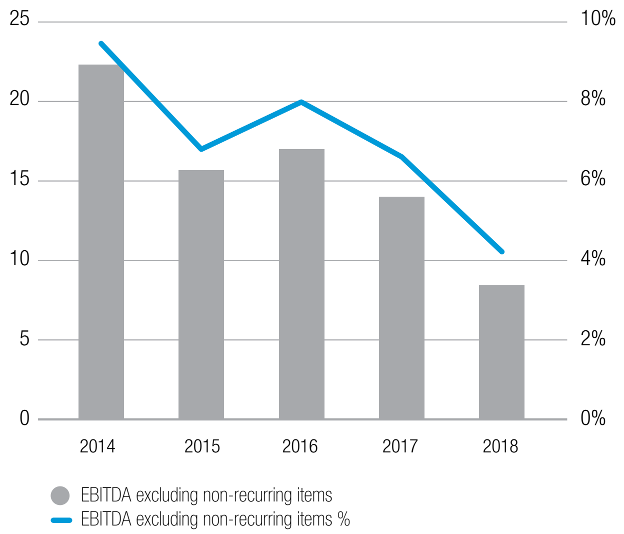
MoorMaster™ for Great Lakes
MoorMaster™ is selected for use with two new-build electric ferries at five berths in the Great Lakes in Canada, highlighting the technology's role in the growing e-ferry segment.

Five-year Financial Summary

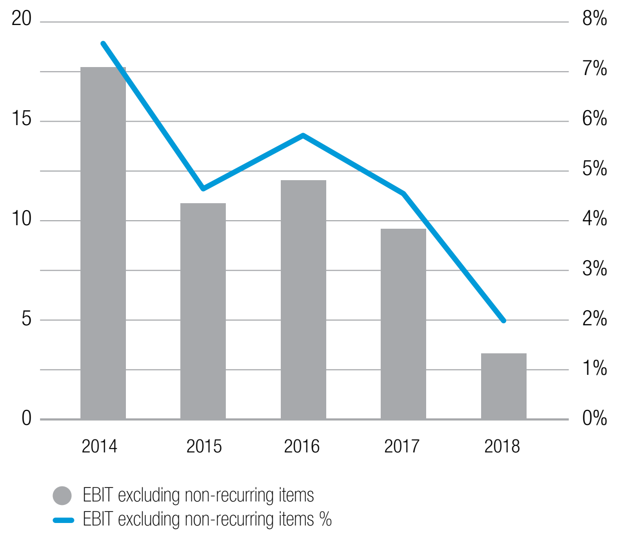
EUR 000's	2018	2017	2016	2015	2014
Order intake	211,473	194,618	216,396	229,699	220,706
Order book	100,090	85,577	103,325	98,443	100,967
Revenues	196,961	212,360	211,518	232,223	235,457
EBITDA excluding non-recurring items	8,559	13,925	16,945	15,681	22,224
EBITDA excluding non-recurring items %	4.3%	6.6%	8.0%	6.8%	9.4%
EBITDA	(9,059)	6,322	17,375	12,363	17,029
EBITDA, %	-4.6%	3.0%	8.2%	5.3%	7.2%
EBIT excluding non-recurring items	3,887	9,587	12,078	10,912	17,756
EBIT excluding non-recurring items %	2.0%	4.5%	5.7%	4.7%	7.5%
EBIT	(13,887)	(17,997)	12,281	7,595	12,561
EBIT, %	-7.1%	-8.5%	5.8%	3.3%	5.3%
Result for the period	(18,450)	(31,771)	6,484	6,124	10,230
Basic and diluted Earnings per Share, EUR	(0.233)	(0.404)	0.083	0.078	0.140
Operating cash flow	1,241	12,861	10,130	(268)	(755)
Net debt*	(32,050)	(20,441)	(22,713)	(26,695)	(20,002)
Equity/assets ratio	43.5%	49.6%	59.7%	53.8%	57.0%
Leverage ratio	3.75x	1.47x	1.3x	1.7x	1.2x

* *As of 31 December 2018, the cash amount of the capital increase was accounted for in other current receivables and was paid to the Group on 10 January 2019, with no impact on the net debt in 2018.*

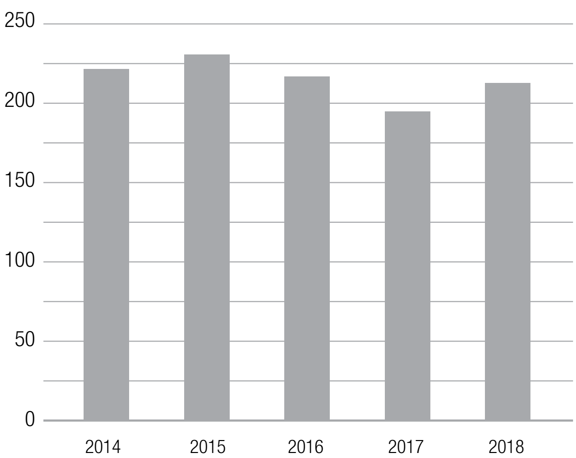
EBITDA, MEUR AND EBITDA MARGIN %



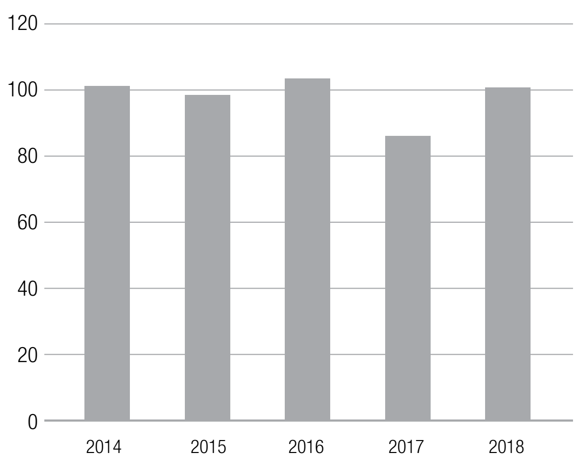
EBIT, MEUR AND EBIT MARGIN %



ORDER INTAKE, MEUR



ORDER BOOK, MEUR



CEO's Message

TRANSFORMATION ON TRACK, GOOD SALES MOMENTUM

In 2018, we continued the extensive transformation programme that was initiated at the end of 2017. Our aim is to reverse the lack of growth and profitability of recent years and create a foundation for long-term profitable growth. The transformation will improve our performance in 2019 and onwards, but we saw some positive signs already in 2018. One such signal of strength was that order intake increased 8.7 per cent year-over-year and that the order book stood at EUR 100.1 million at the end of 2018. This is 17.0 per cent higher than a year earlier.

Several key system orders were secured during the year. In April, we received an important EUR 9 million order to equip a number of electric ferry ports in Norway with our automated mooring system, MoorMaster™. Electric ferries is a market that is forecast to expand considerably in the Nordics and elsewhere. Our Airports unit won an EUR 8 million project for the modernisation of ground support equipment at Bahrain International Airport, underlining our strong position in a region set for substantial growth in the aviation sector. We also saw a resurgence in demand for automation and control equipment in the oil and gas segment, with multiple orders for our Radio Remote Control and Human Operator Interface systems.

However, due to a soft order book at the end of 2017, and start-up issues with our new production facility in Milan, revenues disappointed with a year-over-year decrease of 7.3 per cent to EUR 197 million. We have made investments in reconfiguring the Milan facility, brought in new management and new processes, but the results of these initiatives will only become evident in the first half of 2019.

Earnings Before Interest and Taxes, excluding non-recurring items, amounted to EUR 3.9 million in 2018, corresponding to a margin of 2.0 per cent. The softer Earnings Before Interest and Taxes was due to the lower revenues and higher than normal consulting and recruitment fees and travelling expenses in connection with the ongoing transformation.

WIDE-RANGING CHANGES

On 1 January 2018 a new organisational structure came into effect, under which each division was assigned clear profit and loss ownership from product development to sales and delivery. This enhances the transparency of our operational performance, optimizes capital allocation and simplifies decision making. In addition to our two existing divisions – Ports & Maritime and Airports & Industry – we established a new third division, Services, tasked with developing the aftermarket business. In addition to being a key competitive advantage in our markets, Services will enhance the stability of our underlying business to complement the more variable nature of the project business.

To lay the foundation for better decisions on which markets and segments to focus on and how to deploy our sales resources more efficiently, we undertook a granular market research during the year. This resulted in a rebalancing of the geographical location of our sales resources as well as investments in tools and processes.

We also strengthened the executive team with world-class talent, including a new Chief Human Resources Officer, a President of Services, a Chief Operations Officer, and after the year-end a new Chief Financial Officer and a new President of the Ports & Maritime division. Our efforts to bring in highly experienced managers to lead key areas mean that six out of eight top executives have been added or replaced during the past 18 months.

In addition, most of the 50 projects under the A New Day transformation plan, designed to streamline processes and transform Cavotec into a more efficient organisation, were finalized by the end of the year. For example, we successfully implemented new processes for production planning and inventory control within operations, deployment of a new Customer Relationship Management system within sales, and processes for ROI-focused efforts in R&D.

In October, we announced a programme to address structural inefficiencies in the Group caused by a historically fragmented organisation. This initiative targets annual employee costs and operating expenses and other savings of approximately EUR 10 million by 2021, whereof significant run-rate savings are expected as early as 2019. We closed 10 local offices in the fourth quarter as part of this programme. At the end of the year overall headcount was down by 7.7 per cent and since the transformation started 18 months ago the workforce has declined by 11 per cent. Total one-off cost of the restructuring is expected to amount to EUR 7 million, whereof EUR 5 million was accounted for in 2018. In total, non-recurring items for the year amounted to EUR 11.2 million, with the balance being mainly related to the final phases of the US litigation case.

We announced a fully underwritten rights issue of EUR 18.5 million in November, which was successfully completed in January 2019. The strengthened balance sheet gives us the resources we need to complete our transformation initiatives swiftly and provide scope for quick actions to take advantage of opportunities for accelerated growth.

TIME TO DELIVER ON OUR POTENTIAL

In 2018, we took the necessary steps to create a sound platform, both financially and operationally, for future performance. Now we're ready to focus on growing profitability in 2019 and beyond. Cavotec remains highly customer-centric, and exceptionally sales focused. We are well-positioned in terms of fundamental market trends, specifically safety, automation and the environment, and we have outstanding, innovative technologies suited to meet the demands of these trends. We've made the wide-ranging changes that Cavotec needed, now it's time for us to start delivering on our potential.

Lugano, March 2019

Mikael Norin
Group CEO


CAVOTEC
WE CONNECT THE FUTURE

Business Overview

We are a global engineering group that designs and manufactures automated connection and electrification systems for ports, airports and industrial applications worldwide. Since the beginning of 2018, Cavotec has been organised in three business divisions – Ports & Maritime, Airports & Industry, and Services – with clear profit and loss ownership. A number of functions, such as Human Resources, Finance and Operations, operate across the three divisions.

We market our systems primarily through fully owned sales companies located around the world. We design and manufacture our systems at our seven Centres of Excellence in Germany (three), Italy, New Zealand, the UK and the US. In 2018, the Centres of Excellence were supported by Supply Chain Centres based in Australia, China, France, India, Norway, Sweden and the US. Cavotec's head office is in Lugano, Switzerland.

As of 31 December 2018, Cavotec had 896 full-time equivalent employees.

BUSINESS IDEA

We provide innovative systems that ensure safe, efficient and sustainable operations for our customers. Our solutions enable customers to:

- power, cool, and fuel aircraft with our fully integrated turnkey solutions
- electrify and automate port equipment
- power and control industrial equipment
- electrify and remotely operate drilling equipment in the mining and tunnelling and oil and gas segments

BUSINESS MODEL

With more than 40 years' experience, we are a trusted long-term partner for many of our customers. We drive value creation with advanced systems for ports, airports, and a wide variety of industrial sectors. Indeed, we often lead technological development in our segments with innovative systems and services. We provide customers with local support, backed by our global network of engineering expertise.

TRANSFORMATION

As a key element in our transformation from a fragmented group of companies towards a well-defined business ready for profitable growth, we launched an internal transformation plan – A New Day – in the fourth quarter of 2017.

A New Day includes 50 transformation projects, ranging from customer and key account management to procurement, SOP deployment, and production planning. The programme made encouraging progress in 2018, with around three quarters of its projects completed or close to completion at the end of the year. We have also streamlined and simplified decision-making by introducing clear profit and loss ownership for our three divisions. The new structure became effective on 1 January 2018.

At the beginning of October, we announced a wide-ranging restructuring programme. This addresses structural inefficiencies in the Group caused by its historically fragmented organisation. The programme is set to reduce employee costs and operating expenses across the Group, thereby reducing costs and driving profitable growth.

A majority of the changes presented in the restructuring programme were implemented in 2018 and therefore significant run-rate savings are anticipated as early as 2019. Full annual savings of about EUR 10 million are expected in 2021. Costs related to the programme are expected to amount to EUR 7 million, the majority of which were booked in 2018.

During the year, we also completed a granular market assessment. The objectives of this assessment included:

- building a complete understanding of market size and potential by customer offering
- developing thorough fact-based perspectives on market trends and our competitiveness
- ensuring a robust starting point to drive clear and targeted growth priorities

WELL-POSITIONED IN THE MARKET

Based on the outcome of the granular market assessment, we believe that we have substantial opportunities going forward. We are well-positioned in terms of underlying market trends, and we are a leading provider of innovative technologies suited to meet the demands of our customers.

Overall, our transformation aims to build a foundation for sustainable and profitable growth over the long term by building on our strengths – such as customer focus and innovation – while addressing our commercial and primarily operational deficiencies.

Global presence

We provide global expertise and local support in over 25 countries.

Technology leader

We are a trusted provider of advanced technologies.

Defined by innovation

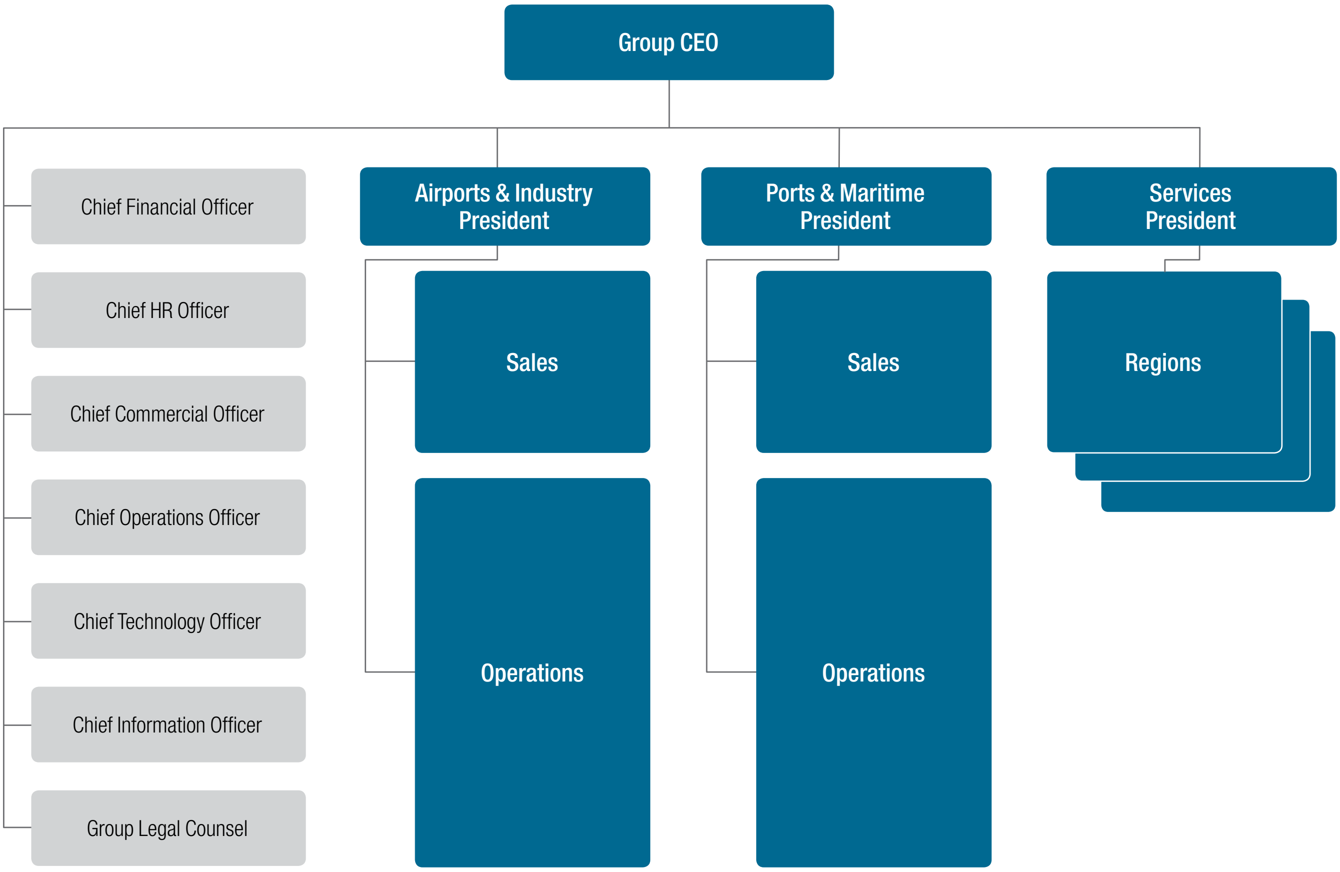
We have pioneered innovative technologies for more than 40 years.

Turnkey solutions

We engineer and integrate state-of-the-art electrical and connection technologies.

Well-positioned

Our technologies are well-positioned to meet growing demand in terms of safety, automation and sustainability.



Ports & Maritime Division

€68.4M
34.7 %*
Revenues

€81.6M
38.6 %*
Order intake

€49.0M
49.0 %*
Order book

* Percentage of Division contribution to the total Group figures.

Ports & Maritime Division

Ports & Maritime provides innovative automation and electrification systems for ports and terminals worldwide. These technologies have strong positions in niche markets including crane electrification, shore power, vessel charging, propulsion and automated mooring. In addition to customers seeking operational efficiency gains, stricter safety and environmental standards mean that the division is ideally positioned to meet growing demand in this segment for equipment automation and electrification.

The division had a disappointing year in terms of revenues, which decreased to EUR 68.4 million from EUR 79.7 million the previous year, in part due to production problems at our new facility in Milan. However, the division's order book ended the year more than 37 per cent higher at EUR 49 million.

ORDER HIGHLIGHTS

Order highlights included projects valued at EUR 9 million for automated mooring systems at electric ferry berths in Norway for ferry operator Fjord1. A first round of deliveries was completed during the year, with the next round of deliveries scheduled for the second quarter of 2019.

Interest in our Automatic Plug-in System (APS), which connects electrically powered cranes, ferries and other equipment to electrical power, remained strong, particularly in Norway, which is leading the development and use of e-ferries. In combination with the MoorMaster™ technology, this is a market with substantial potential for us.

In January, the division won an order to supply MoorMaster™ systems for a specialist marine equipment supplier in the US. The systems will be used for a ship-to-ship mooring application. This was a repeat order for similar systems that was made in 2016.

In June, the division won a MoorMaster™ order in Canada. This was significant as it will be the first ferry application in North America to deploy the technology. The large number of similar applications in the US and Canada point to considerable market potential going forward. MoorMaster™ is the only proven automated mooring system on the market. At the time of writing, the technology has completed more than 500,000 moorings at ferry, bulk and container handling, lock and ship-to-ship applications worldwide.

Installation and commissioning of electrical rubber-tyred gantry (E-RTG) cranes fitted with APS at the Port of Genoa was completed successfully during the year. For this application, we supplied an automated control solution for the E-RTG yard to monitor and control the connection of ERTGs to electrical power. As the first order of its kind, this establishes us as a key technological partner with port operators for these types of application.

Elsewhere, there was an uptick in activity in the oil and gas sector, with, for example, customers such as Haliburton, placing several orders for radio remote controls (RRC), amounting to a marked reactivation of the oil and gas segment in the US.

In terms of operations, we have taken a number of steps to address problems faced by our new production facility in Milan, which manufactures our mooring and electrification systems for ports. Investments were made in reconfiguring the facility, new management was brought in, and processes improved.

"We've strengthened our position in the key automation and electrification segments, and we're well set to capitalise on future growth prospects."

Patrick Mares,
Ports & Maritime Division President

Key Events

- 35 vessel e-charging orders in Norway.
- Crane electrification order for Cavotec APS technology at Port of Genoa.

LOOKING AHEAD

We have high expectations for profitable growth in 2019 for Ports & Maritime. We will start the year by building on an already healthy order book, up 37 per cent from the start of 2018. Our sales efforts will be focused on the increased interest in our automated mooring systems, particularly in the ferry segment, as well as the renewed interest in automation and electrification at ports and terminals in a number of markets. Our competitiveness is supported by the reduced cost base in the division as a result of the restructuring programme carried out in 2018. And lastly, the managerial and operational improvements we introduced at our new production facility in Milan will ensure this plant supports our drive towards profitable growth from the first half of 2019 onwards.

Continuous improvement through teamwork and process excellence will be fundamental to how we continue to drive profitable growth and embed sustainability in our business. We will use our market and customer insights and make strategic choices about market segments where to continue our investments and develop innovative, energy-efficient, safe and reliable products and services that deliver on customer needs.

ENVIRONMENTAL REGULATIONS AND STANDARDS

In recent years, stricter environmental regulations that affect ports and shipping lines have entered force. These include regulations regarding vessel emissions in port that in turn help drive demand for our shore power systems. For example:

- From 2020, ships using Californian ports and that are equipped with shore power equipment, will be required to connect to shore power.(1)
- EU directive 2014/94/EU states that "...shore-side electricity supply shall be installed as a priority in ports... by 31 December 2025".(2)
- In 2015, China introduced its Ship and Port Pollution Prevention Plan" under which all new terminals must be electrified.(3)

(1) "Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port" Regulation, California Air Resources Board, 2007
(2) EU Directive 2014/94/EU
(3) International Council on Clean Transportation, "Action Plan For Establishing Ship Emission Control Zones In China", May 2016

Airports & Industry Division

€ 128.6 M

65.3 %*

Revenues

€ 129.9 M

61.4 %*

Order intake

€ 51.0 M

51.0 %*

Order book

* Percentage of Division contribution to the total Group figures.

Airports & Industry Division

Our Airports & Industry division supplies ground support equipment (GSE) for commercial and military applications, and automation and electrification systems for a variety of industry sectors respectively.

We manufacture fully integrated utility systems for contact gates, remote aprons and maintenance repair and overhaul (MRO) facilities for airports. Our systems make aircraft turnaround and servicing safer, cleaner and more efficient by reducing reliance on diesel-powered mobile ground support equipment and aircraft auxiliary power units. Our business is ideally positioned to grow in line with the projected growth in airports and airport expansions, capacity and efficiency.

Our Industry business produces motorised and spring driven cable and hose reels, human operator interface systems (HOI), radio remote controls, power connectors, power units, slip rings and cables. These systems enable customers to electrify and automate equipment to improve safety, reduce emissions and increase operational efficiency. Our customers in these segments are typically major original equipment manufacturers such as Sandvik and ThyssenKrupp.

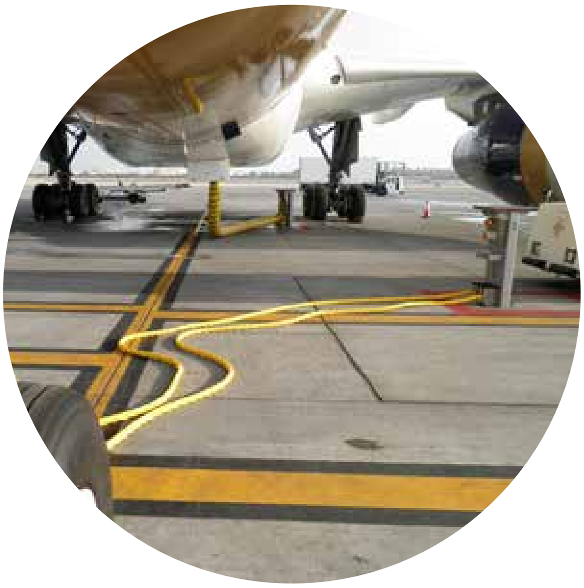
In 2018, division revenues decreased three per cent year-on-year to EUR 128 million. Order intake increased two per cent to almost EUR 130 million. However, there were significant successes with several projects including a major GSE order for Bahrain International Airport and the signing of a framework supply agreement with a leading supplier for HOI systems. Given our stable order intake, our strong position in markets set to grow, and improvements we have made to our own routines and structures, we expect 2019 to be a year of profitable growth.

ORDER HIGHLIGHTS

The largest single order for Airports in 2018 was our EUR 8 million for Bahrain International Airport, in which we supplied our Sub-freeze Pre-Conditioned Air (PCA) units and in-ground pit systems as part of a major modernisation project. This order builds on our already strong position in the aviation sector in the Middle East.

Other highlights included orders in Taipei and Macau for fuelling technologies; and in Australia for two F-35 fighter aircraft hangar applications that were successfully commissioned with 17 low-pressure PCA units delivered over a period of 18 months. We also delivered more than 600 fuel pits to Istanbul Grand Airport (IGA), the last batch of this major order won in 2017.

On the Industry side of the business, under the framework supply agreement with equipment manufacturer Rambooms, we delivered 16 HOI systems during the year. As customers continue to focus on safety and efficiency in the mining and tunnelling sector and elsewhere, HOI systems are likely to be a growth area for the Industry business going forward – a segment in which we are a leading supplier. We also won a milestone order for a specialised cable and hose reel system for a mining application in Australia, which will serve as an excellent reference in a highly competitive market.



Key Events

- EUR 8M order for Sub-freeze PCA units for Bahrain International Airport.
- 600 fuel pits delivered to Istanbul Airport.
- EUR 1.1M equipment order from ThyssenKrupp for East Intercourse Island Project.
- Breakthrough order for a major power plant project in India.
- Key order for Baffinland iron ore mine in Canada.

"Our successful transformation to a key account- and OEM-focused organisation is a solid base for profitable growth going forward."

Juergen Strommer,
Airports & Industry Division President

OPERATIONS

The introduction of a key account management platform and a dedicated Customer Relationship Management team will help us improve decision making by giving us more detailed insights of customers' needs. Furthermore, we are focusing on our core products and profitable customer segments to support growth in 2019 and beyond.

These measures have led to greater emphasis on value-based sales. With Airports customers, for example, we are working to ensure we deliver the required performance at the inlet of the aircraft, (where our systems supply electricity, pre-conditioned air, fuel and potable and blue/water etc.), thereby improving profitability and moving us away from competing with rival suppliers on price alone.

We continue to take steps to address legacy issues at our Cypress plant in the US by enhancing manufacturing procedures and eliminating inefficiencies.

LOOKING AHEAD

We have a strong position in terms of macro growth trends in automation, electrification, safety and sustainability. Customers will continue to see value in integrating the fixed GSE solutions that we provide into their operations to ease congestion, improve aircraft turnaround times, and significantly reduce emissions. Projected growth in passenger traffic is likely to sustain demand for new, larger and more efficient airports; while existing airports are likely to seek to improve gate productivity to increase or maintain their share of growing passenger numbers.

In Industry, as customers continue to replace manual, diesel-driven equipment with automated, electrically-powered systems, we anticipate healthy market growth where we continue to grow with our customers as a trusted supplier of innovative and reliable systems.

In light of this, and given the ongoing operational improvements being made by the division, we are confident that Airports & Industry has the potential to grow profitably in 2019.


CAVOTEC
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Services Division

70
Service Experts

25+
Countries
covered

18,000
Installations worldwide
provide growth potential

Services Division

Our Services division became fully operational in July 2018 as a key element of our overall strategy to drive profitable sales growth. The division leverages the technical expertise of our engineers to generate greater value for customers. With some 18,000 Cavotec installations worldwide, the growth potential through offering comprehensive after-sales support is considerable. The offering includes commissioning and training support, inspection and repairs, preventive maintenance, long-term service agreements, and renovation and upgrades.

DEFINING OUR OFFERING

In our first six months of operation, we developed a clear structure for our Services offering with the following four care products:

- ***CavotecCare*** provides operators with an annual equipment assessment to plan for or anticipate future maintenance requirements.
- ***CavotecCare Enhanced:*** in addition to the benefits of our CavotecCare plan, CavotecCare Enhanced gives operators priority access to our experts to minimise downtime.
- ***CavotecCare EnhancedPlus*** is a comprehensive maintenance scheme that includes consumables to maximise asset availability.
- ***Total CavotecCare*** provides a dedicated Cavotec expert on-site to maximise asset availability and minimise operational risk.

We also carried out an extensive analysis of customer requirements to understand how we can improve and expand our offering. We evaluated the quality of our Services employees' soft skills to further improve customer relationships, and we launched a commercial awareness training programme to help employees take advantage of additional business opportunities.

Following the introduction of a single global Customer Relationship Management platform, the Services division has improved visibility and can maximise its own operational efficiency from the very start of its formation. All service requests and quotes are managed on the platform, including the dispatch of service personal, the drafting of reports, and the use of timesheets. These measures are hygiene factors for businesses, but a critical achievement for us, nonetheless, given Cavotec's historical challenges to operating on a fully Group-wide basis. The platform also allows customers to sign reports using mobile devices, and Cavotec Services employees to provide customers with timely feedback.

The division's number of dedicated service experts increased to 70 by the end of the year.

LOOKING AHEAD

Our primary strategic initiatives for 2019 include pursuing service agreements with embedded maintenance teams to airports in Canada and the US where more than 60 per cent of GSE equipment is Cavotec-made; developing a Motorised Cable Reel (MCR) inspection offering for large end-users of Cavotec systems in the US; developing an MCR inspection programme for stacker reclaimer sites in Western Australia; and targeting increased coverage in terms of service agreements for existing MoorMaster™ installations.

"The creation of the Services division is a game changer for Cavotec. It will drive repeat business, generate steady revenue growth and support product management in delivering innovation and cost-competitive products."

Patrick Baudin,
Services Division President

Operations

As a fundamental step in the transformation of Cavotec, we established a dedicated Operations function in 2018. In the long term, the purpose of Operations is to develop operational excellence to maximise profitable growth. Operations provides cross-divisional support in areas such as purchasing, inventory control and logistics, project management and engineering.

The first task of the new function was to assess our current position in terms of operational practice and routines. In the past, our rapid expansion and entrepreneurial approach hampered the development of Group-wide operational practice in certain areas. A wide-ranging review of existing internal processes, and discussions with employees, suppliers and key customers, identified a number of these challenges. Perhaps most pressing was a relatively low level of product and process standardisation. This complicates production planning and leaves us highly dependent on the functioning of internal and external supply chains. Manufacturing and delivery quality were also two areas for improvement.

Cavotec's new production facility in Milan opened officially in May, but following persistent start-up problems at the plant, we made several managerial changes and investments to reconfigure the facility. The results of these measures will start to bear fruit in the first half of 2019 and ensure that this facility is fit for purpose in the years ahead.

TOWARDS GROUP-WIDE EXCELLENCE

During the year, we took the first steps to address operational problems and ensure that Cavotec employees at all levels of the organisation live the Cavotec values and strive for operational excellence. By adopting an approach based on problem solving and developing Group-wide standards, work began on evaluating and improving performance in five key areas to ensure the Group achieves and maintains world-class operations. These steps included:

Safety:
introduce risk assessment and best practice sharing and apply the best practice sharing tool developed under A New Day. This includes standardisation of health, safety and environment (HSE) policies and manuals, addressing risk through common training and procedures, and making "safety first" part of daily routines. The implementation of a "Don't-walk-by-culture" that incorporates training of management on their role in HSE, and communicate openly with customers about our HSE focus. Finally, the introduction of a zero-accident culture, safety performance measurement, and analysis of each "Lost Time Incident".

Quality:
improve performance of supplier quality and implement supplier quality management, specifically: standardisation of quality scorecards globally, identify key suppliers, review terms and conditions, and conduct regular performance reviews. Harmonisation of IT systems and purchasing procedures globally. In our partnerships with customers: work actively with customers to review, structure and increase number of deliveries without claims; and conduct regular reviews, workshops with key customers to improve quality performance. Use new technologies, alternative materials and simpler ways to achieve technical requirements. Standardise problem-solving and connect the customer claim process with services, and harmonise Quality Management Systems globally.

Delivery:
improve On Time Delivery (OTD) with better production planning, visual management and by improving flow in our factories (smaller batches, closer processes, higher connectivity), and continually optimising our footprint to improve global delivery performance.

Cost:
achieve inventory reductions through: re-designing the supply chain to control inventory and manage trade-offs between lead times and costs; leverage full capabilities of external logistics partners; and identify global external partners. Purchasing: establish structured supplier development in all our production centres including supplier visits, benchmarks, scorecards, etc., establishing Sourcing Excellence Centre, structure ordering processes. Productivity improvements through: standard assembly procedures, packaging procedures; indirect processes and automation of processes where appropriate.

People:
introduction of Value Stream Organisation and Cavotec Product Teams to include all direct and indirect functions and provide clear leadership, process and product focus. Establishment of our Operations Academy that is designed to train teams, set operations targets, introduce "90-day plan" thinking and Lean Management training. Training of "subject matter experts" across sites and empowerment of teams to drive bottom-up continuous improvement. Work in global communities, led by Operations Directors, in areas such as: purchasing, inventory management and logistics, production planning and project management, and engineering.

"Through consistent world-class performance in safety, quality, delivery, costs and people, we're creating a reliable and predictable Cavotec operations team organised in value streams – a team that lives and breathes the Cavotec values."

Martin Riegger,
Group Chief Operating Officer


HIGH VOLTAGE
2850 Volt

Sustainability Report

We strive to operate sustainably and responsibly in all our markets. This commitment includes being a responsible, ethical employer and supplier, and reducing the environmental impact of our activities. Moreover, our systems enable customers around the world to minimise their impact on the environment and operate more safely and efficiently. This section provides an overview of how we achieve these goals.

REDUCING ENVIRONMENTAL IMPACT
We provide innovative automation and electrification technologies that significantly reduce or eliminate emissions from mobile equipment such as ships, cranes and other industrial vehicles. Our shore power connection and battery charging systems, for example, play a key role in reducing emissions of particulate matter, nitrogen, sulphuric and carbon oxides at ports and terminals worldwide.

Our MoorMaster™ automated mooring technology enables substantial reductions in emissions compared to conventional mooring techniques through reduced use of tugs and the avoidance of ships repositioning along the berth. MoorMaster™ also enables rapid connection to shore power systems.

We are a leading supplier of motorised cable reels for large container cranes and other equipment used, for example, in mining and tunnelling, which enable the wider use of electrically-powered equipment rather than diesel-driven alternatives. At airports, our in-ground utility systems reduce the number of vehicles required to service aircraft and reduce the use of auxiliary power units, thereby reducing emissions.

We also work proactively to reduce the environmental impact of our own activities. The Cavotec Environmental Policy defines our responsibilities and obligations to minimise the environmental impact of our operations in general and in local communities where we are present. We prioritise the management of the environmental impact of our business activities through our own operations and suppliers, although we also aim to prevent and mitigate negative environmental impacts in the supply chain as a whole.

Examples of how we minimise the environmental impact of our operations include:

- improved production planning and logistics use
- increased use of recyclable materials wherever possible
- careful use and control of hazardous substances
- full lifecycle impact considered when designing systems

We comply with applicable environmental laws, standards and regulations, and plan to anticipate future changes in national and international legislation.

To integrate environmental considerations into the management of our business, risk and impact assessments are used to identify actual and potential environmental impacts of our activities. We also provide customers with information about the environmental impact of our systems and services, and we work closely with customers on issues such as safety, transportation, storage and disposal of our systems. We continually develop and integrate awareness of environmental issues related to our operations into relevant employee training programmes.

AN ETHICAL EMPLOYER
We respect and promote equality, and the right of all to a safe working environment that ensures all employees are treated with dignity and respect. Employees with comparable qualifications, experience and performance shall receive equal pay for equal work with respect to those performing similar tasks under similar working conditions and similar output.

We recently updated the Cavotec Code of Conduct, which strictly prohibits direct and indirect forms of discrimination and harassment of any kind. This includes, but is not limited to, discrimination based on age, ethical and cultural background, gender, religion, sexual identity, disability, race, colour, political opinion, social origin, social status, indigenous status, union membership or employee representation and any other characteristic protected by local law, as applicable.

We are committed to developing and sustaining a diverse workplace. Different backgrounds, experiences and opinions broaden our expertise and drive innovation. Our open, non-hierarchical working environment

encourages the free exchange of ideas and mutual respect between individuals that underpin our unique capabilities as a leading engineering group.

We are committed to providing a safe and healthy environment – including in terms of mental health – for all employees, in accordance with national and international standards and legal requirements.

We continuously improve our performance by enhancing routines and processes, and by reinforcing a strong health and safety culture. We investigate any shortcomings in health and safety management, learn from experience and improve our performance. We continuously assess the operational health and safety aspects of our operations, processes and services. Our recently updated Operational Health and Safety Policy states that relevant health and safety aspects shall be addressed prior to starting new projects, moving to or leaving a site, and before acquiring companies.

Key policies in this area include:

- health and safety training for new employees as part of their introduction to the Group
- specialised training for employees where relevant
- regular health and safety performance review meetings
- appointment of Operational Health and Safety Representatives at all workplaces

Our whistle-blower policy enables employees to anonymously report concerns outside normal reporting channels, (typically immediate managers). We believe this to be a key requirement of sound business conduct.

SUPPLY CHAIN AND HUMAN RIGHTS

Respecting human rights is a fundamental aspect of our responsibility as a business, and vital for us to operate in a sustainable manner. We recognise that although states are responsible for the protection, promotion and fulfilment of human rights, Cavotec as a business enterprise has an obligation to respect human rights. We are therefore committed to respecting fundamental human rights in our operations, our supply chain, and in the communities where we operate.

In December 2015, the Cavotec Board of Directors formulated a new vision and business concept that incorporated an updated Code of Conduct based on the UN Global Compact, underlining the Group’s commitment to CSR.

We comply with all relevant laws and regulations in the markets in which we conduct business at all times. In the event that national legislation and international human rights differ, our policy is to adhere to the higher standard. When national and international human rights are in conflict or faced with unclear requirements, Cavotec will adhere to the national legislation while always aiming to respect fundamental human rights.

We recognise the importance of engaging with stakeholders to identify potential adverse human rights impacts, and we therefore seek to engage with stakeholders before initiating new projects and over the course of ongoing business projects.

Cavotec focuses its efforts based on the severity of actual and potential impacts. This means that the severity of impacts will be judged by their scale, scope and irremediable character, in accordance with the UN Guiding Principles on Business and Human Rights. Due to the nature of our business, we focus our efforts on human rights related to labour conditions.

To manage risks faced in relation to supply chain and human rights, Cavotec has recently adopted a Human Rights Policy founded upon the UN Guiding Principles on Business and Human Rights.

The policy document states that Cavotec also expects its business partners to comply with our Human Rights Policy, or another document of a similar standard, when doing business with, or directly or indirectly representing or otherwise working for Cavotec. The protection of human rights is built on commitment and proactive participation by all employees. All employees are therefore obliged to read, understand and comply with the policy.

We have set the following targets regarding supply chain and human rights:

- perform a Human Rights Impact Assessment to determine our most salient human rights risks
- ensure employees understand and act according to our human rights policy

10 Principles of the UN Global Compact		
Human Rights	*Principle 1:*	Businesses should support and respect internationally proclaimed human rights; and
	Principle 2:	ensure that they are not complicit in human rights abuses.
Labour	*Principle 3:*	Businesses should uphold the freedom of association and recognise effectively the right to collective bargaining;
	Principle 4:	eliminate all forms of forced and compulsory labour;
	Principle 5:	effectively abolish child labour; and
	Principle 6:	eliminate discrimination in respect of employment and occupation.
Environment	*Principle 7:*	Businesses should support a precautionary approach to environmental challenges;
	Principle 8:	undertake initiatives to promote greater environmental responsibility; and
	Principle 9:	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	*Principle 10:*	Businesses should work against corruption in all its forms, including extortion and bribery.

ANTI-BRIBERY AND CORRUPTION

We have a zero-tolerance policy towards all forms of corruption. We are determined to conduct all our business in an honest and ethical manner. We are committed to combating all forms of corruption and acting professionally and fairly in all our business dealings and relationships, wherever we operate.

While we comply with all relevant laws and regulations in the markets in which we conduct business at all times, we have also adopted an Anti-Bribery and Corruption Policy, an Anti-Fraud Policy, a Gifts and Entertainment Policy and a Code of Conduct.

Our Anti-Bribery and Corruption Policy states that Cavotec's zero tolerance of bribery is to be communicated to all employees as well as to suppliers, contractors, vendors, agents and other business partners prior to entering into business relationships with them.

It is the responsibility of all those working for us to prevent, detect and report bribery. It is furthermore the responsibility of each employee to read, understand and comply with the policy. The Anti-Bribery and Corruption Policy is reviewed annually and revised as needed.

Our Gifts and Entertainment Policy states that we have a zero tolerance to the giving or receiving of undue gifts, entertainment and expenses. The policy sets the rules for gifts and entertainment and is intended to help employees make appropriate decisions when giving or receiving gifts or entertainment while conducting business on behalf of Cavotec.


HYBRID
Fin Ferrie
MoorMaster™
Vacuum Mooring System

Human Resources

In 2018, our Human Resources (HR) team focused on developing and introducing several core HR processes across the Group. Previously, while many HR routines and practices were in place, these tended to differ between our companies and geographies, and an administrative-centric view of HR prevailed. This created operational inefficiencies and a lack of clarity for employees. Looking forward, we intend to replace central resources with cross-divisional teams to empower our employees to help themselves – and our business – to develop.

To resolve pre-existing challenges, and to support Cavotec's overall transformation to a more nimble and cohesive business, the newly created cross-divisional HR Community established an as-is analysis identifying strengths on which to leverage, started work on developing a common vision, and subsequently planned a journey from building the basics to enabling that vision.

Key achievements resulting from this collaboration include:

- Implementation of a Group-wide employee database
- Implementation of compensation processes (salary review, short- and long-term incentive plans)

We also began to analyse employees' skill sets. This process started at the top of the Group, was then extended to senior management, and subsequently to sales and service populations. This initiative identified existing and missing hard and soft competencies and allowed us to define development needs within the organisation. The next natural step was to pilot targeted development initiatives, a first "Sales Boot Camp" took place and similar initiatives will develop in 2019.

As a relatively small organisation, with a global presence, it is crucial that we have a strong, shared company culture. This helps us align business goals and creates a common vision for our employees wherever they are based. As part of the process of creating a shared identity and vision, in 2018 we announced a new tagline, We Connect the Future, a strategic direction statement – "We want to contribute to a world that is cleaner, safer and more efficient by providing innovative connection solutions for ships, aircraft and mobile equipment today" – and new corporate values, which are:

- Integrity
- Accountability
- Performance
- Teamwork

Number of employees - HC & FTE (period end)

Headcount	2014	2015	2016	2017	2018
Permanent*	923	962	953	940	857
Temps**	111	116	61	48	64
Total	1034	1078	1014	988	921

Full-time equivalent	2014	2015	2016	2017	2018
Permanent*	911	949	942	925	836
Temps**	108	114	59	45	60
Total	1019	1063	1001	970	896

* *Permanent employees: hired directly in one of Cavotec's entities with a permanent, temporary or apprentice contract.*

** *Temporary employees: hired by a third company in outsourcing by Cavotec (people hired by temporary work agency).*

"Sustained company growth and people growth are two faces of the same coin, and both need our attention on the path to our renewed success."

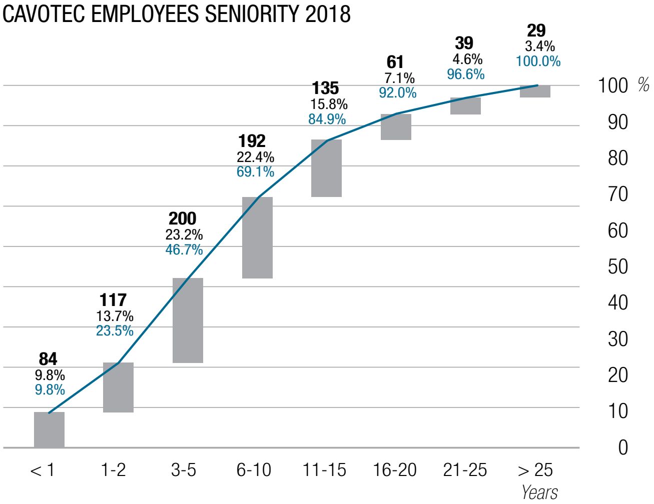
René Meldem
Group Chief Human Resources Officer

OUR DEMOGRAPHICS

The composition of our employees reflects our international, multicultural and interdisciplinary character. At the end of 2018, Cavotec had 896 full-time equivalent employees from more than 25 countries and a wide variety of professional experiences and backgrounds.

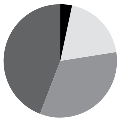
Almost one third of our employees have a university-level degree or higher, and around 21 per cent are engineers. Please see the accompanying charts for details about the composition of our employees.

CAVOTEC EMPLOYEES SENIORITY 2018

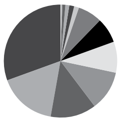


Number of employees and headcount in %
Cumulative headcount in %

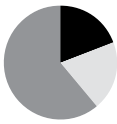
EMPLOYEES 2018



By Category	
Top Managers[(1)]	2.6%
Managers	18.3%
Production Employees	47.1%
Office Employees	32.0%



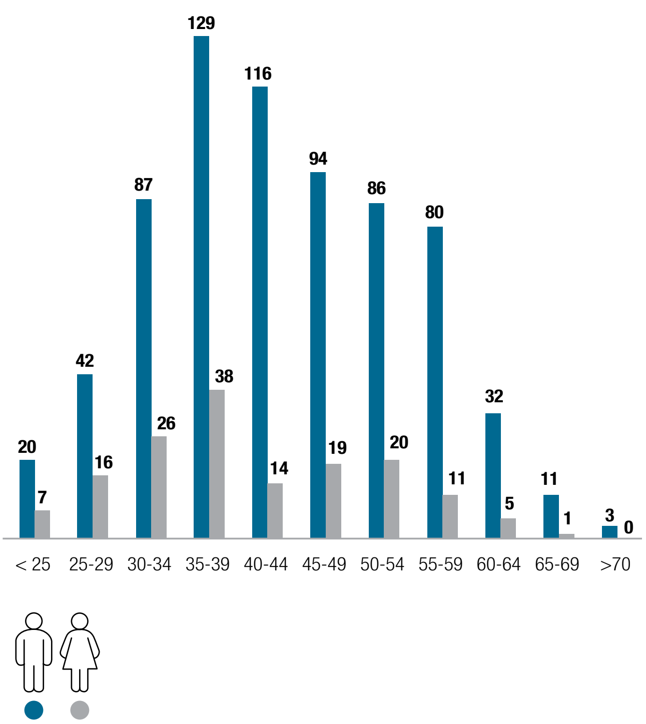
By Job Family	
Administration & General Services	0.4%
Corporate Management	0.5%
Engineering & R&D	14.0%
Finance	7.0%
Group MARCOM & Strategy	0.6%
Human Resources	1.3%
Information Technology	1.6%
Legal	0.4%
Production	32.0%
Project Management	1.3%
Purchasing, Warehousing & Logistics	9.3%
Sales	13.5%
SC Management & Administration	10.2%
Service	7.9%



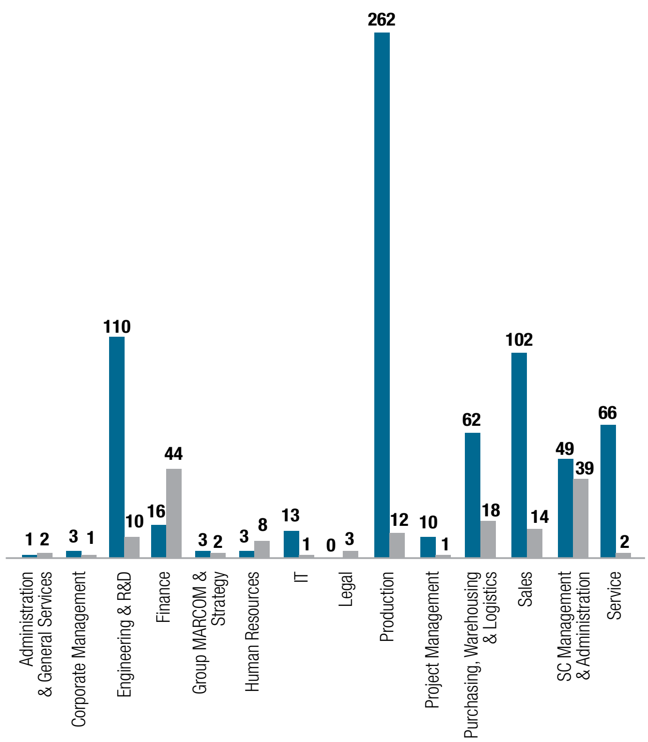
By Geographical Region	
EMEA[(2)]	65.5%
APAC	17.5%
AMER	17.0%

(1) Including Group CEO and C-level managers
(2) Including Lugano Corporate office (3%)

AGE PYRAMID 2018 (HEADCOUNT)



EMPLOYEES BY JOB FAMILIES AND GENDER 2018 (HEADCOUNT)



The Share

Cavotec's share is listed on Nasdaq Stockholm on the Mid Cap list. During 2018 the share price decreased by 42.9%. Based on the closing price on 28 December 2018 of SEK 13.25 (approximately EUR 1.30), Cavotec's total market capitalisation was SEK 1.04 billion (approximately EUR 102.41 million). The total yield on the share including dividend paid (CHF 0.02 per share) was -42.2% in the period 1 January 2018 to 31 December 2018. The share price high was SEK 29.4, which was in June and the low was SEK 12.75, in December.

SHARE TURNOVER AND TRADING

9,290,721 Cavotec shares were traded on Nasdaq Stockholm in 2018, a rate of turnover of 12%.

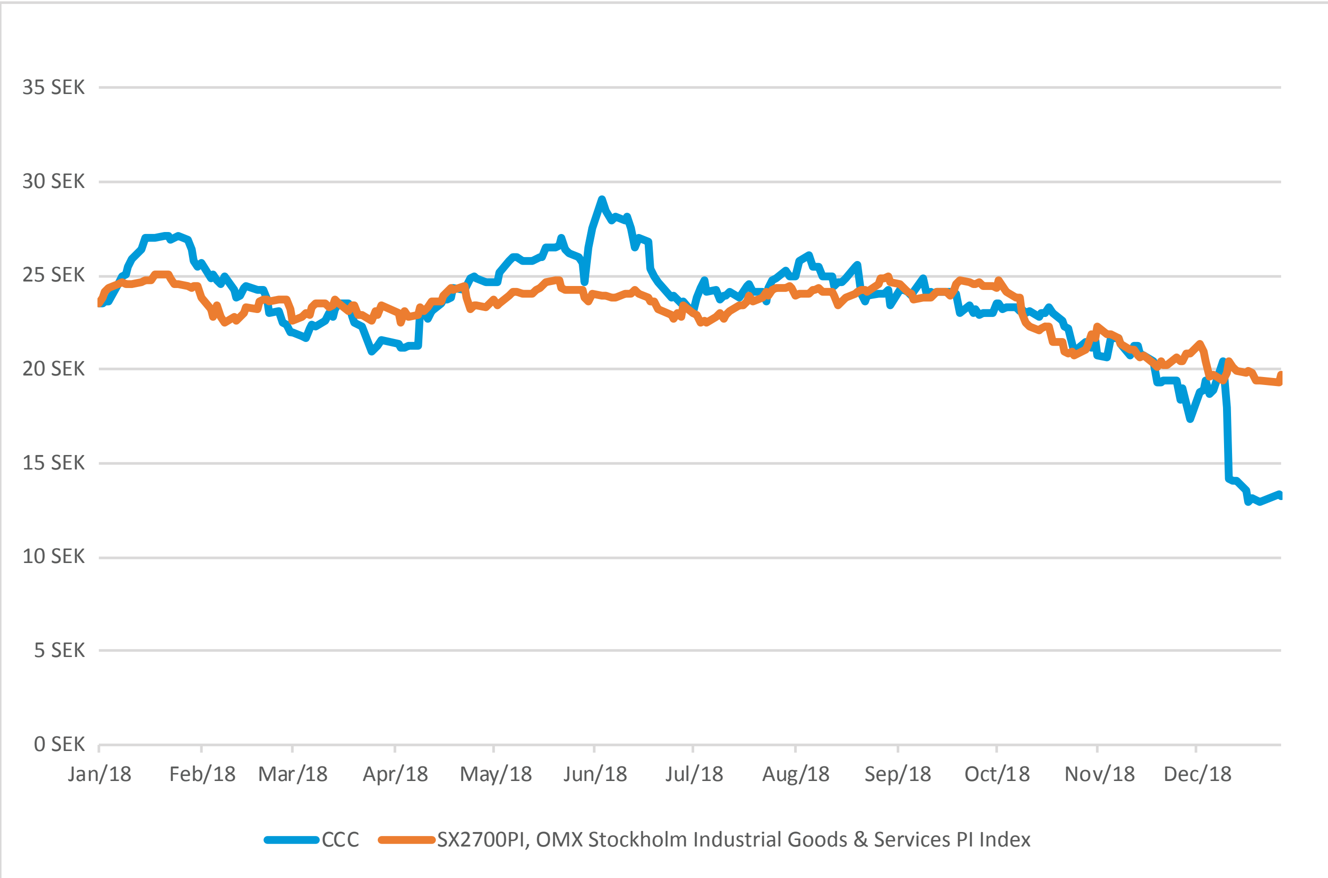
SHARE ISSUE

On 2 November 2018, the board of directors decided to execute a fully underwritten rights issue of SEK 204 million. The subscription ratio was set at one (1) to five (5), i.e. shareholders in Cavotec were offered to subscribe for one (1) new ordinary share for every five (5) existing ordinary shares held. The subscription price was SEK 13.00 per ordinary share. On 4 January 2019 the rights issue was completed. As a result, Cavotec's share capital increased through the issuance of 15,707,200, for a new total number of 94,243,200 shares.

OWNERSHIP STRUCTURE

The number of known shareholders as of 28 February 2019, after the rights issue that was completed in January 2019, was 1,227. Non Swedish shareholders represented 31.6% of the capital and votes.

SHARE PRICE DEVELOPMENT



LARGEST SHAREHOLDERS(1)

Shareholder	No. of shares	Share of capital, %	Share of votes, %
Bure Equity	25,579,935	27.1%	27.1%
Fjärde AP-fonden	9,230,465	9.8%	9.8%
Fabio Cannavale	7,583,008	8.0%	8.0%
LCL life & Pension	5,988,212	6.4%	6.4%
Catella Fonder	5,250,509	5.6%	5.6%
Michael Colaco	3,942,946	4.2%	4.2%
Fondita Fonder	3,260,000	3.5%	3.5%
Brevetti Stendalto	2,822,869	3.0%	3.0%
Emma Jeppson	2,138,067	2.3%	2.3%
Stefan Widegren	2,120,000	2.2%	2.2%
Lotten Widegren	2,120,000	2.2%	2.2%
Peter Brandel	1,753,248	1.9%	1.9%
Försäkringsbolaget PRI	1,432,489	1.5%	1.5%
Lancelot Asset Management AB	1,340,000	1.4%	1.4%
Eric Isaac	1,234,382	1.3%	1.3%
Total top 15	**75,796,130**	**80.4%**	**80.4%**

DIVISION OF SHAREHOLDINGS(1)

Ownership by size of holding	No. of shares	Capital, %	Votes, %	No. of shareholders	Proportion of shareholders, %
1 - 10,000	1,230,390	1.3%	1.3%	1,119	91.2%
10,001 - 50,000	1,131,866	1.2%	1.2%	48	3.9%
50,001 - 100,000	1,230,810	1.3%	1.3%	16	1.3%
100,001 - 250,000	2,505,574	2.7%	2.7%	15	1.2%
250,001 - 500,000	2,620,264	2.8%	2.8%	7	0.6%
500,001 - 1,000,000	4,070,807	4.3%	4.3%	7	0.6%
1,000,001 - 5,000,000	22,164,001	23.5%	23.5%	10	0.8%
5,000,001 - 10,000,000	28,052,194	29.8%	29.8%	4	0.3%
10,000,001 -	25,579,935	27.1%	27.1%	1	0.1%
Anonymous shareholdings	5,657,359	6.0%	6.0%	-	-
Total	**94,243,200**	**100.0%**	**100.0%**	**1,227**	**100.0%**

SHAREHOLDERS BY REGION(1)

Country	No. of shares	Capital, %	Votes, %	No. of shareholders	Proportion of shareholders, %
Sweden	64,031,555	67.9%	67.9%	1,145	93.3%
Switzerland	11,894,786	12.6%	12.6%	9	0.7%
USA	4,228,239	4.5%	4.5%	8	0.7%
Italy	3,448,571	3.7%	3.7%	4	0.3%
Finland	3,278,566	3.5%	3.5%	12	1.0%
Other countries	1,704,124	1.8%	1.8%	49	4.0%
Anonymous shareholdings	5,657,359	6.0%	6.0%	-	-
Total	**94,243,200**	**100.0%**	**100.0%**	**1,227**	**100.0%**

(1) *Shareholder structure as of 28 February 2019.*

Compensation Report

The Ordinance Against Excessive Compensation at Public Corporations (VegüV) requires listed companies incorporated in Switzerland to publish a compensation report. Cavotec SA (the "Company") is a Swiss company listed on the NASDAQ in Stockholm. The corporate governance of Cavotec is based on Swiss and Swedish rules and regulations, such as the Swiss Code of Obligations (the "CO") and the Swedish Code of Corporate Governance (Sw. Svensk kod for bolagsstyrning) (the "Code").

Being headquartered in Lugano, Switzerland, the Company also applies some Swiss Exchange ("SIX") rules regarding good corporate governance.

The Compensation Report describes our compensation system and philosophy, and provides details of the compensation payments to the Board of Directors and to the Chief Executive Officer in 2018.

COMPENSATION GUIDELINES

PRINCIPLES:

Compensation for all employees, and in particular for the Executive Management Team (EMT), focuses on achieving a high level of performance to ensure both sustained growth and value creation. The compensation of the EMT and members of the Board of Directors is reviewed on an annual basis by the Remuneration Committee, which proposes appropriate measures to the Board of Directors.

All amounts stated are gross and include all fixed and variable remuneration allocated to the members of the Board and to the CEO for the year under review.

The remuneration programme for senior executives in the Cavotec Group (the "Group") consists of four components:

a) salary
b) annual non-equity cash compensation ("STIP")
c) equity-based incentives ("LTIP")
d) pension benefits

The four components can be divided into fixed and performance-based elements. Salary and pension benefits are fixed, whereas STIP and LTIP are performance-based. Qualified international remuneration consultants from Willis Towers Watson were consulted when the remuneration system was designed to ensure that the remuneration system is competitive, attractive and in line with remuneration systems that exist in comparable companies.

Fixed pay	Variable pay
Salary	STIP
Pension benefits	LTIP
Based on: - functions and responsibilities - mandatory pension plans of the country of employment	For: - performance and results - participating in long-term success

a) Base salary

The base salary for a senior executive of the Group is designed to be attractive and market competitive. In 2018, the benchmark analysis was made by using all companies listed in the general industry survey from Willis Towers Watson for the countries of residency of the senior managers.

The salary is revised once a year. The average yearly increase is historically below five per cent, but depends on the country of employment (where the inflation rate is an important factor for determining the increase). The salary can also be adjusted in the case of a change of responsibility or relocation.

b) STIP

The short-term incentive plan (STIP) is the cash-based element of the variable remuneration for senior executives. Its objective is to:

- encourage performance and motivates the beneficiaries to work together for the sustainable success of the Group
- enable the alignment of objectives throughout the Company

The amount of the STIP paid out depends on the achievement of agreed targets that are defined at the beginning of each year. The targets are between 80-100 per cent quantitative financial objectives, and 0-20 per cent quantitative personal objectives. A new framework was introduced in 2018 to provide a simple, fair and transparent approach.

c) LTIP

2018 was a transition year for the long-term incentive plan. A "bridge" plan was launched with the goal of "transitioning" from the existing co-investment shares programme to a performance share plan. A performance share plan will be introduced in 2019.

2018-2019 LTIP Bridge Plan

EMT members that joined the Group after April 1, 2017 are eligible for the bridge plan. Pay-out will be determined by the level of growth in earnings per share (EPS) achieved at the end of 2019 in comparison to its value on Dec 31, 2017. Threshold, target and stretch levels are defined for the achievement level calculation.

2017-2019 and 2018-2020 Co-investment shares plans

Senior management members that joined the Group prior to 2017 are benefiting from the existing co-investment share LTIP.

The LTIP is a long-term incentive plan that is aimed at creating a managing shareholder culture by allowing selected key employees of the Group to become shareholders of Cavotec SA.

The Plan Participant has the possibility, but is not obligated to purchase Co-investment Shares at fair value on the stock-market during the Co-investment Period of the Respective Plan.

The amount of the Matching Incentive depends on the number of Co-investment Shares still held by the Plan Participant on the Matching Date, as well as, on the achievement of the Revenue Target and the EBIT Margin Target.

d) Pension benefits

Pension benefits are based on defined contributions that are determined by mandatory pension plans of the country of employment and other local conditions. In certain selected cases an extra pension benefit equal to 10 to 15 per cent of the base salary can be agreed with key managers as an extra compensation. This extra compensation can be revised on a yearly basis.

COMPENSATION GOVERNANCE

a) Annual General Meeting

An Annual General Meeting of shareholders is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors.

General meetings of shareholders are presided over by the Chairman of the Board of Directors or, in his absence, by a chairman of the day to be elected by the general meeting of shareholders. The chairman also appoints a secretary and one or more scrutineers, none of whom are required to be shareholders.

The Annual General Meeting "AGM" of Cavotec SA was held in Lugano and chaired by Stefan Widegren in 2018.

The general meeting of shareholders has the following exclusive competences:

1. Amendments to the Articles of Association;
2. Approval of the annual report and, as the case may be, of the consolidated statements of accounts;
3. Approval of the annual financial statement as well as resolutions on the use of the balance sheet profits, in particular, the declaration of dividends and of profit sharing by directors in accordance with Art. 671 and Art. 677 CO;
4. Discharge of the members of the Board of Directors and of the Chief Executive Officer (CEO);
5. Election of the Board members, the chairman of the Board of Directors and the members of the Remuneration Committee;
6. Election of the independent proxy;
7. Election of the auditors;
8. Approval of the remuneration of the members of the Board of Directors and the CEO according to article 16b of the Articles of Association listed below:
   1) The general meeting of shareholders shall annually approve the maximum aggregate amount each of:
      a) the remuneration for the Board of Directors for the next business year;
      b) the remuneration for the CEO for the next business year.
   2) The aggregate amount shall cover the fixed pay, the STIP and the LTIP payable during the next business year.
   3) In the event the general meeting of shareholders does not approve a proposal of the Board of Directors, the Board of Directors may submit another proposal at the same general meeting of shareholders or convene a new general meeting of shareholders to approve the remuneration;
   4) The general meeting of shareholders may at any time approve a subsequent increase of an approved aggregate amount.
9. Resolutions on all other matters which, under the Articles of Association or according to the law, are in the exclusive competence of the general meeting of shareholders or which have been submitted to the meeting for its decision by the Board of Directors.

b) Board of Directors

The current members of the Board of Directors in Cavotec SA are Fabio Cannavale, Roberto Italia, Erik Lautmann, Heléne Mellquist, Helena Thrap-Olsen, Patrik Tigerschiöld (Chairman).

The Board of Directors of Cavotec SA held eight board meetings in 2018.

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

1. The determination of the strategy of the Company and the Group and the issuance of the necessary directives;
2. The establishment of a framework of the organisation;
3. The basic structuring of the accounting system, of a system of internal financial controls, and of the financial planning;
4. The approval of the appointment (and suspension) of the officers entrusted with the management of the Company or with its representation;
5. The supervision of management, in particular in relation to compliance with the law, the Articles and corporate regulations, charters and directives;
6. Decisions on the business report consisting of the annual financial statements, the annual report, and consolidated financial statements including interim published reports and determination of the accounting standard;
7. The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
8. Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO;
9. Preparation of the compensation report.

By Swiss law, the Board of Directors also has the following non-transferable responsibilities: Decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increase) and art. 651 IV CO (increase of share capital in the case of authorised capital); decisions pursuant to art. 634a I CO (shares not fully paid in) and resolutions pursuant to the Swiss Merger Act.

c) Remuneration Committee

The current members of the Remuneration Committee in Cavotec SA are Helena Thrap-Olsen, Patrik Tigerschiöld and Erik Lautmann (Chairman). Fabio Cannavale was invited to the meetings, starting July 2018.

The Remuneration Committee of Cavotec SA held five meetings in 2018 (Apr 10, May 16, May 24, Sep 24, Nov 11).

The Remuneration Committee has the following duties and competences:

1. Reviewing and advising the Board of Directors on the terms of appointment of the CEO;
2. Reviewing working environments and succession planning for members of the management;
3. Reviewing the terms of the employment arrangements with members of the management so as to develop consistent group-wide employment practices subject to regional differences;
4. Reviewing of and making proposals to the Board of Directors on the remuneration of the members of the Board of Directors and of the Chief Executive Officer;
5. Reviewing the terms of the Company's short and long- term incentive plans;
6. Submission of a draft of the remuneration report to the Board of Directors.

COMPENSATION COMPONENTS

The remuneration to the members of the Board of Directors in Cavotec SA, is, in deviation from the Code, resolved by the Board of Directors as set out in the Articles of Association. In addition, Board members may receive remuneration for consultancy services provided to the Company. None of the members of the Board of Directors are entitled to any benefits when resigning from the Board, in their capacity as Board members. However, Board members may be entitled to benefits according to employment or consultancy agreements that will continue even if the Board member would resign as Board member.

a) Elements of Remuneration and Additional Amount for the CEO

i. Elements of Remuneration (Articles of Association - Art. 16a)

1. The Board members and the CEO shall be appropriately compensated for their services in view of their functions and responsibilities;
2. Both the members of the Board of Directors and the CEO shall receive a fixed and, if applicable, a variable remuneration;
3. The fixed remuneration may consist of a salary plus social security contributions on the part of the employer, benefits and pension benefits;
4. The variable remuneration consists of annual compensation ("STIP") and/or long- term incentives ("LTIP") plus social security contributions on the part of the employer and, if applicable, additional pension benefits;
5. The STIP is a variable compensation that provides incentives for senior executives by providing them with bonus based on Cavotec profitability;
6. The LTIP is a long-term incentive plan for senior executives which shall be aligned to the long-term value creation of the Company and may include or be based on cash, shares and/or options;
7. The pension benefits are based on defined contributions, that are determined based on the mandatory and elective pension plans of the country of employment. Pension benefits may include retirement benefits (such as pensions, purchase of medical insurances etc.) outside of the scope of occupational pension benefit regulations and may amount to up to 50% of the last paid out fixed remuneration per year.

ii. Additional Amount for new CEO (Articles of Association - Art. 16c)
If a new CEO is appointed after the remuneration has been approved, the Board of Directors is authorised to use for a given year, in addition to any approved amount, an additional amount of 100% of the approved amount of the remuneration of the CEO to remunerate any such new CEO to the extent that the approved total remuneration for the CEO is not sufficient to remunerate the new CEO until the next general meeting of shareholders. This additional amount does not need to be approved by the general meeting of shareholders.

b) Other remuneration

i. Loans to members (Articles of Association - Art. 16j)
The Company does not grant loans or extend credit to the members of the Board of Directors and to the CEO.

ii. Pension benefits (Articles of Association - Art. 16j)
The Company may grant to the members of the Board of Directors and to the CEO pension benefits outside of the scope of occupational pension benefit regulations as provided in Article 16b, para 7.

iii. Contractual terms (Articles of Association - Art. 16e)
Indefinite contracts regulating remuneration with members of the Board of Directors or with the CEO shall have a notice period for such not exceeding 12 months.

Fixed-term contracts regulating remuneration with members of the Board of Directors, if applicable, or with the CEO are allowed to provide a duration of up to 12 months.

COMPENSATION FOR THE 2018 BUSINESS YEAR

All amounts stated are gross and include all fixed and variable remuneration allocated to the members of the Board and to the CEO for the year under review.

a) Compensation paid to the members of the Board of Directors 2018

Year ended 31 December 2018

EUR	Board fees	Social security Contributions	Pension	Consultancy	Total 2018	Total 2017
Fabio Cannavale	36,250	-	-	-	36,250	33,750
Leena Essén[1]	-	-	-	-	-	9,106
Nicola Gerber[1]	-	-	-	-	-	8,134
Roberto Italia[2]	28,750	-	-	-	28,750	-
Erik Lautmann	43,450	695	1,499	-	45,644	49,446
Heléne Mellquist	43,625	1,530	2,276	-	47,431	43,004
Ottonel Popesco[3]	-	-	-	-	-	270,325
Helena Thrap-Olsen	38,750	1,359	2,021	-	42,130	43,105
Patrik Tigerschiöld (Chairman)[4]	81,250	2,845	4,233	-	88,328	43,548
Stefan Widegren[3]	27,500	-	-	-	27,500	266,475
Total remuneration	**299,575**	**6,429**	**10,029**	**-**	**316,033**	**766,893**

Year ended 31 December 2018

CHF	Board fees	Social security Contributions	Pension	Consultancy	Total 2018	Total 2017
Fabio Cannavale	41,867	-	-	-	41,867	37,519
Leena Essén[1]	-	-	-	-	-	10,123
Nicola Gerber[1]	-	-	-	-	-	9,042
Roberto Italia[2]	33,205	-	-	-	33,205	-
Erik Lautmann	50,183	803	1,731	-	52,717	54,968
Heléne Mellquist	50,385	1,767	2,628	-	54,780	47,806
Ottonel Popesco[3]	-	-	-	-	-	300,512
Helena Thrap-Olsen	44,755	1,569	2,335	-	48,659	47,917
Patrik Tigerschiöld (Chairman)[4]	93,841	3,286	4,889	-	102,016	48,411
Stefan Widegren[3]	31,761	-	-	-	31,761	296,232
Total remuneration	**345,997**	**7,425**	**11,583**	**-**	**365,005**	**852,530**

NOTE:
[1] Leena Essén and Nicola Gerber did not stand for re-election as Board members at AGM March 2017.
[2] Roberto Italia was elected as Independent Director at the 2018 AGM.
[3] Stefan Widegren and Ottonel Popesco did not stand for re-election as Board members at AGM April 2018.
[4] Patrik Tigerschiöld was elected Chairman of the Board at the 2018 AGM.

b) Compensation paid to the Chief Executive Officer 2018

Year ended 31 December 2018

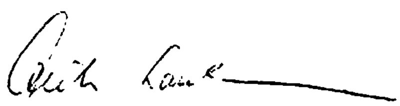
EUR	Salary	Short-term Incentive	LTI Matching Incentive[1]	Social Security, Insurance and Pension Contributions[2]	Total 2018	Total 2017[3]
Mikael Norin	600,000	240,000	-	208,671	1,048,671	586,329

Year ended 31 December 2018

CHF	Salary	Short-term Incentive	LTI Matching Incentive[1]	Social Security, Insurance and Pension Contributions[2]	Total 2018	Total 2017[3]
Mikael Norin	692,976	277,190	-	241,007	1,211,173	651,804

NOTE:
[1] During the year, the FY2015 LTIP Plan has been paid out but the CEO was not eligible as not employed yet.
[2] Pension contribution to the CEO has been made in form of cash payment in lieu of defined contribution payment.
[3] The remuneration for FY2017 covers the period between July and December 2017.

Lugano, March 2019



Erik Lautmann
Chairman, Remuneration Committee

Report of the statutory auditor

to the General Meeting of Cavotec SA

Lugano

We have audited the accompanying compensation report of Cavotec SA on page 31 for the year ended 31 December 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

PricewaterhouseCoopers SA, via della Posta 7, casella postale, CH-6901 Lugano, Switzerland
Telefono: +41 58 792 65 00, Fax: +41 58 792 65 10, www.pwc.ch

Opinion
In our opinion, the compensation report of Cavotec SA for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Efrem Dell'Era | Luigi Voulgarelis

Audit expert
Auditor in charge

Lugano, 15 March 2019

Corporate Governance

Since Cavotec is a Swiss company listed on Nasdaq Stockholm, the corporate governance of Cavotec is based on Swiss and Swedish rules and regulations, such as the Swiss Code of Obligations (the "**CO**") and the Swedish Code of Corporate Governance (Sw. Svensk kod för bolagsstyrning) (the "**Code**").

THE SWEDISH CODE OF CORPORATE GOVERNANCE

Swedish companies with shares admitted to trading on a regulated market in Sweden, including Nasdaq Stockholm, are subject to the Code. The Code is a codification of best practices for Swedish listed companies based on Swedish practices and circumstances. Cavotec has decided to apply the Code, however, the Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (according to the so-called "comply or explain principle"). Deviations that the Company is aware of have, as far as possible, been explained in the Company's corporate governance report.

SHAREHOLDERS' MEETINGS

General

Shareholders' rights to resolve on company matters are exercised at shareholders' meetings. An ordinary shareholders' meeting is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors. Extraordinary shareholders' meetings may be called by the Board of Directors, the liquidators or the auditors as often as necessary to safeguard the interests of the Company. Shareholders' meetings are held at the domicile of the Company or at such other place as the Board of Directors shall determine. The shareholders' meetings, deviating from the Code, will be held in English and information and material will be available in English only. This is in accordance with an exemption granted by the Swedish Financial Supervisory Authority. The minutes from shareholders' meetings will be published on the Company's website.

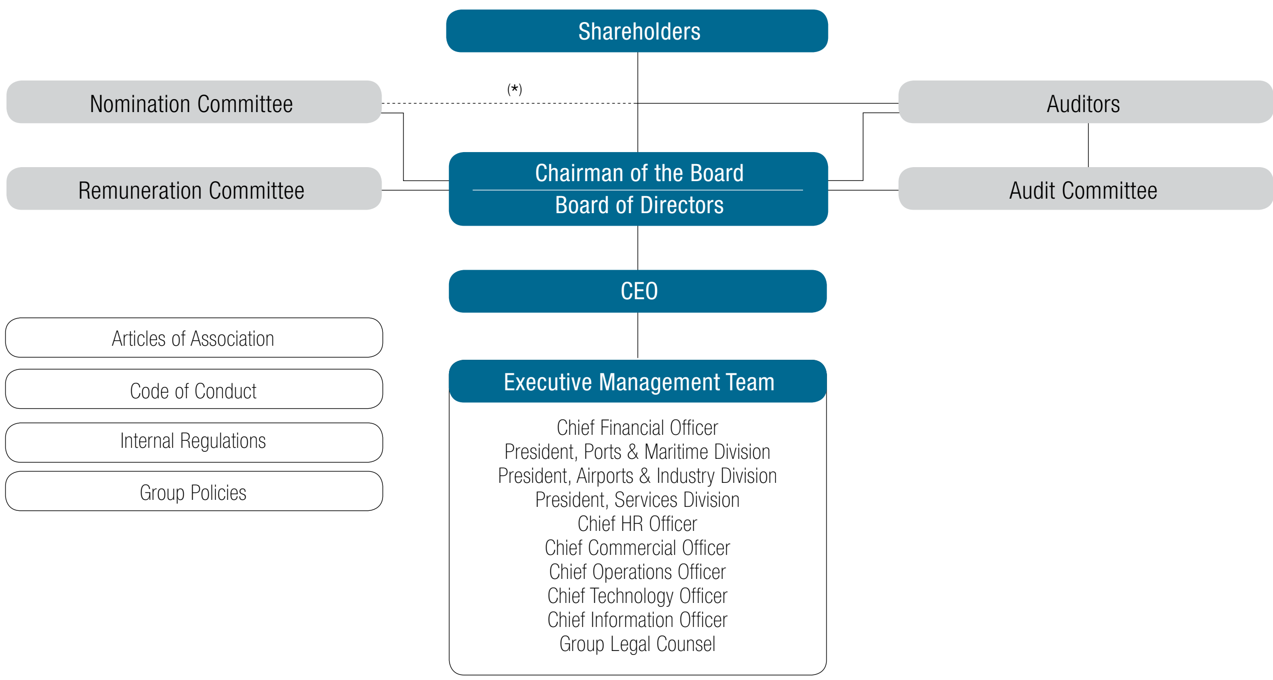
Right to attend shareholders' meetings

All shareholders who are registered directly in Euroclear Sweden's and SIX SIS's share registers on the record date, as applicable, and who notify the Company of their intention to attend the shareholders' meeting at the latest by the date specified in the convening letter, shall be entitled to attend the shareholders' meeting and vote according to the number of shares they hold. Shareholders may attend shareholders' meetings in person or through a proxy. Shareholders may usually register for shareholders' meetings in several different ways, which are described in the Notice of Meeting.

Notice of shareholders' meetings and shareholder initiatives

Notice of a shareholders' meeting is given by means of a publication in the Swiss Commercial Gazette or by letter to the shareholders of record as well as through a press release. Between the day of the publication or the mailing of the notice and the day of the meeting there must be a time period of not less than 20 calendar days. The notice of the shareholders' meeting must indicate the agenda and the motions. The notice will also be published on the Company's website. At the time of the notice, the Company may publish in Svenska Dagbladet an announcement with information that the notice has been issued.

CAVOTEC CORPORATE GOVERNANCE STRUCTURE



(*) *To follow the rules that apply to Swiss companies, the Board of Directors has decided that the Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall, however, be in line with the Code.*

Stating the purpose of the meeting and the agenda to be submitted, one or more shareholders representing at least ten per cent of the share capital may request the Board of Directors, in writing to call an extraordinary shareholders' meeting. In such case, the Board of Directors must call a shareholders' meeting within two weeks.

Nomination Process

The process for the nomination of Board members for Cavotec is construed in light of the Code, while still respecting Swiss laws and regulations applicable to a Swiss company. The ultimate goal has been to adopt a Nomination Process that is open and transparent to all shareholders and stakeholders.

The Nomination Committee shall be a committee established by the Board of Directors of Cavotec. This is in line with Swiss law but will constitute a deviation from the Code that prescribes that the Nomination Committee shall be determined by the shareholders. To follow the rules that apply to Swiss companies, the Board of Directors has decided that the Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall, however, be in line with the Code. The Nomination Committee shall ensure that the company has a formal and transparent method for the nomination and appointment of Board members. The objectives of the Nomination Committee are to regularly review and, when appropriate, recommend changes to the composition of the Board of Directors to ensure that the company has, and maintains, the right composition of Board members to effectively govern and provide guidance to business, and identify and recommend to the Board of Directors individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Board members, as well as the diversity of the Board).

From November 6, 2018 the Nomination Committee members are Henrik Blomquist (representing Bure Equity AB), Fabio Cannavale (representing Nomina SA), Thomas Ehlin (representing The Fourth Swedish National Pension Fund), Stefan Widegren (representing the Founding Shareholders) and Patrik Tigerschiöld (Chairman of Cavotec's Board of Directors).

In November 2018 the Committee began preparing a proposal for the Board of Directors to be submitted to the Annual General Meeting 2019. An evaluation of the work performed by the Board of Directors was completed in October 2018.

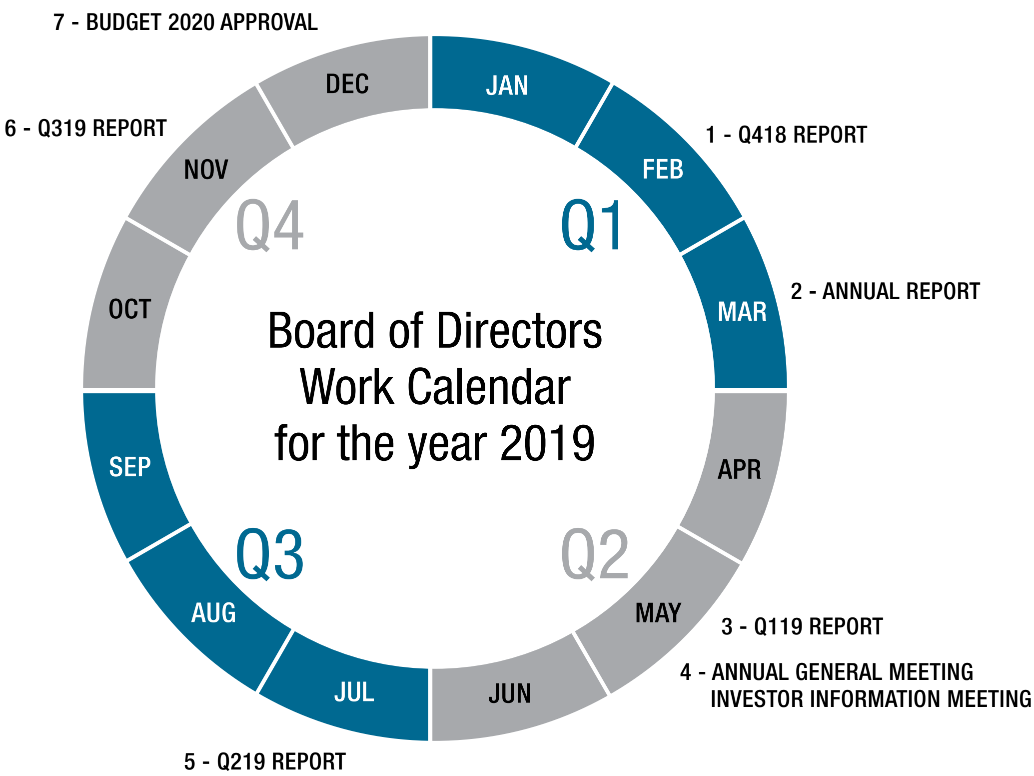
The proposal of the Nomination Committee will be published in the invitation to the Annual General Meeting.

External auditor

At the Annual General Meeting 2019 the Nomination Committee will also propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Annual General Meeting 2020. Efrem Dell'Era is the auditor in charge.

THE BOARD OF DIRECTORS

The members of the Board are elected by the shareholders' meeting for the period until the end of the next ordinary shareholders' meeting. The Board of



Directors constitutes itself, as set out in the Articles of Association, but by law the Chairman of the Board of Directors is elected by the shareholders' meeting.

The members of the Nomination Committee and the Audit Committee, as well as the respective Chairmen, are elected from and by the Board members, the Remuneration Committee is elected by the shareholders' meeting and its Chairman is elected by the Board, as further described below in relation to the description of each committee.

The Board of Directors is entrusted with the ultimate management of the Company, as well as with the supervision and control of the management. The Board of Directors is the ultimate executive body of the Company and shall determine the principles of the business strategy and policies.

The Board of Directors shall exercise its function as required by law, the Articles of Association and the Board of Directors' Internal Regulations. The Board shall be authorised to pass resolutions on all matters that are not reserved to the general meeting of shareholders or to other executive bodies by applicable law, the Articles of Association or the Internal Regulations.

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

a) The determination of the strategy of the Company and the Group and the issuance of the necessary directives;
b) The establishment of a framework of the organisation;
c) The basic structuring of the accounting system, of a system of internal financial controls, and of the financial planning;
d) The approval of the appointment (and suspension) of the officers entrusted with the management of the Company or with its representation;
e) The supervision of management, in particular in relation to compliance with the law, the Articles and corporate regulations, charters and directives;
f) Decisions on the business report consisting of the annual financial statements, the annual report, and consolidated financial statements including interim published reports and determination of the accounting standard;
g) The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
h) Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO);
i) Preparation of the compensation report.

By Swiss law, the Board of Directors also has the following non-transferable responsibilities: Decisions in connection with capital increases pursuant to art. 651a, 652g, 653g CO (acknowledgement of capital increase) and art. 651 IV CO (increase of share capital in the case of authorised capital); decisions pursuant to art. 634a I CO (shares not fully paid in) and resolutions pursuant to the Swiss Merger Act.

The Board of Directors held eight ordinary Board meetings for Cavotec SA in 2018.

BOARD COMMITTEES

The Board of Directors currently has two Board committees, the Nomination Committee and the Audit Committee. Furthermore, the shareholders' meeting has constituted a Remuneration Committee, in accordance with the Minder Ordinance. The composition and tasks of the Board's Committees are regulated in the Board of Directors' Internal Regulations. The composition and tasks of the Remuneration Committee are regulated in the Articles of Association as well

BOARD AND COMMITTEE MEETINGS IN CAVOTEC SA IN 2018

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Henrik Blomquist							3	3
Fabio Cannavale[1]	8	7	4	3			3	3
Thomas Ehlin							3	3
Roberto Italia[2]	6	5	5	5				
Erik Lautmann	8	8			5	5		
Heléne Mellquist	8	7	9	9				
Ottonel Popesco[3]	2	2						
Helena Thrap-Olsen	8	8			5	5		
Patrik Tigerschiöld	8	7	9	9	5	5		
Stefan Widegren[3]	2	2						

[1] Fabio Cannavale was replaced in the Audit Committee by Roberto Italia in May 2018.
[2] Member of the Board of Directors and the Audit Committee since 2018.
[3] He did not stand for re-election at the AGM 2018.

as in the Board of Directors' Internal Regulations. Below is a brief description of the Committees as per the current Internal Regulations (which are continuously reviewed and if deemed appropriate by the Board of Directors amended).

Nomination Committee

The Nomination Committee shall be a committee established by the Board of Directors of the Company. This is in line with Swiss law but will constitute a deviation from the Code that prescribes that the Nomination Committee shall be determined by the shareholders. To follow the rules that apply to Swiss companies the Board of Directors has decided that the Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall however be in line with the Code.

The Nomination Committee shall ensure that the Company has a formal and transparent method for the nomination and appointment of Board members. The objectives of the Nomination Committee are to regularly review and, when appropriate, recommend changes to the composition of the Board of Directors to ensure that the Company has, and maintains, the right composition of Board members to effectively govern and provide guidance to business, and identify and recommend to the Board of Directors individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgment and the ability to work with other Board members).

The current members of the Nomination Committee in Cavotec are Henrik Blomquist (representing Bure Equity AB), Thomas Ehlin (representing The Fourth Swedish National Pension Fund), Fabio Cannavale (representing Nomina SA), Stefan Widegren (representing the Founding Shareholders) and Patrik Tigerschiöld (Chairman of Cavotec's Board of Directors).

Audit Committee

The objective of the Audit Committee is to assist the Board of Directors in discharging its responsibilities relative to financial reporting and regulatory compliance. Members of the Audit Committee shall exclusively comprise of members of the Board appointed by the Board in accordance with the Code. The Audit Committee will comprise of not less than three members with a majority to be Independent Directors of the Board. One member must have a financial or accounting background.

The Audit Committee of Cavotec SA is involved in a wide range of activities including inter alia, the review of all quarterly, half - yearly and annual financial statements prior to their approval by the Board and release to the public. The Committee has periodic contact with the external auditors, PricewaterhouseCoopers, through the PwC engagement partner responsible for the Audit and through the principal engagement manager, to review any unusual matters and the effect of new accounting pronouncements. As a matter of policy, the Audit Committee meets with the PwC engagement partner without the presence of Management at least once every year. Further, the Committee reviews the annual audit plan, as prepared by the external auditors, including the adequacy of the scopes of the audits proposed for the principal locations and the proposed audit fees. The engagement of the Auditors for non-audit services of significance is approved in advance by the Audit Committee.

At least once every year Management gives a presentation to the Audit Committee on the risk profile of the Group and on the procedures in place for the management of Risk. Risks related to the potential impairment of assets and the related provisions required for financial exposures are reviewed and discussed with Management at least once a year, normally in conjunction with the third quarter closing.

The Audit Committee of Cavotec SA met 9 times in 2018.

The current members of Audit Committee are Heléne Mellquist (Chairman), Patrik Tigerschiöld and Roberto Italia.

Remuneration Committee

The main purpose of the Remuneration Committee is to act as remuneration committee pursuant to the Minder Ordinance against excessive compensation with respect to listed corporations. The Remuneration Committee has the following duties and responsibilities:

1. Reviewing and advising the Board of Directors on the terms of appointment of the CEO;
2. Reviewing working environments and succession planning for members of the management;
3. Reviewing the terms of the employment arrangements with members of the management, as well as to develop consistent group employment practices subject to regional differences;
4. Reviewing of and making proposals to the Board of Directors on the remuneration of the members of the Board of Directors and of the Chief Executive Officer;
5. Reviewing the terms of the Company's short and long term incentive plans;
6. Submission of a draft of the remuneration report to the Board of Directors.

The current members of the Remuneration Committee in Cavotec SA are Erik Lautmann (Chairman), Helena Thrap-Olsen and Patrik Tigerschiöld.

In accordance to Art. 7 of the Minder Ordinance and with the Internal Regulations, the Nomination Committee proposes to elect the following Board members to be part of the Remuneration Committee for the year 2019/2020: Erik Lautmann, Helena Thrap-Olsen and Patrik Tigerschiöld.

The Remuneration Committee of Cavotec SA met five times in 2018.

Executive Management Team – EMT

The EMT is selected by the CEO and consists of nine members, combining Cavotec's senior operational and corporate functions.

The EMT fulfils the Group Management role – empowered by the CEO – and ensures efficient implementation of strategic decisions into Cavotec's global organisation and leads local management on key operational issues. The CEO, defines and implements operational strategy, policies, technical and commercial developments, as well as new acquisitions in line with targets set by the Cavotec's Board of Directors.

Cavotec's operational structure is reasonably flat in order to ensure that the Group's operations and decision-making processes are efficient and responsive. Strategic, Group-related operations are the responsibility of the CEO with the support of the EMT. All material decisions within the day-to-day operations of the Company are taken by the CEO.

Due to the inherent international character of the Group, the Managing Directors of local Cavotec companies – who are close to their customers, suppliers and staff in their respective time zones, cultural environment and geographical area – take day-to-day operational decisions. Managing Directors report to their respective division presidents, who in turn report to the CEO. The CEO works out of Cavotec's corporate office in Lugano, Switzerland, where also the corporate functions are located.

REMUNERATION AND INCENTIVE PLANS

Remuneration of the Board of Directors

The remuneration to the members of the Board of Directors in Cavotec SA, is, in deviation from the Code, resolved by the Board of Directors as set out in the Articles of Association, upon proposal of the Remuneration Committee. Furthermore, the yearly shareholders' meeting approves the total maximum aggregate remuneration for the Board of Directors for the following business year. In addition, Board members may receive remuneration for consultancy services provided to the Company. None of the members of the Board of Directors are entitled to any benefits when resigning from the Board, in their capacity as Board members. However, Board members may be entitled to benefits according to employment or consultancy agreements that will continue even if the Board member would resign as Board member.

Principles

Compensation for all employees, and in particular for the Executive Management Team (EMT), focuses on achieving a high level of performance to ensure both sustained growth and value creation. The compensation of the EMT and members of the Board of Directors is reviewed on an annual basis by the Remuneration Committee, which proposes appropriate measures to the Board of Directors.

All amounts stated are gross and include all fixed and variable remuneration allocated to the members of the Board and to the EMT for the year under review.

The remuneration programme for senior executives in the Cavotec Group (the "Group") consists of four components:

a) salary
b) annual non-equity cash compensation ("STIP")
c) equity-based incentives ("LTIP")
d) pension benefits

The four components can be divided into fixed and performance-based elements. Salary and pension benefits are fixed, whereas STIP and LTIP are performance-based. Qualified international remuneration consultants from Willis Towers Watson were consulted when the remuneration system was designed to ensure that the remuneration system is competitive, attractive and in line with remuneration systems that exist in comparable companies.

Fixed pay	Variable pay
Salary	STIP
Pension benefits	LTIP
Based on: - functions and responsibilities - mandatory pension plans of the country of employment	For: - performance and results - participating in long-term success

a) Base salary

The base salary for a senior executive of the Group is defined to be attractive and market competitive. In 2018, the benchmark analysis (or the competitive market analysis) was made by using all companies listed in the general industry survey from Willis Towers Watson for the countries of residency of the senior managers.

The salary is revised once a year. The average yearly increase is historically below five per cent, but depends on the country of employment (where the inflation rate is an important factor for determining the increase). The salary can also be adjusted in the case of a change of responsibility or relocation.

b) STIP

The short-term incentive plan (STIP) is the cash-based element of the variable remuneration for senior executives. Its objective is to:

- encourage performance and motivates the beneficiaries to work together for the sustainable success of the Group
- enable the alignment of objectives throughout the Company

The amount of the STIP paid out depends on the achievement of agreed targets that are defined at the beginning of each year. The targets are between 80-100 per cent quantitative financial objectives, and 0-20 per cent quantitative personal objectives. A new framework was introduced in 2018 provide a simple, fair and transparent approach.

REMUNERATION OF THE BOARD OF DIRECTORS AND CEO IN 2018

Board of Directors EUR	Board fees	Social security Contributions	Pension	Consultancy	Total
Fabio Cannavale	36,250	-	-	-	36,250
Roberto Italia	28,750	-	-	-	28,750
Erik Lautmann	43,450	695	1,499	-	45,644
Helené Mellquist	43,625	1,530	2,276	-	47,431
Helena Thrap-Olsen	38,750	1,359	2,021	-	42,130
Patrik Tigerschiöld (Chairman)	81,250	2,845	4,233	-	88,328
Stefan Widegren	27,500	-	-	-	27,500
Total remuneration	**299,575**	**6,429**	**10,029**	**-**	**316,033**

Chief Executive Officer EUR	Salary	Short-term incentive	LTI Matching Incentive[1]	Social Security, Insurance and Pension Contributions[2]	Total
Mikael Norin	600,000	240,000	-	208,671	1,048,671
Total remuneration	**600,000**	**240,000**	**-**	**208,671**	**1,048,671**

NOTE:

[1] During the year, the FY2015 LTIP Plan has been paid out but the CEO was not eligible as not employed yet.

[2] Pension contribution to the CEO has been made in form of cash payment in lieu of defined contribution payment.

Please refer to Note 7 on page 89 for a detailed overview of the share ownership and refer to Compensation Report on page 31 for details.

c) LTIP

2018 was a transition year for the long-term incentive plan. A "bridge" plan was launched with the goal of "transitioning" from the existing co-investment shares programme to a performance share plan. A performance share plan will be introduced in 2019. For 2018, the Board of Directors approved a two-year "bridge" cash plan for the period 2018-2019.

2018-2019 LTIP Bridge Plan

EMT members that joined the Group in 2018 are eligible for the bridge plan. Pay-out will be determined by the level of growth in earnings per share (EPS) achieved at the end of 2019 in comparison to its value on Dec 31, 2017. Threshold, target and stretch levels are defined for the achievement level calculation.

2017-2019 and 2018-2020 Co-investment shares plans

Senior management members that joined the Group prior to 2018 are benefiting from the existing co-investment share LTIP.

The LTIP is a long-term incentive plan that is aimed at creating a managing shareholder culture by allowing selected key employees of the Group to become shareholders of Cavotec SA.

The Plan Participant has the possibility, but is not obligated to purchase Co-investment Shares at fair value on the stock-market during the Co-investment Period of the Respective Plan.

The amount of the Matching Incentive depends on the number of Co-investment Shares still held by the Plan Participant on the Matching Date, as well as, on the achievement of the Revenue Target and the EBIT Margin Target.

d) Pension benefits

Pension benefits are based on defined contributions that are determined by mandatory pension plans of the country of employment and other local conditions. In certain selected cases an extra pension benefit equal to 10 to 15 per cent of the base salary can be agreed with key managers as an extra compensation. This extra compensation can be revised on a yearly basis.

INTERNAL CONTROL SYSTEM (ICS)

The internal control function has been embedded in the finance organisation. This task is performed by Group Finance, that together with the local entity's finance department and the Legal Compliance officer is responsible for ensuring that the necessary controls are performed along with adequate monitoring.

Internal controls comprise the control of the Company's and Group's organisation, procedures and remedial measures. The objective is to ensure reliable and correct financial reporting, and to ensure that the Company's and Group's financial reports are prepared in accordance with law and applicable accounting standards and that other requirements are complied with. The internal control system is also intended to monitor compliance with the Company's and Group's policies, principles and instructions. In addition, the control system monitors security for the Company assets and monitors that the Company's resources are exploited in a cost-effective and adequate manner. Internal control also involves following up on the implemented information and business system, and risk analysis.

Board of Directors

The Cavotec Board consists of six members. All Board members have extensive experience in global business and between them represent a broad variety of skill sets and backgrounds. We believe that strong leadership takes empathy, insight and a willingness to listen. All these characteristics personify our Board and Corporate Management's approach.

Patrik Tigerschiöld
Chairman of the Board

Born 1964

Member since 2014

Patrik holds an M.Sc. in Business and Economics. Since 2013, he has been Chairman of Bure Equity AB, (a role he also held between 2004 and 2009), following his tenure as President and CEO of the company. He is also Chairman of Mycronic AB, The Swedish Association of Listed Companies and The Association for Generally Accepted Principles in the Securities Market. Among other assignments, he serves as a Board Member for Fondbolaget Fondita AB and Ovzon AB. Patrik is also a Fellow of the Royal Swedish Academy of Engineering Sciences (IVA).

Patrik Tigerschiöld, together with his family, holds 698,000 shares in Cavotec.

Fabio Cannavale
Member of the Board

Born 1965

Member since 2010[(1)]

Fabio holds a diploma in engineering from Politecnico di Milano and holds an MBA from INSEAD, Fontainebleau, France. In 2004, he founded Volagratis.com with Marco Corradino and has acted as Chairman of the Bravofly Rumbo Group, now Lastminute.com group, since then. He started his career as a consultant, working between 1989 and 1996 for A. T. Kearney and for McKinsey & Company. Between 1996 and 1998, he launched The Floating Village in Venezuela, an innovative concept of a holiday village built on boats. Between 1999 and 2001, Fabio was a member of the management team of eDreams, an online travel start-up. Between 2001 and 2004, he worked for his family-owned businesses and collaborated with a not-for-profit entity. He is also a member of the Board of Directors of Nomina SA and Consortium Real Estate BV.

Fabio Cannavale holds 7,583,008 shares in Cavotec, (through Nomina SA, in which Fabio, together with related parties, hold 100 per cent of the shares).

Roberto Italia
Member of the Board

Born 1966

Member since 2018

Roberto graduated cum laude in business and economics from LUISS, Rome (Italy) in 1990 and in 1994 received a MBA with distinction from INSEAD, Fontainebleau (France). After starting with the Telecom Italia group, he has been in private equity since 1994 and as a partner since 1999, initially with Warburg, Pincus, then Henderson Private Capital and more recently Cinven, with which he has had an association until 2018. In 2013 he founded Red Black Capital, his own investment group targeting investment in small- to medium-sized companies across Europe, co-founded Space Holding, a holding company promoting special purpose acquisition companies in public markets, and RedSeed Ventures, an investment partnership targeting venture capital and early-stage investments. Roberto is chairman of Avio (AVIO.MI), member of the board of lastminute.com Group (LMN.SW) and of a number of private companies associated with his investment activities.

Roberto Italia does not hold any shares or warrants in Cavotec.

(1) Please note that the year refers to membership in the Board of Directors of Cavotec MSL and Cavotec SA.

Erik Lautmann
Member of the Board

Born 1950

Member since 2007(1)

After obtaining a BSc from the Stockholm School of Economics, Erik's professional career has primarily been in logistics and consulting. He has served as managing director of DHL in Northern Europe, as managing director of Jetpak Group, and was managing director of Catella when the company was founded in 1987. Since 2007, Erik has been at Cavotec as a non-executive Board Director and industrial advisor. Erik is a Fellow of the Royal Swedish Academy of Engineering Sciences (IVA).

Erik Lautmann holds 133,562 shares in Cavotec.

Heléne Mellquist
Member of the Board

Born 1964

Member since 2016

Heléne holds a BA in International Business Administration at the University of Gothenburg and completed the Executive Program IFL at Handelshögskolan in Stockholm. She is currently the senior vice president of Volvo Trucks International. Prior to this, Heléne was CEO of TransAtlantic AB, CFO of Rederi AB TransAtlantic and also CFO at Volvo Lastvagnars International division. She has also held a number of leading positions within Volvo Group. Heléne is also a Board Member of Thule Group AB.

Heléne Mellquist does not hold any shares or warrants in Cavotec.

Helena Thrap-Olsen
Member of the Board

Born 1954

Member since 2016

Helena holds a M.A. in Philosophy from Paris University and an International Marketing degree from INSEAD. She currently runs an independent management consulting company helping CAC 40 companies such as Veolia with the organisation of global pooling and outsourcing programmes: HRIS, Payroll and ATS International deployments, along with various corporate cross-functional HR projects. Helena was Country Director for a Bonnier-owned publishing company in France for 10 years, followed by many years as a Project Director / HR Change Management Internal Consultant for various consulting companies and global corporations.

Helena Thrap-Olsen does not hold any shares or warrants in Cavotec.

Executive Management Team (EMT)

The EMT is selected by the CEO and consists of ten members in all, combining Cavotec's senior operational and corporate functions.

The EMT fulfills the Group Management role – empowered by the CEO – and ensures efficient implementation of strategic decisions into Cavotec's global organisation and leads local management on key operational issues. The EMT defines and implements operational strategy, policies, technical and commercial developments, as well as new acquisitions in line with targets set by the Board of Directors.

Mikael Norin
Group CEO

Born 1963

Mikael Norin attended Lund University and obtained a B.Sc. in Business Administration and Economics with a specialisation in International Business. Prior to joining Cavotec, he served as President, Rolls-Royce Marine Services, a division of the Rolls-Royce group offering after-market services and parts to the group's marine and navy customers around the world. Before that, he was President of Recall Americas, a division of Brambles Ltd, a global industrial services group based in Sydney, Australia. Prior to joining Recall, Mikael Norin spent 14 years with global engineering group ABB in increasingly senior executive roles based in Asia and Europe, culminating as Senior Vice President and head of the group's Power Systems division in Sweden.

Mikael Norin holds 150,004 shares in Cavotec.

Glenn Withers
Group Chief Financial Officer
- From January 14th, 2019

Born 1967

Glenn Withers holds a degree in commerce from the University of Auckland. Prior to joining Cavotec he served as CFO of Rolls-Royce Marine Services, CFO of Quant AB and held various positions at Brambles.

Glenn Withers does not hold any shares or warrants in Cavotec.

Patrick Mares
President, Ports & Maritime Division
- From March 11th, 2019

Born 1962

Patrick Mares holds a master's degree in Engineering from the University of Leuven, Belgium. Prior to joining Cavotec he served as Vice-President EMEA at Harsco Rail. Prior to this he was Vice-President of Sales & Business Development at GKN Land Systems, President EMEIA at Ingersoll Rand Security Technologies and held various positions at General Electric.

Patrick Mares does not hold any shares or warrants in Cavotec.

Juergen Strommer
President, Airports & Industry Division

Born 1970

Juergen Strommer holds a degree in Mechanical Engineering from May Eyth TH, Kirchheim/Teck, and a degree in Business Management from GARP Stuttgart. He joined Cavotec in 2007 as Managing Director in the Middle East before becoming COO for EMEA. Prior to joining Cavotec, Juergen was at ThyssenKrupp for eight years where, among other positions, he served as Director in the Middle East. He has also been General Manager with the Al Futtaim Group.

Juergen Strommer holds 125,135 shares in Cavotec.

Patrick Baudin
President, Services Division

Born 1971

Patrick Baudin holds a Master of Business Administration in International Finance from HEC School of Management, Paris (France) and a Bachelor in Engineering from McGill University, Montreal (Canada). Prior to joining Cavotec he served as President, GE Renewable Energy Canada, a division of General Electric offering new projects and rehabilitation solutions for Hydro Power customers in North America. He also served as Vice-President of the Generator Product Line for ALSTOM Thermal Service, a highly competitive global business based in Baden (Switzerland). Prior to this assignment, he spent 10 years with ALSTOM Power Service France in increasingly senior leadership positions in the after-market division. Patrick Baudin served as President and member of the Board of Directors of GE Renewable Energy Canada Inc., ALSTOM SITCA Canada Inc. and was a member of the Board of Directors of ALSTOM General Turbo SA (Romania).

Patrick Baudin does not hold any shares or warrants in Cavotec.

Giorgio Lingiardi
Group Chief Information Officer

Born 1958

Having obtained a degree in Mechanical Engineering from the University of Genoa, Giorgio Lingiardi worked for several years at a number of engineering companies. He then joined Ansaldo Industria as a project engineer for container and bulk handling equipment. He joined Cavotec in 1991, where has since held various positions, including Sales Director, General Manager and Managing Director of Cavotec Ports & Maritime Italy. He has been the Group's Chief Information Officer since 2008.

Giorgio Lingiardi holds 63,202 shares in Cavotec.

René Meldem
Group Chief Human Resources Officer

Born 1965

René Meldem holds a Master in Mechanical Engineering from the Ecole Polytechnique Fédérale de Lausanne and an MBA from HEC School of Management. Prior to joining Cavotec he served as Head of Group Human Resources of the Bobst Group SA. Before that he managed the Beaulieu Convention center in Lausanne. Prior to joining Beaulieu, René Meldem spent 12 years working in different engineering companies acting internationally in the field of energy. He is a member of the Board of Directors of the Philanthropos Institute in Fribourg, Switzerland.

René Meldem does not hold any shares or warrants in Cavotec.

Martin Riegger
Group Chief Operating Officer

Born 1966

Martin Riegger holds a Degree in Business-Engineering (Dipl. Wirtschaftsingenieur) from the University of Applied Sciences, Giessen-Friedberg, Germany. Prior to joining Cavotec, he served as Vice President and General Manager of Engine Products West of GKN Aerospace. His previous positions include also Director of Operations Europe and Managing Director of the Walterscheid GmbH, Vice President Global Operations and Vice President Commercial Vehicle Products Europe of Eberspächer Excaust Systems GmbH and Senior Vice President Manufacturing Services of Rolls-Royce PLC.

Martin Riegger does not hold any shares or warrants in Cavotec.

Patrick Rosenwald
Group Chief Technology Officer

Born 1970

Patrick Rosenwald joined Cavotec in 1999, working in Australia for three years before transferring to Cavotec Ports & Maritime Italy where he held several roles, including nine years as Managing Director. He holds a Bachelor of Engineering (Mechanical), and a Graduate Diploma in Business from Curtin University, Western Australia, and is a Member of The Australian Institution of Engineers.

Patrick Rosenwald holds 167,146 shares in Cavotec.

Isabelle Scherer-Friedhoff
Group Legal Counsel & Group Compliance Officer

Born 1977

Isabelle Scherer-Friedhoff is attorney-at-law. She attended the University of Duesseldorf and was admitted to the Courts in Duesseldorf and obtained a Dr. iur. with a specialization in IP law. Prior to joining Cavotec, she worked in several positions as attorney-at-law both in private praxis as well as in-house. During this time, she worked for four years as Legal Counsel for Caterpillar (Turbine Machinery, Turbomach in Riazzino, Switzerland), and five years as Corporate Counsel for Clariant (Specialty Chemicals in Basel, Switzerland).

Isabelle Scherer-Friedhoff does not hold any shares or warrants in Cavotec.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CAVOTEC

Consolidated Financial Statements 2018

This report is dated 15 March 2019 and is signed on behalf of the Board and of the Management of Cavotec SA by

Patrik Tigerschiöld
Chairman

Mikael Norin
Chief Executive Officer

Please note that all reported amounts are in Euro.

Statement of Comprehensive Income

Cavotec SA & Subsidiaries

EUR 000's	Notes	2018	2017
Revenue from sales of goods and services	5	196,961	212,360
Other income	6	3,076	4,187
Cost of materials		(96,601)	(107,931)
Employee benefit costs	7	(64,482)	(65,866)
Operating expenses	8	(48,012)	(36,428)
Gross Operating Result		**(9,058)**	**6,322**
Depreciation and amortisation		(4,673)	(4,334)
Impairment losses	4,9,16,17	(156)	(19,986)
Operating Result		**(13,887)**	**(17,998)**
Interest income	10	82	259
Interest expenses	10	(1,957)	(1,702)
Currency exchange differences - net	10	1,588	(3,409)
Other financial item	10	(1,157)	(242)
Profit /(Loss) before income tax		**(15,331)**	**(23,092)**
Income taxes	11,19,24	(3,119)	(8,679)
Profit /(Loss) for the period		**(18,450)**	**(31,771)**
Other comprehensive income:			
Remeasurements of post employment benefit obligations	27	31	18
Items that will not be reclassified to profit or loss		**31**	**18**
Currency translation differences		(2,313)	(6,084)
Items that may be subsequently reclassified to profit/(loss)		**(2,313)**	**(6,084)**
Other comprehensive income for the year, net of tax		**(2,282)**	**(6,066)**
Total comprehensive income for the year		**(20,732)**	**(37,837)**
Total comprehensive income attributable to:			
Equity holders of the Group		(20,733)	(37,833)
Non-controlling interest		1	(4)
Total		**(20,732)**	**(37,837)**
Profit attributed to:			
Equity holders of the Group		(18,450)	(31,771)
Total		**(18,450)**	**(31,771)**
Basic and diluted earnings per share attributed to the equity holders of the Group (EUR/Share)	30	(0.233)	(0.405)
Average number of shares		79,078,713	78,415,902
Basic EPS for 2017 (as restated)			
Basic and diluted earnings per share attributed to the equity holders of the Group (EUR/Share)	30		(0.404)
Average number of shares			78,614,727

The notes on pages 51 to 73 are an integral part of these Consolidated Financial Statements.

Balance Sheet

Cavotec SA & Subsidiaries

Assets EUR 000's	Notes	2018	2017
Current assets			
Cash and cash equivalents		21,257	28,718
Trade receivables	12	42,798	40,958
Tax assets	13	1,671	914
Other current receivables	14	26,435	10,630
Contract assets	5,12	1,144	-
Inventories	15	39,458	36,819
Assets held for sale	16	5,512	4,815
Total current assets		**138,275**	**122,854**
Non-current assets			
Property, plant and equipment	16	20,082	18,168
Intangible assets	17	53,436	52,971
Non-current financial assets	18	275	264
Deferred tax assets	19	9,297	9,294
Other non-current receivables	20	8,775	7,134
Total non-current assets		**91,865**	**87,831**
Total assets		**230,140**	**210,685**

Equity and Liabilities EUR 000's	Notes	2018	2017
Current liabilities			
Current financial liabilities	21	(4,271)	(2,873)
Trade payables	22	(27,081)	(33,585)
Contract liabilities	22	(10,558)	-
Tax liabilities	23	(1,678)	(1,110)
Provision for risk and charges, current	26	(13,186)	(5,362)
Other current liabilities	24	(13,015)	(9,676)
Total current liabilities		**(69,789)**	**(52,606)**
Non-current liabilities			
Non-current financial liabilities	21	(48,663)	(45,627)
Deferred tax liabilities	25	(2,468)	(2,813)
Other non-current liabilities		(407)	(777)
Provision for risk and charges, non-current	26	(8,769)	(4,387)
Total non-current liabilities		**(60,307)**	**(53,604)**
Total liabilities		**(130,096)**	**(106,210)**
Equity			
Equity attributable to owners of the parent	28,29	(100,015)	(104,448)
Non-controlling interests		(29)	(27)
Total equity		**(100,044)**	**(104,475)**
Total equity and liabilities		**(230,140)**	**(210,685)**

The notes on pages 51 to 73 are an integral part of these Consolidated Financial Statements.

Statement of Changes in Equity

Cavotec SA & Subsidiaries

EUR 000's	Notes	Equity related to owners of the parent	Reserves	Retained earnings	Equity related to owners of the parent	Non-controlling interest	Total equity
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 obbligations	27	-	(18)	-	**(18)**	-	**(18)**
Total comprehensive income and expenses		**-**	**6,062**	**31,771**	**37,833**	**4**	**37,837**
Capital reduction	28	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)**
Change in accounting policy (IFRS 15)		-	-	1,061	**1,061**	-	**1,061**
Restated total equity as at 1 January 2018		(83,626)	(6,111)	(13,650)	**(103,387)**	(27)	**(103,414)**
(Profit) / Loss for the period		-	-	18,450	**18,450**	-	**18,450**
Currency translation differences		-	2,314	-	**2,314**	(2)	**2,312**
Remeasurements of post employment benefit obbligations	27	-	(31)	-	**(31)**	-	**(31)**
Total comprehensive income and expenses		**-**	**2,283**	**18,450**	**20,733**	**(2)**	**20,732**
Capital reduction	28	1,287	-	-	**1,287**	-	**1,287**
Capital increase		(17,830)	(685)	-	**(18,515)**	-	**(18,515)**
Issue of Treasury shares to employees		-	(133)	-	**(133)**	-	**(133)**
Transactions with shareholders		**(16,543)**	**(818)**	**-**	**(17,361)**	**-**	**(17,361)**
Balance as at 31 December 2018		**(100,169)**	**(4,646)**	**4,800**	**(100,015)**	**(29)**	**(100,044)**

The line related to Issues of Treasury shares to employees shows the payment of the LTIP plan.

The notes on pages 51 to 73 are an integral part of these Consolidated Financial Statements.

Statement of Cash Flows - Indirect Method
Cavotec SA & Subsidiaries

EUR 000's	2018	2017
Profit /(Loss) for the year	**(18,450)**	**(31,771)**
Adjustments for:		
Net interest expenses	1,456	1,123
Current taxes	2,997	2,438
Depreciation and amortisation	4,673	4,334
Impairment losses	156	19,986
Deferred tax	122	6,241
Provision for risks and charges	11,813	1,613
Capital gain or loss on assets	(279)	(119)
Other items not involving cash flows	(38)	3,410
Interest paid	(1,463)	(1,110)
Taxes paid	(3,184)	(4,874)
	16,253	**33,042**
Cash flow before change in working capital	**(2,197)**	**1,271**
Impact of changes in working capital		
Inventories	(1,546)	1,372
Trade receivables and contract assets	(2,155)	11,309
Other current receivables	1,557	(4,595)
Trade payables and contract liabilities	4,028	3,630
Other current liabilities	3,506	(1,143)
Long term receivables and liabilities	(1,951)	1,017
Impact of changes involving working capital	**3,439**	**11,590**
Net cash inflow /(outflow) from operating activities	**1,242**	**12,861**
Financial activities		
Net changes in loans and borrowings	2,512	13,414
Capital reduction	(1,357)	(3,539)
Net cash inflow /(outflow) from financial activities	**1,155**	**9,875**
Investing activities		
Investments in property, plant and equipment	(7,866)	(2,112)
Investments in intangible assets	(1,384)	(1,585)
Increase in other assets	(4)	-
Disposal of assets	2,038	207
Net cash outflow from investing activities	**(7,216)**	**(3,490)**
Cash at the beginning of the year	28,718	14,982
Cash flow for the year	(4,820)	19,246
Currency exchange differences	(2,641)	(5,510)
Cash at the end of the year	**21,257**	**28,718**

The notes on pages 51 to 73 are an integral part of these Consolidated Financial Statements.

Notes to the Financial Statements

NOTE 1. 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 25 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 is the ultimate Parent company of the Cavotec Group, its registered office is Via G.B. Pioda 14, CH-6900 Lugano, Switzerland. Cavotec SA shares are listed on NASDAQ OMX in Stockholm, Sweden.

These Financial Statements were approved by the Board of Directors on 15 March 2019. The report is subject to approval by the Annual General Meeting on 10 May 2019.

NOTE 2. BASIS OF PREPARATION

The consolidated Financial Statements of the Cavotec Group are prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the IASB.

Historical Cost Convention

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through P&L.

Adoption of new standards and interpretations

The group has applied the following clarifications, annual improvements and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from contracts with customers

The adoption of new or amended standards and interpretations that are effective for the financial year beginning on January 1, 2018, had impact on the Group's consolidated financial statements as follows:

IFRS 9 Financial Instruments

Cavotec implemented IFRS 9 Financial Instruments as of January 1, 2018, which substantially changes the classification and measurement of financial instruments. The new standard requires impairments to be based on a forward-looking model, changes the approach to hedging financial exposures and related documentation, changes the recognition of certain fair value changes, and amends disclosure requirements. The impairment of financial assets, including trade receivables, contract assets under IFRS 15 and Other receivables, is now assessed using an expected credit loss (ECL) model; previously, the incurred loss model was used. Given the nature of Cavotec financial assets, the Group had no significant impact to its provisions for doubtful accounts or impairments from this change. 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.

IFRS 15, 'Revenue from contracts with customers'

Implemented as of January 1, 2018. The new standard amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 introduced a new approach to revenue recognition according to which revenue is recognised when control of a product or a service is transferred to the customer at a value that the company is expected to receive. It replaces the separate models for goods, services and construction contracts under previous IFRS (IAS 11, IAS 18 and related interpretations) which was based on the concept of the transfer of risks and rewards. IFRS 15 makes a distinction between revenue recognition at a point in time and revenue recognition over time. With a view to the adoption of IFRS 15, Cavotec analysed its contracts with customers with regard to type, level of customisation, timing and uncertainty as well as revenues and cash flows and identified the categories described in the accounting policy on Revenue. The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognised in the different revenue streams.

The Group applied has been applied using the cumulative effect method, under which the comparative information is not restated and the recognition of the cumulative effect of initially applying IFRS 15 has an impact to retained earnings and not to restate prior years. The cumulative effect recorded at January 1, 2018, was a decrease to retained earnings of EUR 1.1 million. For further information on the impact of adoption of IFRS 15 Revenue from Contracts with Customers, see Note 5.

New standards, amendments and interpretations not yet adopted

The Group is currently assessing the potential impacts of other new and revised standards and interpretations that will be effective from 1 January 2019 and beyond. 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 16, 'Leases' 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 lease liability reflects the net present value of the remaining lease payments, and the right-of-use asset corresponds to the lease liability, adjusted for payments made before the commencement date, lease incentives and other items related to the lease agreement. The standard replaces IAS 17 Leases. Upon adoption of the new standard, a portion of the annual operating lease costs, which is currently fully recognised as a functional expense, will be recorded as interest expense. In addition, the portion of the annual lease payments recognised in the cash flow statement as a reduction of the lease liability will be recognised as an outflow from financing activities, which currently is fully recognised as an outflow from operating activities. Given the leases involved and the current low interest rate environment, the Group does not expect these effects to be significant.

The Group will implement the new standard on January 1, 2019, and will apply the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognised in the balance sheet immediately before the date of initial application and will not restate prior years.

Results of our impact assessment:
The undiscounted operating lease commitments as of December 31, 2018 disclosed in Note 36, amounted to EUR 26.9 million. This includes approximately EUR 0.6 million of leases with a commencement date in 2019, and EUR 0.5 million short-term leases as well as low-value leases that will be recognised on a straight-line basis as expense in profit and loss. For the remaining lease commitments of EUR 25.8 million, the Group expects to recognise on January 1, 2019, lease liabilities of approximately EUR 21.4 million and right-of-use assets of approximately EUR 23.2 million (after adjustments for the approximately EUR 1.8 million pre-payments and accrued lease payments recognised as at December 31, 2018).

Critical accounting estimates

The preparation of the Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the 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 Financial Statements, are disclosed in note 4.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the periods presented, namely, 31 December 2018 and 2017.

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the related entity operates ('the functional currency'). The Financial Statements are presented in Euros, which is the Group's presentation currency and Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet
- Income and expenses for each Income Statement position are translated at average exchange rates of that period, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions
- All resulting exchange differences are recognised as a separate component of equity
- The Consolidated Statements of Cash Flow are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Comprehensive Income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The 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 Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent consideration is valued based on the probability that the consideration will be paid and changes in the fair value are recognised in profit or loss. Acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred.

(ii) Transactions with non-controlling interest

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between 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.

(iii) Scope of Consolidation

The consolidated Financial Statements include the statements at 31 December 2018 of the companies included in the scope of consolidation, which have been prepared in accordance with IFRS adopted by the Group. Below is a list of companies consolidated on a line by line basis and the respective shares held either directly or indirectly by Cavotec SA:

Name	Registered office	Type of Business	Controlled through	% Group ownership	
				Direct	Indirect
Cavotec (Swiss) SA	Switzerland	Services	Cavotec SA	100%	
Cavotec Australia Pty Ltd	Australia	Sales company	Cavotec Group Holdings NV		100%
Cavotec Brasil Comercio de Sistemas Industriais Ltda.	Brazil	Sales company	Cavotec Group Holdings NV		100%
Cavotec Canada Inc.	Canada	Sales company	Cavotec Group Holdings NV		100%
Cavotec Connectors AB	Sweden	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Dabico US Inc.	United States of America	Centre of Excellence	Cavotec US Holdings Inc		100%
Cavotec Danmark AS	Denmark	Sales company	Cavotec Group Holdings NV		100%
Cavotec Germany GmbH	Germany	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Finland OY	Finland	Sales company	Cavotec Group Holdings NV		100%
Cavotec France RMS SA	France	Sales company	Cavotec Group Holdings NV		100%
Cavotec Group Holdings NV	The Netherlands	Holding	Cavotec MoorMaster Ltd		100%
Cavotec Hong Kong Ltd	China	Sales company	Cavotec Group Holdings NV		100%
Cavotec Iberica S.L.	Spain	Sales company	Cavotec Group Holdings NV		100%
Cavotec India Ltd	India	Sales company	Cavotec Group Holdings NV		100%
Cavotec Inet US Inc.	United States of America	Centre of Excellence	Cavotec US Holdings Inc		100%
Cavotec International Ltd	United Kingdom	Services	Cavotec Group Holdings NV		100%
Cavotec Korea Ltd	Korea	Sales company	Cavotec Group Holdings NV		100%
Cavotec Latin America	Argentina	Sales company	Cavotec Group Holdings NV & Ipalco BV		100%
Cavotec Micro-control AS	Norway	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Middle East FZE	U.A.E.	Sales company	Cavotec Group Holdings NV		100%
Cavotec MoorMaster Ltd	New Zealand	Engineering	Cavotec SA	100%	
Cavotec Nederland BV	The Netherlands	Sales company	Cavotec Group Holdings NV		100%
Cavotec Netherlands Holding BV	The Netherlands	Holding	Cavotec SA	100%	
Cavotec Middle East Trading & Contracting WLL	State of Qatar	Sales company	Cavotec Group Holdings NV		40%
Cavotec Realty France SCI	France	Services	Ipalco BV		100%
Cavotec Realty Germany BV	The Netherlands	Services	Ipalco BV		100%
Cavotec Realty Norway AS	Norway	Services	Ipalco BV		100%
Cavotec Realty USA LLC	Unites States of America	Services	Ipalco BV		100%
Cavotec Russia OOO	Russia	Sales company	Cavotec Group Holdings NV		100%
Cavotec SA	Switzerland	Holding	-	-	
Cavotec Sonjiang	China	Sales company	Cavotec Shanghai Ltd		100%
Cavotec Shanghai Ltd	China	Sales company	Cavotec Group Holdings NV		100%
Cavotec Singapore Pte Ltd	Singapore	Sales company	Cavotec Group Holdings NV		100%
Cavotec South Africa Pte Ltd	South Africa	Sales company	Cavotec Group Holdings NV		100%
Cavotec Specimas SpA	Italy	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Sverige AB	Sweden	Sales company	Cavotec Group Holdings NV		100%
Cavotec UK Ltd	United Kingdom	Sales company	Cavotec International Ltd		100%
Cavotec US Holdings Inc.	United States of America	Holding	Cavotec SA	100%	
Cavotec USA Inc.	Unites States of America	Sales company	Cavotec US Holdings Inc		100%
Ipalco BV	The Netherlands	Holding/Services	Cavotec Group Holdings NV		100%

- The closure of the following entities have been announced before 31st December 2018:
  Cavotec Latin America
  Cavotec Canada Inc.
  Cavotec Korea Ltd
  Cavotec Russia OOO
  Cavotec South Africa
  Cavotec Sonjiang Ltd

- Cavotec Netherlands Holding BV has been incorporated on 22nd December 2018

- Effective 1st January 2019 the US entities are merged to one single entity named Cavotec USA Inc.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer jointly supported and assisted by the Executive Management Team.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using a straight line method so as to expense the cost of the assets over their useful lives. The rates are as follows:

	Annual Percentage
Industrial buildings	4
Building improvements	20
Plant and machinery	10 to 20
Laboratory equipment and miscellaneous tools	20
Furniture and office machines	20
Motor vehicles	20
Computer hardware	33

Capital work in progress is not depreciated until commissioned. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

Leasehold improvements are depreciated over their estimated useful life or over the lease term, if shorter.

LEASES

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets.

Goodwill is not amortised. Instead goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(ii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocable to a specific product.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets at cost and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which varies from three to five years.

(iii) Patents

Patents acquired in a business combination are recognised at fair value at acquisition date. Patents are amortised on a straight line basis over the period over which they are valid (not exceeding 20 years) or their estimated useful life if shorter.

(iv) Marketing and customer related intangible assets

Marketing and customer related intangibles such as customer relations and other similar items acquired in a business combination are recognised at fair value at acquisition date. They are amortised on a straight line basis over the period over which they are valid or their estimated useful life if shorter.

INVENTORIES

Inventories are measured at the lower of acquisition cost, (generally the weighted average cost), or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labour, direct engineering, production and tooling and other non-recurring costs and production related overheads, (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated variable costs necessary to make the sale.

Inventoried costs include amounts relating to programmes and contracts with long-term production cycles, a portion of which is not expected to be realised within one year.

Provisions are made for inventories with a lower market value or which are slow-moving. If it becomes apparent that such inventory can be reused, provisions are reversed with inventory being revalued up to the lower of its net realisable value or original cost. Unsaleable inventory is fully written off.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

FINANCIAL INSTRUMENTS

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, contract assets under IFRS 15, other receivables and cash and cash equivalents.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

• The rights to receive cash flows from the asset have expired Or

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the Risk Management on page 74.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The group considers the credit risk of financial assets to be significantly increased (stage 3) when contractual payments are 90 days overdue. The group assesses those assets on an individual basis. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below: Financial liabilities at fair value through profit or loss Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Following a modification or renegotiation that does not result in de-recognition, the Group recognise any modification gain or loss immediately in profit or loss. Any gain or loss is determined by recalculating the gross carrying amount of the financial asset by discounting the new contractual cash flows using the original effective interest rate
This category generally applies to interest-bearing loans and borrowings.

For more information, refer to Note 21.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

In thousands of euro	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Trade receivables	1	Loans and receivables	Amortised cost	40,958	40,958
Other receivables after adoption of IFRS 15	1	Loans and receivables	Amortised cost	8,627	8,627
Cash and cash equivalents	1	Loans and receivables	Amortised cost	28,718	28,718
Equity securities	2	Available-for-sale	FVTPL	80	80
Financial liabilities					
Trade payables		Other financial liabilities	Other financial liabilities	33,585	33,585
Bank loans		Other financial liabilities	Other financial liabilities	45,691	45,691
Other liabilities		Other financial liabilities	Other financial liabilities	3,559	3,559

1) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in Risk Management.

2) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as at FVTPL under IFRS 9.

Prior to the adoption of IFRS 9 on January 1, 2018, the Group accounting policy for financial instruments was as follows:

Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognised on issuance of invoices. Liabilities are recognised when the other party has performed and there is a contractual obligation to pay.

Derecognition, (fully or partially), of a financial asset occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been removed from the Group. The Group derecognises, (fully or partially), a financial liability when the obligation specified in the contract is discharged or otherwise expires.

A financial asset and a financial liability is offset and the net amount presented in the Balance Sheet when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Measurement and classification

Financial instruments are, at initial recognition, measured at fair value with addition or deduction of transaction costs in the case of a financial asset or a financial liability not measured at fair value through statement of comprehensive income. Financial instruments, upon initial recognition, are classified in accordance with the categories in IAS 39 based on the purpose of the acquisition of the instrument. The financial instruments are classified as follows:

- Financial instruments are designated at fair value through statement of comprehensive income if the Group manages such investments and makes purchase and sale decisions based on their fair value. They are included in "Current or non-current financial assets". Financial instruments at fair value through profit and loss are measured at fair value and changes therein are recognised in profit and loss.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in "trade receivables", "other current & non-current receivables", and "non-current financial assets" in the Balance Sheet. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables, and on a prudent basis, on past due accounts. The amount of the provision is the difference between the asset's carrying amount and realisable value. The amount of the change in provision is recognised in the Statement of Comprehensive Income. The fair value of loans and receivables is the same as the carrying amount since they are not discounted given the short expected time to payment.

- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held to maturity investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

- Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. Subsequent to initial recognition, they are measured at fair value and changes are recognised in other comprehensive income except for impairment losses which are recognised in profit and loss. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit and loss.

Impairment of financial assets

Financial assets, except for such assets classified at fair value through profit and loss, are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In respect of an available for sale financial asset, impairment is recognised in the profit and loss in case of significant and prolonged decrease of fair value. If the reasons for write-down should cease to exist, the value of the asset is restored up to the value it would have if no impairment had been recognised, except for equity instruments.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of an undrawn loan facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of liabilities for at least 12 months after the Balance Sheet date.

BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The amount recognised is the best estimate of the cost required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows at a rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Provisions for restructuring cover expenses that arise directly from restructuring measures, are necessary for restructuring and are not related to future business operations. Such expenses include severance payments to employees and compensation payments in respect of rented property that can no longer be used. Restructuring measures may include the sale or termination of business units, site closures, relocations of business activities or fundamental reorganisations of business units. The respective provisions are established when a detailed restructuring plan has been drawn up, resolved upon by the responsible decision-making level of management and communicated to the employees and / or their representatives.

Provisions for warranties are recognised at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.

Provisions for onerous contracts are recognised when the expected economic benefits to be derived from a contract are lower than the cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

REVENUE RECOGNITION

Cavotec is an engineering group that designs and manufactures automated connection and electrification systems for ports, airports and industrial applications worldwide.

From January 1, 2018, with the implementation of the new standard IFRS 15 Revenue from Contracts with Customers, the Group accounting policy for revenue recognition is as follows:

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value added taxes, goods and service tax (GST), rebates and discounts. The Group offers multiple element arrangements to meet its customers' needs. These arrangements may involve the delivery of multiple products and/or performance of services (such as installation, commissioning and training) and the delivery and/or performance may occur at different points in time or over different periods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Deliverables of such multiple element arrangements are evaluated to estimate the selling price that reflects at inception the Group's best estimate of what the selling price would be if the elements were sold on a stand-alone basis. Such arrangements generally include industry-specific performance and termination provisions, such as in the event of substantial delays or non-delivery.

As a result of adoption of the new standard, the company has redefined the revenue streams in order to meet the revenue recognition requirements as listed in IFRS 15:

(i) Integrated Systems

Long Term Contracts with high level of customisation 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 recognised over time. Revenue from Integrated Systems is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

(ii) 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 recognised at a point in time based on incoterms.

(iii) Maintenance and installation

Service contract for periodic maintenance or field services and installation. The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the equipment. Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services. The Group recognises revenue from services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group pays sales commission to its employees for some contract that they obtain for bundled sales of equipment and installation services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Prior to the adoption of IFRS 15 on January 1, 2018, the Group accounting policy for revenue recognition was as follows:

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value added taxes, goods and service tax (GST), rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

The Group offers multiple element arrangements to meet its customers' needs. These arrangements may involve the delivery of multiple products and/or performance of services (such as installation, commissioning and training) and the delivery and/or performance may occur at different points in time or over different periods. Deliverables of such multiple element arrangements are evaluated to estimate the selling price that reflects at inception the Group's best estimate of what the selling price would be if the elements were sold on a stand-alone basis. Such arrangements generally include industry-specific performance and termination provisions, such as in the event of substantial delays or non-delivery.

(i) Sales of goods Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which in most cases occurs in connection with delivery. When the products are sold subject to installation and this constitutes a significant portion of the contract, revenue is recognised when the installation is completed.
(ii) Sales of services Service revenue reflects revenues earned from the Group's activities in providing services to customers primarily subsequent to the sale and delivery of a products or complete systems. Such revenues consist of maintenance-type contracts, field service activities that include personnel and accompanying spare parts, and installation and commissioning of products as a stand-alone service or as part of a service contract. Revenue from service transactions is recognised as services are performed. For long-term service contracts, revenue is recognised on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided or accepted.
(iii) Long-term contracts Contract revenues and related costs from contracts involving complete construction project solutions achieved through system integration are recognised on the percentage of completion method when the outcome of the contract can be measured reliably. Completion is generally measured by reference to the cost incurred to date as a percentage of the estimated total project costs. The milestone output method is applied when the nature of the individual projects indicates that a milestone method is the most applicable measure of progress.

Billings that exceed revenues recognised under percentage of completion are recorded as advances from customers. Revenues recognised under percentage of completion method that exceed billings are booked as unbilled receivables.

Recognised revenues and profits are subject to revisions during the project life span in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period when such revisions become known and measurable. Losses on projects are recognised immediately when known and measurable.

Claims for extra work or change in scope of work may be included in contract revenues when collection is highly probable.

VALUE ADDED TAX (VAT) AND GOODS AND SERVICES TAX (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of VAT or GST. All items in the Balance Sheet are also stated net of VAT or GST, with the exception of receivables and payables, which include VAT or GST invoiced.

EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(i) Pension obligations
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and the 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 and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Cavotec SA and Cavotec (Swiss) SA operate a pension scheme via the employee benefits foundation and are affiliated with the Swiss Life Collective BVG Foundation based in Zurich. All benefits in accordance with the regulations are reinsured in their entirety with Swiss Life Ltd within the framework of the corresponding contract and determined by actuarial calculations. These schemes are defined benefit plans due to the fact that Cavotec can be requested to pay restructuring contributions in the case of a shortfall.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

(ii) Share-based payments
The Group has share-based incentive programs, which have been offered annually to certain employees based on position and performance, consisting of a performance component and a retention component. The accumulated expense recognised equals the expected cash amount to be paid at settlement (or liability amount transferred to equity when employees have a choice and choose to settle in shares).

DIVIDENDS AND OTHER DISTRIBUTIONS
Distributions to the shareholders are recognised as a liability in the Group's Financial Statements in the period in which they are approved by the Annual General Meeting.

TREASURY SHARES
Treasury shares are deducted from consolidated equity at the acquisition value. Differences between this amount and the amount received for disposing of treasury shares are recorded in consolidated retained earnings.

INCOME TAX
The income tax expense for the period is the tax payable on the current years taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit and loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity or in OCI are also recognised directly in equity or in OCI respectively.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
Estimates and judgments 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Critical accounting policies and estimates in the period relate to the valuation of deferred tax assets, the estimation of the outcome of legal proceeding and the assumptions used in the goodwill impairment test. As of the Balance Sheet dates the Group has no other significant estimates and assumptions that have a significant risk of causing a material adjustment to causing a material adjustment to the carrying amount of assets and liabilities within the foreseeable future.

DEFERRED TAXES

Deferred tax assets are recognised for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The Group records deferred tax assets based upon management's estimates of future taxable profit in different tax jurisdictions. The estimations of the recoverability of deferred tax assets on losses carried forward are based on business plans, and include the taxable profits that are more probable than not until the expire of tax losses, this results in lower estimates for years in the distant future. The actual results may differ from these estimates, due to changes in the business climate and changes in tax legislation or by variances from the business plans used on the models. See notes 19 and 25 for additional information.

LEGAL PROCEEDINGS

The Group recognises a liability when it has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the Financial Statements. These reviews consider the factors of the specific case through the use of outside legal counsel and advisors when necessary. To the extent that management's assessment of the factors considered are not reflected in subsequent developments, the Financial Statements could be affected. See note 34 for additional information.

GOODWILL IMPAIRMENT TEST

The Group allocates the goodwill to the cash-generating units (CGU's) identified and reported according to the table below.

EUR 000's	Net book value as of 31/12/2017	Translation differences and other	Acquisitions and dispositions	Impairment	Net book value as of 31/12/2018
Ports & Maritime	**23,275**	(21)	-	-	**23,254**
Airports, AGC & Fuelling	**14,962**	294	-	-	**15,256**
Industry	**6,949**	(10)	-	-	**6,939**
Total	**45,186**	**263**	**-**	**-**	**45,449**

The Ports & Maritime CGU is related to the segment Ports & Maritime while the remaining CGUs are related to Airports & Industry.

The recoverable amount of the CGUs is determined by reference to the value in use of each CGU, based on discounted estimates of the future cash flows, which were projected for the next five years based on past experiences, actual orders received, budgets, strategic plan, and management's best estimate about future developments and market assumptions. In line with the strategy from the CEO, the Group has updated last year's five-year Strategic Plan that defines a new organisational structure and a roadmap for the Company up to 2023. This includes a detailed forecast of revenues and profitability for each CGU. These forecasts have been used in preparing the impairment model. The value in use is mainly driven by the terminal value, which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Terminal value growth rates are related to industry specific trends with the support of external macroeconomic sources of data and an assessment as to the ability of the Company to take advantage of these market developments taking into account orders received, commercial negotiations currently in place and future expectations.

The following table presents the key assumptions used to determine the value in use for impairment test purposes:

	Terminal growth rate		WACC	
	2018	2017	2018	2017
Ports & Maritime	2.00%	2.00%	9.84%	8.88%
Airports, AGC & Fuellling	2.25%	2.25%	10.18%	9.20%
Industry	1.50%	1.50%	9.17%	8.24%

The pre-tax weighted average cost of capital used for impairment test purposes are slightly different in the CGUs as a result of the different risks in those markets.
In the end of 2017, following the introduction of the new organisational structure and the review of the operations, the former Airports CGU was split into 2 CGUs: Powering & Cooling and Airport Ground Connection (AGC) & Fuelling. Goodwill was splitted between the two CGUs based on the relative products. The reallocation of goodwill to the new CGUs triggered the performance of an impairment test, which resulted in the recognition of an impairment for the full amount of goodwill allocated to the CGU Airports, Powering & Cooling. In 2018 there is no remaining goodwill in this CGU and therefore no impairment has been performed for Airports, Powering & Cooling.

Airports, AGC & Fuelling goodwill

The goodwill allocated to CGU Airports, AGC & Fuelling remains sensitive to changes in estimates. In accordance with the group's strategic plan, revenues are forecasted to grow at 6.2% per year over the next five years. Maintaining the other assumptions constant, a reduction in revenue growth of 8.8% (-2.6% instead of 6.2%) would eliminate the headroom. The sensitivity analysis also shows that, maintaining the other assumptions constant, a reduction in gross margin of 17.3% would remove the remaining headroom. Reasonably possible changes in key assumptions would not cause the recoverable amount of the CGU to fall below the carrying amount.

Ports & Maritime goodwill

The goodwill allocated to CGU Ports & Maritime increased sensitive to changes in estimates. In accordance with the group's strategic plan, revenues are forecasted to grow at 18.8% per year over the next five years. Maintaining the other assumptions constant, a reduction in revenue growth of 2.9% (15.9% instead of 18.8%) would eliminate the EUR 47.1 million of headroom. The sensitivity analysis also shows that, maintaining the other assumptions constant, a reduction in gross margin of 3.2% or a increase of WACC of 5.1% would remove the remaining headroom. Reasonably possible changes in terminal growth rate assumptions would not cause the recoverable amount of the CGU to fall below the carrying amount.

Industry goodwill

The Board of Directors has considered and assessed reasonably possible changes for key assumptions for the CGU and have not identified any instances that would cause the recoverable amount of the CGU to fall below the carrying amount.

NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following contract has been restated due to the right to payment not met. The table below summarises the effect of IFRS 15 implementation.

EUR 000's	December 31, 2017	Adjustment IFRS 15	Adjusted January 1, 2018
ASSETS			
Current Assets			
Other receivables	5,401	-	5,401
Contract assets	5,229	(2,003)	3,226
Inventory	36,819	942	37,761
Total assets	**47,449**	**(1,061)**	**46,388**
LIABILITIES			
Trade payables	(26,704)	-	(26,704)
Contract liabilities	(6,881)	-	(6,881)
Total liabilities	**(33,585)**	**-**	**(33,585)**
EQUITY AND LIABILITIES			
Equity			
Prior year retained earnings	(14,711)	1,061	(13,650)
Total Equity	**(104,448)**	**1,061**	**(103,387)**

Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time in the following Divisions and geographical regions.

Year ended 31 December 2018 EUR 000's	Airports & Industry	Ports & Maritime	Total
Revenue from external customer			
Timing of revenue recognition			
At a point in time	115,162	61,564	176,726
Over time	13,403	6,832	20,235
Total	**128,565**	**68,396**	**196,961**

Year ended 31 December 2017 EUR 000's	Airports & Industry	Ports & Maritime	Total
Revenue from external customer			
Timing of revenue recognition			
At a point in time	112,993	70,580	183,573
Over time	19,652	9,135	28,787
Total	**132,645**	**79,715**	**212,360**

Year ended 31 December 2018 EUR 000's	AMER	EMEA	APAC	Total
Ports & Maritime	14,503	33,128	20,765	68,396
Airports & Industry	21,668	76,284	30,613	128,565
Total	**36,171**	**109,412**	**51,378**	**196,961**

Year ended 31 December 2017 EUR 000's	AMER	EMEA	APAC	Total
Ports & Maritime	14,074	37,822	27,819	79,715
Airports & Industry	20,728	83,661	28,256	132,645
Total	**34,802**	**121,483**	**56,075**	**212,360**

Assets and liabilities related to contract with customers

The group has recognised the following assets and liabilities related to contracts with customers:

EUR 000's	31 Dec, 2018	1 Jan, 2018
Current Assets/Liabilities		
Contract Assets	1,144	3,226
Contract Liabilities	(10,558)	(6,881)
Total	**(9,414)**	**(3,655)**

The increase in contract liabilities in 2018 was mainly due to advances received from customers during the year.

NOTE 6. OTHER INCOME

EUR 000's	2018	2017
Carriage, insurance and freight	2,167	2,593
Exchange gains and losses	(363)	277
Other miscellaneous income	1,272	1,317
Total	**3,076**	**4,187**

NOTE 7. EMPLOYEE BENEFIT COSTS

EUR 000's	2018	2017
Salaries and wages	(48,374)	(50,693)
Social security contributions	(7,113)	(7,688)
Other employee benefits	(8,995)	(7,485)
Total	**(64,482)**	**(65,866)**

The employee benefit costs are based on an average workforce during the year, ended at 896[1] full time equivalents (2017: 970). The decrease in the number of employees derives mainly from the effect throughout the Group of the restructuring program initiated in the fall of 2018.

The Group has 3 Long-Term Incentive Plan ("LTIP") for selected employees of the Group running in parallel. More information on the plans can be found in the Compensation report (page 28).

The cost for the Group for all plans (excluding social security payments) was EUR 396 thousands (2017: 286), the total outstanding shares were 282,991 shares (2017: 473,320).

NOTE 8. OPERATING EXPENSES

EUR 000's	2018	2017
Transportation expenses	(2,250)	(2,219)
External services	(11,341)	(10,369)
Provision for litigation	(11,866)	(697)
Travelling expenses	(5,621)	(5,802)
General expenses	(8,067)	(7,790)
Rent and leasing	(6,283)	(5,108)
Credit losses	(599)	(16)
Warranty costs	(1,985)	(4,427)
Total	**(48,012)**	**(36,428)**

NOTE 9. NON-RECURRING ITEMS

EUR 000's	2018	2017
Restructuring costs	(5,455)	(1,486)
Litigation costs	(8,308)	(317)
Non-recurring income	9	500
Other non-recurring	(4,020)	(26,282)
Total	**(17,774)**	**(27,585)**

Non-recurring items are presented in order to give a better view of the operational result and totalled costs of EUR -17,774 thousands (2017: -27,585). Restructuring costs are mainly related to the restructuring programme announced in October 2018; litigation costs are related to the US litigation provision and other non-recurring costs are mainly related to write-down of assets.

NOTE 10. NET FINANCIAL COSTS

EUR 000's	2018	2017
Interest income	82	259
Interest expense	(1,538)	(1,624)
Change of derivatives fair value	9	14
Amortisation of issuance costs	(428)	(334)
Loan modification	(1,157)	-
Interest expenses - net	**(3,032)**	**(1,685)**
Currency exchange difference - net	**1,588**	**(3,409)**
Total	**(1,444)**	**(5,094)**

[1] *Number of full-time equivalent employees including externals.*

NOTE 11. INCOME TAXES

EUR 000's	2018	2017
Current tax	(3,118)	(2,218)
Deferred tax	(122)	(6,241)
Other taxes	121	(220)
Total	**(3,119)**	**(8,679)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

EUR 000's		2018		2017
Tax on consolidated pre-tax income at group rate	**24.8%**	**3,801**	**24.5%**	**5,651**
Tax effect of loss-making subsidiaries		(7,588)		(3,032)
Tax effect of non-taxable income included in profit before tax		607		549
Tax on non-deductible expenses or not related to income		(673)		(4,745)
Write-down of previously recognised DTAs		-		(3,842)
Impact of charge in US Corporate Tax rate		-		(2,798)
Utilisation of previously unrecognised DTA		-		51
Effects of different tax rates in countries in which the group operates		734		(513)
Total	**20.3%**	**(3,119)**	**37.6%**	**(8,679)**

The Group operates in many jurisdictions where statutory tax rates vary from 0% to 35%. The weighted average applicable tax rate was 24.8% (2017: 24.5%).

NOTE 12. TRADE RECEIVABLES AND CONTRACT ASSETS

EUR 000's	2018	2017
Trade receivables	48,258	46,104
Contract assets	1,144	5,229
Provision for doubtful debts	(5,460)	(5,146)
Trade receivables, net	**43,942**	**46,187**

The movement of the provision for doubtful debts is summarised below:

Opening balance	**(5,145)**	**(5,924)**
Provision recorded in the year	(1,667)	(1,937)
Provision used in the year	442	1,097
Provision reversed not used in the year	940	1,116
Currency exchange difference	(30)	503
Closing balance	**(5,460)**	**(5,145)**

Contract assets include EUR 1,144 thousands (2017: 5,229) of unbilled work in progress in relation to long term contract revenue recognised under percentage of completion. Please refer to Note 5.

NOTE 13. TAX ASSETS

EUR 000's	2018	2017
Tax assets	767	117
VAT recoverable	904	797
Total	**1,671**	**914**

NOTE 14. OTHER CURRENT RECEIVABLES

EUR 000's	2018	2017
Short term investments at fair value through PL	78	80
Deposits	487	1,066
Prepayments	4,809	2,654
Other receivables	21,061	1,601
Total	**26,435**	**5,401**

Other receivables include EUR 18,515 thousands as a result of the Rights Issue. 2017 figures included contract assets that have been reported separately in 2018. Please refer to note 5.

NOTE 15. INVENTORIES

EUR 000's	2018	2017
Raw materials	11,549	6,782
Work in progress	-	1,534
Finished goods	33,368	34,700
Provision for slow moving inventories	(5,459)	(6,197)
Total	**39,458**	**36,819**

The movement of the provision for slow moving inventories is summarised below:

EUR 000's	2018	2017
Opening balance	**(6,197)**	**(4,182)**
Provision used during the year	2,218	1,448
Provision recorded in the year	(1,756)	(4,942)
Provision reversed not used in the year	357	1,109
Currency exchange difference	(81)	370
Closing balance	**(5,459)**	**(6,197)**

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

EUR 000's	Land & buildings	Plant & equipment	Fixtures & fittings	Total
Year ended 31 December 2017				
Opening net book value	13,140	4,956	3,964	22,060
Additions	1,161	1,362	405	2,928
Disposals	-	(301)	(10)	(311)
Impairment	-	(622)	(450)	(1,072)
Reclassification, asset held for sale	(1,689)	(14)	(24)	(1,727)
Depreciation	(483)	(1,545)	(746)	(2,774)
Currency exchange differences	(410)	(201)	(325)	(936)
Closing net book value	**11,719**	**3,635**	**2,814**	**18,168**
At 31 December 2017				
Cost	16,008	18,018	7,807	41,833
Accumulated depreciation	(4,289)	(14,383)	(4,993)	(23,665)
Net book amount	**11,719**	**3,635**	**2,814**	**18,168**
Year ended 31 December 2018				
Opening net book value	11,719	3,635	2,814	18,168
Additions	-	6,513	1,527	8,040
Disposals	-	(300)	(15)	(315)
Reclassification	(1,106)	1,106	-	-
Impairment	-	-	-	-
Reclassification, asset held for sale	(2,554)	-	-	(2,554)
Depreciation	(397)	(2,133)	(872)	(3,402)
Currency exchange differences	66	-	79	145
Closing net book value	**7,728**	**8,821**	**3,533**	**20,082**
At 31 December 2018				
Cost	11,146	23,686	9,456	44,288
Accumulated depreciation	(3,418)	(14,865)	(5,923)	(24,206)
Net book amount	**7,728**	**8,821**	**3,533**	**20,082**

During 2018, two buildings were reclassified: Cavotec Italy former building (EUR 1,074 thousands) in Nova Milanese (Italy), and Cavotec USA building (EUR 1,533 thousands) in Mooresville (USA). The buildings were reclassified to assets held for sales together with the Trondheim building (Norway). Management expect to sell the building in the next 12 months. In the current year, the building in Norway has been written down EUR 156 thousands to EUR 2,904 thousands, the remaining difference with previous year is due to exchange difference. In Italy (EUR 1,106 thousands) was reclassified from Land & Building to Plant & Equipment to better reflect the nature of the assets. Total amount of asset held for sale is EUR 5,512 thousands.

NOTE 17. INTANGIBLE ASSETS

EUR 000's	Goodwill	Patents & trademarks	R&D and other	Total
Year ended 31 December 2017				
Opening net book value	67,273	2,063	5,789	75,125
Additions	-	10	1,972	1,982
Disposals	-	-	-	-
Impairment	(18,319)	-	-	(18,319)
Amortisation	-	(416)	(1,169)	(1,585)
Currency exchange differences	(3,768)	(41)	(423)	(4,232)
Closing net book value	**45,186**	**1,616**	**6,169**	**52,971**
At 31 December 2017				
Cost	45,186	7,083	10,790	63,059
Accumulated amortisation	-	(5,467)	(4,621)	(10,088)
Net book amount	**45,186**	**1,616**	**6,169**	**52,971**
Year ended 31 December 2018				
Opening net book value	45,186	1,616	6,169	52,971
Additions	-	8	1,873	1,881
Disposals	-	-	(436)	(436)
Impairment	-	-	-	-
Amortisation	-	(416)	(855)	(1,271)
Currency exchange differences	263	(4)	32	291
Closing net book value	**45,449**	**1,204**	**6,783**	**53,436**
At 31 December 2018				
Cost	45,449	7,082	12,293	64,824
Accumulated amortisation	-	(5,878)	(5,510)	(11,388)
Net book amount	**45,449**	**1,204**	**6,783**	**53,436**

For more details on goodwill impairment testing please refer to note 4.

NOTE 18. NON-CURRENT FINANCIAL ASSETS

EUR 000's	2018	2017
Financial receivables	237	226
Financial assets at fair value through PL	38	38
Total	**275**	**264**

NOTE 19. DEFERRED TAX ASSETS

EUR 000's	2018	2017
Deferred tax assets to be recovered within 12 months	5,311	3,883
Deferred tax assets to be recovered after more than 12 months	3,986	5,411
Total	**9,297**	**9,294**

EUR 000's	2018	2017
Provisions for warranty, doubtful accounts and others	1,437	1,574
Losses carried forward	3,375	4,389
Inventory	2,014	1,755
PPE and intangible assets	467	474
Accrued expenses not currently deductible	1,389	680
Others temporary differences	615	422
Total	**9,297**	**9,294**

The deferred tax assets arose as a consequence of the recognition of temporary differences on provisions relative to doubtful accounts, slow moving inventories and warranties, which are not tax deductible currently and become deductible for tax purposes when utilised, as well as to tax losses. The losses carried forward never expire in Germany. In the US, since the implementation of the new tax reform, losses carried forward accumulated until 2017 still expire in 20 years, while starting from 2018, they never expire but they will only be offsettable up to 80%. The Group did not recognise deferred income tax assets on losses carried forward of EUR 74,015 thousands (2017: 59,865).

NOTE 20. OTHER NON-CURRENT RECEIVABLES

Other non-current receivables include, in accordance with US Legislation, advance payments of opponent's legal costs related to the Mike Colaco litigation EUR 5,890 thousands (2017: 5,522) and advance payments for Cavotec Italy building EUR 2,532.

NOTE 21. LOANS AND BORROWINGS

EUR 000's	2018	2017
Other current financial liabilities	(4,271)	(2,873)
Credit facility non-current portion	(44,465)	(45,691)
Other non-current financial liabilities	(4,648)	(674)
Unamortised issuance costs	450	738
Total	**(52,934)**	**(48,500)**

In June 2015 Cavotec SA entered into EUR 95 million financing facility maturing in June 2020. The agreement incorporates a committed EUR 70 million senior revolving credit facility and EUR 25 million senior revolving bank guarantee facility, which can be extended to EUR 100 million and EUR 30 million respectively. Syndication costs and upfront fees of EUR 1,477 thousands were paid during FY 2015 and will be amortised over the extended duration of the facility.

At the beginning of October 2018, Cavotec announced a restructuring programme to address structural inefficiency in the Company caused by a historically fragmented organisation. The programme includes reducing employee costs and operating expenses together with headcount and number of legal entities. In November 2018, the Board of Directors resolved to support the restructuring programme and to strengthen the capital structure through a right issue. Furthermore, in November 2018 the Group agreed with the syndicated banks to formally waive compliance with the financial covenants as per the syndicated facility agreement dated June 2015. As a result, no testing and compliance with financial covenants will take place during the fourth quarter 2018, as well as the first and second quarter 2019. Please refer to Risk Management on page 74.

EUR 000's	2018	2017
Bank overdrafts	1.00%	1.00%
Short term debt	1.54%	1.55%
Long term debt	2.88%	2.44%
Interest bearing liabilities	**2.77%**	**2.38%**

The average cost of the interest bearing liabilities at the end of 2018 was higher compared to the previous year mainly due to the higher interest rates on loans denominated in USD.

NOTE 22. TRADE PAYABLES

EUR 000's	2018	2017
Trade payables	(27,081)	(26,704)
Contract liabilities	(10,558)	(6,881)
Total	**(37,639)**	**(33,585)**

NOTE 23. TAX LIABILITIES

EUR 000's	2018	2017
Tax liabilities	(604)	-
VAT payable	(1,074)	(1,110)
Total	**(1,678)**	**(1,110)**

NOTE 24. OTHER CURRENT LIABILITIES

EUR 000's	2018	2017
Employee entitlements	(5,718)	(5,909)
Accrued expenses and other	(7,297)	(3,767)
Total	**(13,015)**	**(9,676)**

Employee entitlements include mainly accrued wages and salaries, holidays and other personnel liabilities.

NOTE 25. DEFERRED TAX LIABILITIES

EUR 000's	2018	2017
Deferred tax liabilities to be released within 12 months	(79)	(417)
Deferred tax liabilities to be released after more than 12 months	(2,389)	(2,396)
Total	**(2,468)**	**(2,813)**

EUR 000's	2018	2017
PPE and intangible assets	(1,714)	(1,712)
Unrealised exchange differences	(13)	(52)
Untaxed reserves	(675)	(683)
Other	(66)	(366)
Total	**(2,468)**	**(2,813)**

For more details, please refer to note 19.

NOTE 26. PROVISION FOR RISKS AND CHARGES

EUR 000's	2018	2017
Provision for risk and charges, current	(13,186)	(5,362)
Provision for risk and charges, non-current	(8,769)	(4,387)
Total	**(21,955)**	**(9,749)**

EUR 000's	Dec 31, 2017	Recorded	Used	Reversed not used	Exchange diff	Dec 31, 2018
Provision for pensions	(2,761)	(230)	482	82	(58)	(2,485)
Provision for warranty	(6,602)	(2,594)	1,374	1,412	94	(6,316)
Provision for litigation	-	(8,213)	-	-	(258)	(8,471)
Provision for restructuring	(386)	(1,874)	720	313	27	(1,200)
Other provisions	-	(3,528)	40	-	5	(3,483)
Total	**(9,749)**	**(16,439)**	**2,616**	**1,807**	**(190)**	**(21,955)**

Provision for pensions refers to compensation payable to employees upon termination of employment for any reason. A major part of this provision, in the normal course of events, is long term in nature. The warranty provision reflects historic experience of the cost to repair or replace defective products, as well as certain information regarding product failure experienced during production, installation or testing of products. Provision for restructuring primarily includes actions taken as part of Cavotec's cost reduction programme started last year. For details about the provision for litigation and others, please refer to note 34.

An amount of EUR 13,186 thousands is expected to be used within twelve months.

NOTE 27. PENSION PLAN

The Group operates defined benefit pension plans in Switzerland and, starting from FY 2014, also in Italy and Middle East.

The Swiss entities, Cavotec SA and Cavotec (Swiss) SA, are affiliated to the Swiss Life Collective BVG Foundation based in Zurich. This pension solution fully reinsures also the risks of disability, death and longevity. Swiss Life invests the vested pension capital and provides a 100% capital and interest guarantee. Certain features of Swiss pension plans required by law preclude the plans being categorised as defined contribution plans.

In Italy, the provisions for benefits upon termination of employment, accrued for employee retirement, are determined using actuarial techniques and regulated by the Italian Civil Code. The benefit is paid upon retirement as a lump sum, the amount of which corresponds to the total of the provisions accrued during the employees' service period based on payroll costs as revalued until retirement.

In U.A.E., the Service Gratuity Plan is a defined benefit plan. Benefits under these plans are paid upon termination of employment and consist of payments based on seniority.

EUR 000's	2018				2017
	Switzerland	Italy	U.A.E.	Total	Total
Present value of defined benefit obligation (DBO)	(2,049)	-	-	**(2,049)**	**(1,607)**
Fair value of plan assets	1,465	-	-	**1,465**	**1,093**
Deficit of funded plans	**(584)**	**-**	**-**	**(584)**	**(514)**
Present value of unfunded obligations	-	(808)	(884)	**(1,692)**	**(2,013)**
Liability in the Balance Sheet	**(584)**	**(808)**	**(884)**	**(2,276)**	**(2,527)**

In addition the Group has liabilities from defined contribution plan for an amount of EUR 208 thousands.

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

EUR 000's	2018				2017
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**(1,607)**	**(1,028)**	**(985)**	**(3,620)**	**(3,923)**
Reclassification of pension scheme	-	-	-	**-**	**-**
Service cost:					
- Current service cost	(130)	-	(114)	**(244)**	**(192)**
Interest expenses	(11)	(14)	(32)	**(57)**	**(55)**
Cash flow:					
- Benefit payments from plan assets	(58)	-	-	**(58)**	**191**
- Benefit payments from employer	-	208	230	**438**	**169**
- Participant contributions	(141)	-	-	**(141)**	**(101)**
- Insurance premium for risk benefits	22	-	-	**22**	**16**
Remeasurements:					
- Effect of changes in financial assumptions	71	14	45	**130**	**22**
- Effect of experience adjustments	(124)	13	11	**(100)**	**(32)**
Exchange differences	(71)	-	(40)	**(111)**	**285**
At 31 December	**(2,049)**	**(807)**	**(885)**	**(3,741)**	**(3,620)**

The movement in the fair value of plan assets over the year is as follows:

EUR 000's			2018		2017
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**1,093**	**-**	**-**	**1,093**	1,231
Interest Income	8	-	-	**8**	**5**
Cash flow:					
- Employer contributions	141	208	230	**579**	**270**
- Participant contributions	141	-	-	**141**	**101**
- Benefit payments to plan	58	-	-	**58**	**(191)**
- Benefit payments from employer	-	(208)	(230)	**(438)**	**(169)**
- Administrative expenses paid from plan assets	(15)	-	-	**(15)**	**(14)**
- Insurance premium for risk benefits	(22)	-	-	**(22)**	**(16)**
Remeasurements:					
- Return on plan assets (excluding interest income)	10	-	-	**10**	**(24)**
Exchange differences	51	-	-	**51**	**(100)**
At 31 December	**1,465**	**-**	**-**	**1,465**	**1,093**

The amount recognised in the income statement and other comprehensive income are as follows:

EUR 000's			2018		2017
	Switzerland	Italy	U.A.E.	Total	Total
Service cost:					
- Current service cost	130	-	114	**244**	**192**
Total Service cost	**130**	**-**	**114**	**244**	**192**
Net interest cost:					
- Interest expense on DBO	11	14	32	**57**	**55**
- Interest (income) on plan assets	(8)	-	-	**(8)**	**(5)**
Total net interest cost	**3**	**14**	**32**	**49**	**50**
Administrative expenses and/or taxes (not reserved within DBO)	13	-	-	13	**12**
Defined benefit cost included in the Income Statement	**146**	**14**	**146**	**306**	**254**
Effect of changes in financial assumptions	(71)	(14)	(45)	**(130)**	**(22)**
Effect of experience adjustments	124	(13)	(11)	**100**	**32**
Return on plan assets (excluding interest income)	(10)	-	-	**(10)**	**24**
Exchange Differences	15	-	4	**19**	**(48)**
Effect of deferred taxes	(10)	-	-	**(10)**	**(4)**
Total remeasurements included in Other Comprehensive Income	**48**	**(27)**	**(52)**	**(31)**	**(18)**

The Group expects to pay EUR 231 thousands in contribution to defined benefit plans in 2019 (EUR 211 thousands was the expectation in 2017 concerning the amount to be paid in 2018).

The principal actuarial assumptions were as follows:

		2018			2017	
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate	1.00%	1.55%	4.10%	0.70%	1.35%	3.25%
Salary increases	1.00%	n/a	3.00%	1.00%	n/a	3.00%
Inflation	0.00%	1.50%	n/a	0.00%	1.50%	n/a

The principal demographic assumptions were as follows:

		2018			2017	
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Life expectancy	n/a	n/a	n/a	n/a	n/a	n/a
Retirement age	M65/F64	66 all employees	normal (maximum) retirement age of 60	M65/F64	66 all employees	normal (maximum) retirement age of 60
Benefit at retirement	60% pension / 40% lump sum	n/a	-	60% pension / 40% lump sum	n/a	-
Voluntary turnover	-	-	6.00%	-	-	6.00%
Involuntary turnover (including death and disability)	-	-	1.00%	-	-	1.00%

The following table presents a sensitivity analysis showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity applies to the defined benefit obligation only, and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

	2018			2017		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate +0.25%	-	791	-	-	(1,005)	-
Discount rate -0.25%	-	825	-	-	(1,051)	-
Discount rate +0.50%	(2,177)	-	(903)	(1,561)	-	(943)
Discount rate -0.50%	(1,948)	-	(962)	(1,664)	-	(1,005)

NOTE 28. EQUITY RELATED TO OWNERS OF THE PARENT

The table below set forth the changes occurred in the Equity related to owners of the parent of the Group.

EUR 000's	No of ordinary shares (Fully paid)	Share capital
Balance at 1 January 2018	**78,536,000**	**(83,626)**
Capital increase (new shares issued not yet registered)	15,707,200	(17,830)
Capital reduction	-	1,287
Balance at 31 December 2018	**94,243,200**	**(100,169)**

The Annual General Meeting held in April, 2018 approved the reduction of the nominal value of the registered shares from CHF 1.30 to CHF 1.28. A right issue performed during December 2018 that led to a share capital increase of CHF 20,105,216 (EUR 17,830,096) through the issuance of 15,707,200 shares at a par value of CHF 1.28 plus share premium of CHF 2,309,010 (EUR 2,047,721) equal to CHF 0.147 per share. Cost related to the capital increase was CHF 1,528,537 (EUR 1,355,567). As of 31 December 2018, the 15,707,200 shares were issued shares not yet registered in the Swiss register of Commerce. The amount of the capital increase was accounted in other current receivables and was paid to the Group on 10 January 2019, and the shares were registered in the Swiss register of commerce, becoming share capital of Cavotec SA.

NOTE 29. OTHER RESERVES

EUR 000's	2018	2017
Currency translation reserves	9,067	6,753
Share premium reserve	(14,251)	(13,565)
Own shares reserve	64	196
Actuarial reserve	474	506
Total	**(4,646)**	**(6,110)**

The currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations into Euro. The movement of currency translation reserve was due to the strengthening of the Euro against all major currencies.

The share premium reserve was created following the Contribution Agreement dated 3 October 2011 between Cavotec SA and the former shareholders of Cavotec MSL, and increased in 2018 in connection with the Rights issue.

The own shares reserve was created in 2011 when Cavotec SA bought back its shares from the former Parent company Cavotec MSL. The movement of the year was due to the transfer of shares to employees matching the LTIP plan 2015.

NOTE 30. EARNINGS PER SHARE

Both the basic and diluted earnings per share are calculated using the net results attributable to shareholders of Cavotec SA & Subsidiaries as the numerator.

EUR 000's	2018	2017
Profit for the year	(18,450)	(31,771)
Attributable to:		
Equity holders of the Group	(18,450)	(31,771)
Total	**(18,450)**	**(31,771)**
Weighted-average number of shares outstanding	79,078,713	78,614,727
Basic and diluted earnings per share attributed to the equity holders of the Group	(0.233)	(0.405)
Basic EPS for 2017 (as restated)	-	(0.404)

Basic and diluted EPS are taking into consideration the bonus element of the Rights Issue.

NOTE 31. SEGMENT INFORMATION

Operating segments have been determined on the basis of the Group management structure in place and on the management information and used by the CODM to make strategic decisions.

The Group organisation is based on 3 Divisions: "Ports & Maritime", "Airports & Industry" and "Services", that are also representing the operating segments. As of Q418 there's no indication that total revenues for Services Division will exceed 10% of total Group revenues, therefore the new division is not reported as a separate reporting segment. Revenues from Services division were accounted in Ports & Maritime or Airports & Industry on the bases of the segment for which the services were provided.

Information by operating segment for the year ended 31 December, 2018 for each operating segment is summarised below:

Year ended 31 December, 2018 EUR 000's	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Revenue from sales of goods and services	68,396	128,565	-	196,961
Other income	964	2,112	-	3,076
Operating expenses before depreciation and amortisation	(71,674)	(131,522)	(5,899)	(209,095)
Gross Operating Result	**(2,314)**	**(845)**	**(5,899)**	**(9,058)**

Information by operating segment for the year ended 31 December, 2017 for each operating segment is summarised below:

Year ended 31 December, 2017 EUR 000's	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Revenue from sales of goods and services	79,715	132,645	-	212,360
Other income	1,868	2,319	-	4,187
Operating expenses before depreciation and amortisation	(80,769)	(123,110)	(6,346)	(210,225)
Gross Operating Result	**814**	**11,854**	**(6,346)**	**6,322**

The CODM assesses the performance of the operating segments based on gross operating result EBITDA. A reconciliation of gross operating result to profit before income tax is provided as follows:

EUR 000's	2018	2017
Gross operating result for operating segments	(9,058)	6,322
Goodwill impairment & other operational write - downs	(156)	(19,986)
Depreciation	(3,400)	(2,754)
Amortisation	(1,272)	(1,579)
Financial costs - net	(620)	(4,852)
Other financial items	(825)	(243)
Profit before income tax	**(15,331)**	**(23,092)**

Third party revenues for each operating segment analysed by significant geographical segment is summarised below:

Year ended 31 December 2018 EUR 000's	AMER	EMEA	APAC	Total
Ports & Maritime	14,503	33,128	20,765	**68,396**
Airports & Industry	21,668	76,284	30,613	**128,565**
Total	**36,171**	**109,412**	**51,378**	**196,961**

Year ended 31 December 2017 EUR 000's	AMER	EMEA	APAC	Total
Ports & Maritime	14,074	37,822	27,819	**79,715**
Airports & Industry	20,728	83,661	28,256	**132,645**
Total	**34,802**	**121,483**	**56,075**	**212,360**

The consolidated revenues of the Group are generated principally outside of Switzerland, where the company is domiciled, and operations in Switzerland are relatively insignificant. Due to the nature of the business, no single country represents a significant percentage of Group revenues.

NOTE 32. RELATED PARTY DISCLOSURE

Cavotec SA is the legal parent of the Group. Details of Cavotec SA subsidiaries can be found in note 3.

The Group's key management personnel comprises the Chief Executive Officer and the members of Executive Management Team (EMT). Their total remuneration, including salary and other short term benefits, amounted to a total of EUR 4,709 thousands (2017: 3,566). The total compensation also includes compensation to EMT members' related parties.

Please refer to the Compensation Report at page 31 for the remuneration of the Board Members and page 28 for the description of the long-term incentive plan.

Year ended 31 December 2018 EUR 000's	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Share-based payment	Total
Chief Executive Officer	840	209	-	-	1,049
Executive Management Team	3,306	246	-	162	3,714
Total remuneration	**4,146**	**455**	**-**	**162**	**4,763**

Year ended 31 December 2017					
EUR 000's	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Share-based payment	Total
Chief Executive Officer*	777	281	-	13	1,071
Executive Management Team	2,250	138	-	107	2,495
Total remuneration	**3,027**	**419**	**-**	**120**	**3,566**

*The CEO remuneration shows the cumulative amounts for Mikael Norin and Ottonel Popesco.
For more details of CEO remuneration, please see the Compensation Report on page 31.

The following table summarises the Group's transactions with its related parties, which are controlled or influenced by some Board members:

EUR 000's					Revenues		Costs	
Company	Country	Receivables	Payables	Guarantees	Goods and services	Others	Goods and services	Others
Bure Equity AB	Sweden	-	(297)	-	-	-	-	-
Total		**-**	**(297)**	**-**	**-**	**-**	**-**	**-**

The transaction with Bure Equity AB is related to the guarantee commitment fee on Right Issue subscription.

NOTE 33. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the entity, its related practices and non-related audit firms.

EUR 000's	2018	2017
Audit services		
PricewaterhouseCoopers	584	598
Other audit firms	130	127
Total	**714**	**725**
Other assurance services:		
Taxation		
PricewaterhouseCoopers	30	84
Other audit firms	20	57
Total	**50**	**141**
Other assurance services		
PricewaterhouseCoopers	13	11
Other audit firms	2	2
Total	**15**	**13**
Total	**65**	**154**

NOTE 34. LEGAL RISKS

As a global company with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and tax assessments. The outcome of any current or future proceedings cannot be predicted. It is therefore possible that legal or regulatory judgments or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings.

Legal proceedings currently considered to involve material risks are outlined below.

US litigation

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 subsequently proceeded with an appeal of the judgement, for which the Court of Appeal of the State of California issued a verdict partly reversing the initial verdict. As result, Cavotec made a non-recurring provision in the second quarter of EUR 6.9 million including accrued interest, in line with IFRS accounting rules. Both parties subsequently filed petitions with the California Supreme Court to hear the case. Those petitions where denied by the court.

As the case in California is now reaching its conclusion both parties have filed petitions for the court to finally settle the amounts owed by both parties. Cavotec has made a further provision of EUR 1.3 million to cover most possible outcomes of that process.

According to company statutes, Cavotec has also made advancement payments of legal expenses of approx. EUR 5.9 million for Mr Colaco et al, that they have incurred in defending themselves in the California matter. As the California case is now concluding Cavotec will proceed to recoup those payments. However, in the procedure for doing so both sides will have an opportunity to present their respective arguments and it is not guaranteed that Cavotec will be able to recoup the full sum. Consequently, Cavotec has made a provision in the quarter of EUR 3.0 million to cover most eventualities of this process.

NOTE 35. CONTINGENCIES

EUR 000's	2018	2017
Bonds	12,828	12,900
Financial guarantees	2,140	2,159
Other guarantees	2,657	1,853
Total	**17,625**	**16,912**

The items listed under Contingencies are mainly performance and advance payment bonds to customers in the Middle East region, India and China. On the total of contingencies EUR 10,710 thousands will expire within one year. Based on the historical experience there isn't any expectation to have any significant cash outflow from these bonds.

NOTE 36. COMMITMENTS

The following details commitments associated with Cavotec SA & Subsidiaries.

EUR 000's	2018	2017
Rental commitments		
Within one year	4,339	5,115
Later than one, not later than two years	3,636	4,144
Later than two, not later than five years	8,648	8,948
Later than five years	9,559	11,508
Total	**26,182**	**29,715**
Operating lease commitments		
Within one year	397	377
Later than one, not later than two years	227	291
Later than two, not later than five years	53	176
Later than five years	-	-
Total	**677**	**844**

The Group leases various properties under non-cancellable lease agreements. These lease terms are generally between one and six years. Later than five years commitments include the lease agreement of 12 years signed in 2016 by Cavotec Specimas SpA for the lease of the new warehouse located in Nova Milanese (Italy). Cavotec SA has provided to Cavotec Specimas SpA a parent guarantee to banks of EUR 9,307 thousands regarding this leasing agreement.

NOTE 37. SECURITIES AND COLLATERALS

Real estate related loans amounting to EUR 590 thousands at 31 December, 2018 (2017: 1,413) are secured by mortgages on land and buildings in Italy, Germany, Norway, Sweden and France. The decrease of the year is due to the repayment of the current portion of the loans.

NOTE 38. SUBSEQUENT EVENTS

There have been no events subsequent to the Balance Sheet date which require adjustment of, or disclosure in, the Financial Statements or notes.

Risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board sets the policy for the Group's centralised treasury operation and its activities are subject to a set of controls commensurate with the magnitude of the borrowings and investments and Group wide exposures under its management. The Group treasury's primary role is to manage liquidity, funding, investments and counterparty credit risk arising with financial institutions. It also manages the Group's market risk exposures, including risks arising from volatility in currency and interest rates. The treasury function is not a profit centre and the objective is to manage risk at optimum cost.

The financial risk is managed at the Group and regional level through a series of policies and procedures set and reviewed by the CFO. The Group treasury applies these policies together with the Presidents of the Divisions and the local finance managers. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of interest rate risk and currency risk while ageing analyses of receivables is used to assess credit risk.

MARKET RISK

Currency risk

Generally, the Group offers customers the option of paying in local currencies through our global sales organisation. As a result, the Group is continuously exposed to currency risks in accounts receivables denominated in foreign currency and in future sales to foreign customers. This issue of international pricing is under constant attention at the highest levels of management. As the Group trades across many countries, purchasing and selling in various currencies, there is a natural hedge within the Group's overall activities.

The exchange rates listed here below are used to prepare the Financial Statements.

Currency	Average rate	Year end rate
AED	0.23051	0.23693
ARS	0.03032	0.02316
AUD	0.63304	0.61652
BRL	0.23210	0.22502
CAD	0.65387	0.64082
CHF	0.86583	0.88739
DKK	0.13417	0.13392
EUR	1.00000	1.00000
GBP	1.13032	1.11791
HKD	0.10804	0.11151
INR	0.01239	0.01254
KRW	0.00077	0.00078
NOK	0.10419	0.10052
NZD	0.58601	0.58630
RMB	0.12807	0.12698
RUB	0.01351	0.01254
SEK	0.09748	0.09752
SGD	0.62790	0.64140
USD	0.84677	0.87336
ZAR	0.06403	0.06076

At 31 December 2018, had the Euro weakened/strengthened by 10 per cent against foreign currencies to which the Group is exposed, with all other variables held constant, profit for the year and equity would have been EUR 1,091 thousands higher/lower (2017: 1,233 thousands). This is mainly a result of foreign exchange gains/losses on translation of financial assets and liabilities denominated in currencies other than the Euro and in respect of operations in non-Euro jurisdictions for financial assets and liabilities not in their local currency.

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future moves. In order to assess the potential impact on the Income Statement assets and liabilities in the same currency used by the relevant entity in its reporting were excluded from the sensitivity analysis.

	2018		2017	
EUR 000's	**EUR -10%**	**EUR +10%**	**EUR -10%**	**EUR +10%**
Receivables	38	(38)	113	(113)
Payables	(252)	252	(153)	153
Financial assets	3,052	(3,052)	3,441	(3,441)
Financial liabilities	(1,747)	1,747	(2,168)	2,168
Total increase / (decrease)	**1,091**	**(1,091)**	**1,233**	**(1,233)**

The carrying amounts of the Group's trade receivables and trade payables are held in the following currencies:

	2018		2017	
EUR 000's	**Receivables**	**Payables**	**Receivables**	**Payables**
EUR	17,467	(23,932)	20,627	(19,806)
USD	10,256	(4,370)	3,846	(3,369)
RMB	5,595	(2,251)	4,824	(3,360)
AED	2,565	(1,007)	2,503	(2,258)
GBP	323	(851)	575	(1,105)
SEK	1,059	(620)	453	(621)
NOK	443	(550)	1,093	(172)
AUD	2,791	(1,300)	2,404	(1,587)
CHF	-	(304)	-	(267)
HKD	604	(188)	968	(47)
CAD	558	(65)	620	(140)
INR	643	(401)	619	(206)
RUB	20	(172)	-	(211)
Other	474	(1,628)	2,426	(436)
Total	**42,798**	**(37,639)**	**40,958**	**(33,585)**

Financial assets and financial liabilities held at year end are held in the following currencies:

	2018		2017	
EUR 000's	**Financial Assets**	**Financial Liabilities**	**Financial Assets**	**Financial Liabilities**
EUR	10,257	(35,421)	11,441	(26,070)
USD	2,709	(17,467)	3,940	(21,693)
RMB	1,794	-	2,046	-
AED	1,765	-	4,795	-
GBP	893	-	1,049	-
SEK	307	(33)	598	(700)
NOK	273	-	187	-
AUD	665	-	1,100	-
CHF	223	-	337	-
HKD	18	-	37	-
CAD	438	-	853	-
INR	556	-	565	(13)
RUB	707	-	1,216	-
Other	652	(13)	554	(24)
Total	**21,257**	**(52,934)**	**28,718**	**(48,500)**

Interest rate risk

Interest rate risk management is aimed at balancing the structure of the debt, minimising borrowing costs over time and limiting the volatility of results. The Group is party to fixed interest rate loan agreements in the normal course of business in order to eliminate the exposure to increases in interest rates in the future. The amount of floating rate debt is the main factor that could impact the Statement of Comprehensive Income in the event of an increase in market rates. At 31 December, 2018 90% of the debt was floating rate (2017: 97%). In 2018, the Euribor rates were stable with very low volatility during the year. On the other hand, the USD Libor rates experienced a sustained increase due to the higher official rates set by the American Federal Reserve.

The impact of a 1 per cent increase/decrease in interest rates will result in a decrease/increase of interest expenses and equity for the year of EUR 482 thousands (2017: 476 thousands).

Trade payables, trade receivables and other financial instruments do not present a material exposure to interest rate volatility.

Fair value estimation

Financial assets and liabilities recorded at fair value in the Consolidated Financial Statements are categorised based upon the level of judgement associated with the inputs used to measure their fair value. There are three hierarchical levels, based on an increasing amount of subjectivity associated with the inputs to derive fair valuation for these assets and liabilities, which are as follows:

- Level 1: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable
- Level 3: Determination of fair value based on valuation models with inputs for the asset or liability that are not based on observable market data

The following tables present the Group's financial instruments that are measured at fair value by valuation method at 31 December 2018 and at 31 December 2017:

	2018			
EUR 000's	Level 1	Level 2	Level 3	Total
Assets				
Current financial assets	78	-	-	78
Non-current financial assets	-	-	38	38
Assets held for sale	-	-	5,512	5,512
Total assets	**78**	**-**	**5,550**	**5,628**
Liabilities				
Non-current trading derivatives	-	(10)	-	(10)
Total liabilities	**-**	**(10)**	**-**	**(10)**

	2017			
EUR 000's	Level 1	Level 2	Level 3	Total
Assets				
Current financial assets	80	-	-	80
Non-current financial assets	-	-	37	37
Assets held for sale	-	-	4,815	4,815
Total assets	**80**	**-**	**4,852**	**4,932**
Liabilities				
Non-current trading derivatives	-	(20)	-	(20)
Total liabilities	**-**	**(20)**	**-**	**(20)**

The fair values of the non-current financial assets, current financial liabilities and non-current financial liabilities are not materially different from their carrying amounts.

For the building in Trondheim (Norway) an independent updated valuation of the assets held for sale was performed by AF Advansia AS, as at 31 December 2018. A discounted cash flow method was used to calculate market value assuming a perpetual annual rent net of expenses and capex of about NOK 2,807 thousands with an estimated yield of 9.5%. The valuation as at 31 December 2018 is equal to EUR 2,904 thousands (2017: EUR 3,089 thousands).

In 2018, Cavotec Realty US building (EUR 1,533 thousands) and Cavotec Specimas SpA old building (EUR 1,074 thousands) were reclassified to assets held for sales. The buildings were valued by an external expert using a market comparative approach.

Please refer to note 16 for more disclosure on the reclassification of assets held for sale that are measured at fair value.

CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions and it is managed on a Group basis. A fundamental tenet of the Group's policy of managing credit risk is customer selectivity. The Group has a large number of customers in its various geographies and therefore there is no concentration of credit. The Group's largest customers are prominent international companies and, while none of these represent a material percentage of total sales, outstanding receivables from these are regularly monitored and contained within reasonable limits. Large value sales require customers to pay a deposit or pay in advance, and are authorised by the Presidents of the Divisions, the CFO or the CEO. The Group has a credit policy which is used to manage this credit exposure ensuring minimal credit losses in past years.

After the global turmoil in the international markets, the Company has introduced stringent practices to evaluate exposure to doubtful debts; the Group requires that provisions be recorded not only to cover exposure relative to specific accounts in difficulty but also for accounts receivables balances which are past due for periods in excess of normal trading terms.

EUR 000's	2018	Expected Credit Loss	% Expected Credit Loss
Not yet due	29,330	(126)	0.43%
Overdue up to 30 days	8,426	(49)	0.58%
Overdue up to 30 and 60 days	2,692	(49)	1.82%
Overdue up to 60 and 90 days	1,990	(118)	5.93%
Overdue up to 90 and 120 days	1,140	(98)	8.60%
Overdue up to 120 and 150 days	1,213	(610)	50.29%
Overdue more than 150 days	5,237	(4,410)	84.21%
Total	**50,028**	**(5,460)**	

In the category "Not yet due", EUR 1,144 thousands are under contract assets. At 31 December, 2018 EUR 5,460 thousands (2017: 5,146) have been provisioned according to the percentages of credit loss shown in the table. The amount of written-off receivables recognised in 2018 was EUR 411 thousands (2017: 132).

NET DEBT

Net Debt is defined as financial liabilities minus cash and cash equivalents and current financial assets. Cash and cash equivalents are mainly held at Skandinaviska Enskilda Banken AB (Frankfurt Branch) (Moody's Rating: Aa2; S&P Rating: A+).

EUR 000's	2018	2017
Cash and cash equivalents	21,257	28,718
Current financial assets	78	80
Short-term debt	(4,271)	(2,873)
Long-term debt	(49,113)	(46,365)
Total	**(32,050)**	**(20,440)**

Note that long-term debt excludes issuance costs. See note 21.

EUR 000's	Cash and cash equivalents	Current financial assets	Bank overdraft	Short-term debt	Long-term debt	Total
Opening balance	**28,718**	**80**	**-**	**(2,873)**	**(46,365)**	**(20,440)**
Cash flows	(4,819)	-	-	(1,398)	(1,114)	(7,331)
Currency exchange differences	(2,642)	(2)	-	-	(905)	(3,549)
Other non-cash movements	-	-	-	-	(730)	(730)
Closing balance	**21,257**	**78**	**-**	**(4,271)**	**(49,113)**	**(32,050)**

LIQUIDITY RISK

Liquidity risk is managed by the Group treasury, which ensures adequate coverage of cash needs by entering into short, medium and long-term financial instruments to support operational and other funding requirements. The Board reviews and approves the maximum long-term funding of the Group and on an on-going basis considers any related matters on at least an annual basis. Short- and medium-term requirements are regularly reviewed and managed by the centralised treasury operation within the parameters set by the Board.

The Group's liquidity and funding management process includes projecting cash flows and considering the level of liquid assets in relation thereto, monitoring Balance Sheet liquidity and maintaining a diverse range of funding sources and back-up facilities. The Board reviews Group forecasts, including cash flow forecasts, on a quarterly basis. The Group treasury collects cash forecasts from group companies more frequently to assess the short and medium-term Group's requirements. Group treasury works closely with local the finance managers in order to identify and monitor relevant cash items with the goal to assure a promptly collection of receivables. These assessments ensure the Group responds to possible future cash constraints in a timely manner. Operating finance requirements of group companies are managed by the Group treasury, which is also responsible for investing liquid surplus assets not immediately required by operating companies.

In June 2015 the Group signed its EUR 95 million syndicated financing facility agreement and maturing in June 2020. The agreement incorporates a committed EUR 70 million senior revolving credit facility and EUR 25 million senior revolving bank guarantee facility, which can be extended to EUR 100 million and EUR 30 million respectively.

The syndicated loan facility bears interest for each interest period at a rate per annum equal to EURIBOR/LIBOR plus a variable margin which will be adjusted every quarter to reflect any changes in the ratio of net debt to consolidated adjusted EBITDA as determined on a rolling basis, with a minimum margin of 1.35% per annum. The loans are subject to certain restrictive covenants, including, but not limited to, additional borrowing, certain financial ratios, limitations on acquisitions and disposals of assets. If the financial covenants are not met and their breach is not remedied within a certain period or the lenders do not waive the covenants, there may grounds for termination under the conditions of the credit facility.

At the beginning of October 2018, Cavotec announced a restructuring programme to address structural inefficiency in the Company caused by a historically fragmented organisation. The programme includes reducing SG&A together with headcount and number of legal entities. In November 2018, the Board of Directors resolved to support the restructuring programme and to strengthen the capital structure through a right issue. Furthermore, in November 2018 the Group agreed with the syndicated banks to formally waive compliance with the financial covenants as per the syndicated facility agreement dated June 2015. As a result, no testing and compliance with financial covenants will take place during the fourth quarter 2018, as well as the first and second quarter 2019.

As of December 31, 2018, the Group's total available credit facilities, which related to the above mentioned syndicated loan facility agreement and to other credit facilities with local banks, amounted to EUR 81.8 million, of which EUR 53.4 million was utilised. The table below analyses the Group's financial liabilities, excluding trade payables, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date against the cash and cash equivalent balances.

As of December 31, 2018, the Group has also bank guaranties facilities amount to EUR 25.0 million of which EUR 7.3 million was utilised.

	2018			
EUR 000's	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Bank overdrafts and short-term debt	(2,998)	-	-	-
Long-term debt	(2,732)	(48,482)	(1,526)	-
Total	**(5,730)**	**(48,482)**	**(1,526)**	**-**
Cash and cash equivalents	21,257	-	-	-

The long term debt includes the maturity analysis based on the contractual undiscounted cashflow. The interests are included using an average interest rate of 2.77%.

	2017			
EUR 000's	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Bank overdrafts and short-term debt	(2,873)	-	-	-
Long-term debt	-	(48,814)	(126)	(184)
Total	**(2,873)**	**(48,814)**	**(126)**	**(184)**
Cash and cash equivalents	28.718	-	-	-

	Credit facilities		
EUR 000's	Total credit facilities	Total credit facilities utilisation	Syndicated facility utilisation
Bank overdrafts	(2,101)	-	-
Current financial liabilities	(5,753)	(4,271)	-
Non-current financial liabilities	(73,917)	(49,114)	(45,197)
Total	**(81,771)**	**(53,385)**	**(45,197)**

The Group does not have collateral or credit enhancements that would influence its credit exposure. The maximum exposure to credit risk is the carrying amount of each class of financial asset.

CAPITAL RISK MANAGEMENT

The Group and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that reduces the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of its debt to equity ratio calculated by comparing senior Net Debt to Total equity. In monitoring the level of indebtness, on-going attention is given by management to the level of net debt, interest cover, leverage ratio and assets to equity ratio calculated in accordance to the Groups financing facility.

The ratios at 31 December 2018 and 31 December 2017 were as follows. In 2018, the Net Debt increased mainly due to the investment in Cavotec Italy new building. To note that the Net Debt and the Leverage ratio as of 31 December 2018 did not benefit from the capital increase since cash was collected only in January 2019.

EUR 000's	2018	2017
Total interest bearing liabilities	(53,385)	(49,238)
Cash and cash equivalents	21,257	28,718
Current financial assets	78	80
Net debt	**(32,050)**	**(20,440)**
Senior net debt	**(32,118)**	**(20,501)**
Total equity	**(100,044)**	**(104,475)**
Senior net debt/equity ratio	32.1%	19.6%
Equity/asset ratio	43.5%	49.6%
Interest cover	2.06x	6.58x
Leverage ratio	3.75x	1.47x


CAVOTEC

Report of the statutory auditor

to the General Meeting of Cavotec SA

Lugano

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Cavotec SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 47 to 78) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: EUR 2 million, which represents about 1% of revenue.

We completed full scope audit work at 19 reporting units in 16 countries.

Our audit scope covered 79% of the Group's revenue and 89% of total assets.

In addition, review procedures were performed on a further 11 reporting units in 8 countries, representing a further 16% of the Group's revenue and 9% of total assets.

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As key audit matters the following areas of focus have been identified:

Goodwill –impairment assessment

Litigation in the USA

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated 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 consolidated 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 a whole 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, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	EUR 2 million
How we determined it	1% of revenue
Rationale for the materiality benchmark applied	We chose revenue as benchmark as we consider that revenue provides us with a consistent year-on-year basis to determine materiality, reflecting group's growth and investment plans and low levels of profitability.

We agreed with the Audit Committee that we would report to them misstatements above EUR 0.1 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

The Group is primarily structured in two Business Units: "Ports & Maritime" and "Airports & Industry". In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, by component auditors from PwC network firms and by component auditors from other firms operating under our instructions. We concluded full scope audit work at 19 reporting units in 16 countries. In addition, review procedures were performed on a further 11 reporting units in 8 countries. The Group consolidation, financial statement disclosures and goodwill are audited by the Group engagement team.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Our Group engagement team's involvement included various site visits and conference calls with component auditors. During the year, we visited Cavotec Inet US Inc and Cavotec Specimas Spa.

Key audit matters

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

Goodwill –impairment assessment

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 61 (Note 4: Critical accounting estimates and judgements). The goodwill impairment assessment is considered as a key audit matter due to the size of the goodwill balance (EUR 45.4 million as of 31 December 2018; EUR 45.2 million as of 31 December 2017) as well as the considerable judgement required by Group management in making their assessment on the impairment test. The determination of recoverability (current valuation) of related intangible assets is highly sensitive to changes in assumptions as well as it requires considerable judgment by Group management in making their assessment on goodwill allocation to cash generating units. Our focus in this area was the 'value in use' assessment of the cash generating units, which involves judgements principally about the future results of the business and the discount rates applied.	We evaluated Group management's assumptions as described on page 61 (Note 4) of the financial statements, and discussed these with the Audit Committee and responsible management. We evaluated Group management's assumptions and we challenged management on the inclusion of all appropriate assets and liabilities in the cash-generating units. In relation to the value in use, we performed the following: We evaluated Group management's assumptions of long-term growth rates (terminal value), by comparing them with economic and industry forecasts. We also evaluated Group management's discount rates by assessing the cost of capital for the company and comparable organisations, including specific factors such as peer group Beta factors and small cap premium. We compared Group management's expectations of revenue growth and margins, included in the FY19 budget and the five-year plan included in the impairment model, with the company's strategic

	plan and the projects in the pipeline, and we found them to be consistent. We applied professional scepticism when reviewing the forecasts for the market units by stress testing key assumptions, assessing the impact on the sensitivity analysis, and understanding the degree to which assumptions would need to move before impairment would be triggered. We found the key assumptions of revenue growth and margins used by Group management could be supported and are within an acceptable range. We focused our analysis on the Ports & Maritime market unit as it has the least headroom and has most of the goodwill balance (EUR 23.2 million) allocated to it. We found the key assumptions of revenue growth and margins used by Group management could be supported and are within an acceptable range. Based on our procedures we consider management's goodwill impairment assessment as adequate to support the value of the goodwill.

Litigation in the USA

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 61 (Note 4: Critical accounting estimates and judgements), note 20 and 34. Following the legal case with the former owner of INET Airport Systems, and pursuant the verdict from the Court of Appeal of the State of California in July 2018, both sides filed petitions for review by the California Supreme Court, and both of those petitions were denied. Cavotec made a provision of EUR 8.2 million in relation to the legal case. In accordance with US legislation, advance payments of the opponent's legal costs related to the litigation have been made for a total amount of EUR 5.9 million as of 31 December 2018. The company has recorded a non current asset in relation to these advances. However, in the procedure for determining right of indemnification both sides will have an opportunity to present their respective arguments and it is not guaranteed that Cavotec will be able to recoup the full amount. Consequently, Cavotec has made a provision of EUR 3.0 million. We considered this as a key audit matter because of the judgements used by Group management in assessing the balances and the ongoing nature and magnitude of the litigation.	Our audit approach included a detailed analysis of the balances and disclosures in the financial statements referring to the legal case, obtaining legal confirmations as well as discussions with the Audit Committee and with selected members of the Board of Directors. We compared management's legal analysis with the lawyer confirmation, our understanding of the case and the available court judgement with the treatment and the disclosure in the financial statements relating to the case. We assessed the management estimation of the provisions and consistency with the legal confirmation. In relation to the non current asset recorded for the advance payments of opponent's legal costs related to the litigation and the relative provision, we based our conclusion on discussions with the Group management, the Audit Committee, with selected members of the Board of Directors and the consideration of the position of external legal counsel.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Cavotec SA and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISAs and Swiss Auditing Standards 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Efrem Dell'Era
Audit expert
Auditor in charge

Luigi Voulgarelis

Lugano, 15 March 2019

Statutory Financial Statements 2018

Please note that all reported amounts are in CHF.

Income statement

Cavotec SA

CHF	Notes	2018	2017
Net proceeds of services		3,992,264	2,900,636
Staff cost		(2,040,293)	(1,502,055)
External services		(2,574,467)	(1,146,726)
Travelling expenses		(30,704)	(35,393)
General expenses		(244,241)	(214,710)
Valuation adjustment on investments	3	-	(21,436,420)
Operating result		**(897,441)**	**(21,434,667)**
Finance costs - net		(31,605)	(29,566)
Foreign exchange - net		(90,702)	(465,647)
Loss before taxes		**(1,019,748)**	**(21,929,881)**
Income taxes		(189,526)	(205,760)
Loss for the year		**(1,209,274)**	**(22,135,641)**

Balance Sheet

Cavotec SA

Assets CHF	Notes	2018	2017
Current assets			
Cash and cash equivalents		105,560	22,566
Other short-term receivables		2,762,262	1,491,910
from third parties		*11,299*	*-*
from group companies		*2,750,963*	*1,491,910*
Accrued income and prepaid expenses		20,933	63,064
Prepaid exp. and accrued income		*9,304*	*10,577*
Tax assets		*11,629*	*23,649*
Other current receivables		*-*	*28,838*
Other receivables from shareholder		22,414,226	-
Total current assets		**25,302,981**	**1,577,540**
Non-current assets			
Investments in subsidiary companies		154,729,636	160,672,098
Total non-current assets		**154,729,636**	**160,672,098**
Total assets		**180,032,617**	**162,249,638**

Liabilities CHF	Notes	2018	2017
Short-term liabilities			
Other short-term liabilities		(227,999)	(576,437)
to third parties		*(198,757)*	*(232,430)*
to group companies		*(29,242)*	*(344,007)*
Short-term interest-bearing liabilities	8	(74,413,670)	(74,842,185)
due to investments		*(74,413,670)*	*(74,842,185)*
Accruals and deferred income		(1,724,503)	(96,795)
Accruals and deferred income		*(1,729,741)*	*(84,779)*
Tax provision		*5,238*	*(12,016)*
Other liabilities		(760,889)	(61,611)
Other liabilities from capital increase		(22,414,226)	-
Translation provision		(6,282,037)	(9,353,680)
Total short-term liabilities		**(105,823,324)**	**(84,930,708)**
Other Long-term liabilities		-	(472,737)
to related parties		*-*	*(472,737)*
Total long-term liabilities		**-**	**(472,737)**
Total liabilities		**(105,823,324)**	**(85,403,445)**

Equity CHF	Notes	2018	2017
Share capital	4	(100,526,080)	(102,096,800)
Share premium reserve		(16,709,216)	(16,709,216)
Loss brought forward	4	41,748,004	19,612,363
Result for the period	4	1,209,274	22,135,641
Treasury shares	4,5	68,725	211,819
Total equity		**(74,209,293)**	**(76,846,193)**
Total equity and liabilities		**(180,032,617)**	**(162,249,638)**

Notes to Statutory Financial Statements

NOTE 1. GENERAL

Cavotec SA (the "Company") is the ultimate parent company of the Cavotec Group.

Cavotec is a global engineering Group that manufactures power transmission, distribution and control technologies that form the link between fixed and mobile equipment in the Ports & Maritime, Airports, Mining & Tunnelling and General Industry sectors. All engineering and most manufacturing of Cavotec's products and systems take place at eight specialised engineering Centres of Excellence in Germany (two), Sweden, Norway, Italy, the United States (two) and New Zealand. Cavotec has fully owned sales companies spread across the world which monitor local markets and cooperate with Cavotec's Centres of Excellence. Cavotec SA is listed on NASDAQ OMX in Stockholm, Sweden.

The Consolidated Financial Statements are of overriding importance for the purpose of the economic and financial assessment of the Company. The unconsolidated Statutory Financial Statements of the Company are prepared in accordance with Swiss law, the Code of Obligations (SCO), and serve as complementary information to the Consolidated Financial Statements.

NOTE 2. ACCOUNTING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Exchange rate differences – The Company keeps its accounting records in Euro and translates them into Swiss Francs (CHF) for statutory reporting purposes.
The Euro Statutory Financial Statements have been translated into Swiss Francs as follows:

Assets and liabilities	closing rate
Own shares and shareholders' equity	historical rate
Income and expenses	average rate
Impairment charges	spot rate

Translation gains are deferred and translation losses are included in the determination of net income.
Current assets and liabilities – Current assets and liabilities are recorded at cost less adjustments for impairment of value.
Financial assets – Financial assets are recorded at acquisition cost less adjustments for impairment of value.
Treasury shares – Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of resale, the gain or loss is allocated or charged to equity.
Revenue from sale of goods and services – Revenue from services is recorded as at invoicing. Once the service has been rendered it is invoiced, at the latest at the end of each quarter.

NOTE 3. INVESTMENT IN SUBSIDIARY COMPANIES

Company name	Purpose	Domicile	Ownership interest	Curr.	Share Capital
Cavotec (Swiss) SA	Service company	Switzerland	1.00	CHF	200,000
Cavotec MoorMaster	Holding & engineering	New Zealand	1.00	NZD	10,000,000
Cavotec US Holdings Inc.	Holding	USA	1.00	USD	68,000,000
Cavotec India Private Ltd	Sales company	IN	0.08	INR	46,000
Cavotec Netherlands Holding BV	Holding	The Netherlands	1.00	EUR	100

NOTE 4. SHAREHOLDERS' EQUITY

Description	Date	Shares	Share capital (CHF)
Incorporation	14 June 2011	100	100.00
Consolidation of shares - step 1	29 September 2011	100,006	100,006.00
Consolidation of shares - step 2	3 October 2011	64,520	100,006.00
Scheme of Arrangement	3 October 2011	71,397,220	110,665,691.00
Listing on NASDAQ OMX Stockholm	19 October 2011	71,397,220	110,665,691.00
Reduction share capital	04 May 2012	71,397,220	109,237,746.60
Reduction share capital	23 April 2013	71,397,220	105,667,885.60
Reduction share capital	23 April 2014	71,397,221	102,098,024.60
Increase share capital	19 September 2014	78,536,000	112,306,480.00
Reduction share capital	22 April 2015	78,536,000	108,379,680.00
Reduction share capital	22 April 2016	78,536,000	106,023,600.00
Reduction share capital	29 March 2017	78,536,000	102,096,800.00
Reduction share capital	12 April 2018	78,536,000	100,526,080.00

The share capital as of 31 December 2018 is divided into 78,536,000 shares at a part value CHF 1.28 each.

CHF	Share Capital	Legal Reserve Treasury shares	Share Premium Reserve	Prior Year Retained Earnings	Result for the period	Total Shareholder's equity
Opening balance at January 1, 2017	**106,023,600**	**(300,278)**	**16,709,216**	**(18,713,070)**	**(899,293)**	**102,820,175**
Sales of Treasury shares	-	78,846	-	-	-	**78,846**
Reduction share capital	(3,926,800)	9,613	-	-	-	**(3,917,183)**
Result of the period	-	-	-	-	(22,135,641)	**(22,135,641)**
Allocation prior year result	-	-	-	(899,293)	899,293	**-**
Balance at December 31, 2017	**102,096,800**	**(211,819)**	**16,709,216**	**(19,612,363)**	**(22,135,641)**	**76,846,193**
Opening balance at January 1, 2018	**102,096,800**	**(211,819)**	**16,709,216**	**(19,612,363)**	**(22,135,641)**	**76,846,193**
Purchase of Treasury shares	-	-	-	-	-	**-**
Sales of Treasury shares	-	141,599	-	-	-	**141,599**
Reduction share capital	(1,570,720)	1,495	-	-	-	**(1,569,225)**
Result of the period	-	-	-	-	(1,209,274)	**(1,209,274)**
Allocation prior year result	-	-	-	(22,135,641)	22,135,641	**-**
Balance at December 31, 2018	**100,526,080**	**(68,725)**	**16,709,216**	**(41,748,004)**	**(1,209,274)**	**74,209,293**

The total amount of contingent shares refers to 2016 and 2017 Long Term Incentive Plan (LTIP). The balance of authorised shares, approved by 2017 AGM, will expire on 12 April 2020.

During year 2018 the Board of Directors of Cavotec SA has resolved the implementation of a new compensation plan for employees and in particular for the Executive Management Team (EMT), focuses on achieving a high level of performance to ensure both sustained growth and value creation. The short-term incentive plan (STIP) is an annual non-equity cash compensation and is the cash-based element of the variable remuneration for senior executives, while the long-term incentive plan (LTIP) is aimed to create a managing shareholder culture by allowing selected key employees of the Group to become shareholders of Cavotec SA. Further information are in the Compensation Report on page 28.

Share capital as of December 31, 2018	No of registered shares	Par value (CHF)	Total (CHF)
Issued shares	78,536,000	1.28	100,526,080
Contingent shares	1,499,332	1.28	1,919,145
Authorised shares	15,707,200	1.28	20,105,216

NOTE 5. TREASURY SHARES

The treasury shares held at 31 December were 28,654, equal to 0.04% of the total share capital. During the year, according to the 2014 and 2015 Long Term Incentive Plan, 12,814 and respectively 46,117 shares were allocated to the employees of Cavotec Group. The average selling price was EUR 3.12 respectively EUR 2.57 each.

NOTE 6. SIGNIFICANT SHAREHOLDERS

The end of the year and based on the available information, five main shareholders are:

Year ended 31 December 2018			
Bure Equity AB	Financial institution	19,914,837	25.4%
Fjärde AP-Fonder	Investment Fund	7,608,721	9.7%
Fabio Cannavale (Nomina SA)	Board member	6,631,046	8.4%
LCL International Ltd.	Shareholder	5,162,045	6.6%
Stefan Widegren & family[1]	Founder shareholder	3,500,000	4.5%
Total		**42,816,649**	**54.5%**

Year ended 31 December 2017			
Bure Equity AB	Financial institution	15,759,837	20.1%
Fjärde AP-Fonden	Investment Fund	7,608,721	9.7%
Fabio Cannavale (Nomina SA)	Board member	7,298,046	9.3%
Lars Hellman (LCL life & Pension)	Founder shareholder	5,200,000	6.6%
Stefan Widegren & family[1]	Chairman & Founder shareholder	4,975,000	6.3%
Total		**40,841,604**	**45.7%**

[1] The amount includes the shares owned by Stefan Widegren, Lotten Widegren and Kristina Widegren.

NOTE 7. SHARE OWNERSHIP – BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

Based on publicly available information, the ownership by members of the Board and Executive Management Team is as follow:

Shareholders as of 31 December 2018		Number	%
Fabio Cannavale & family (Nomina SA)	Board member	6,631,046	8.4%
Patrik Tigerschiöld (Anna Kirtap AB & familly)	Chairman	140,000	0.2%
Patrick Rosenwald	EMT member	143,178	0.2%
Mikael Norin	CEO	108,142	0.1%
Erik Lautmann	Board member	107,802	0.1%
Juergen Strommer	EMT member	125,135	0.2%
Gustavo Miller	EMT member	79,595	0.1%
Giorgio Lingiardi	EMT member	63,202	0.1%
Kristiina Leppänen	EMT member	10,000	0.0%
Total		**7,408,100**	**9.4%**

NOTE 8. SHORT-TERM INTEREST BEARING LIABILITIES

Cavotec SA is the borrower under certain debt securities including the Group syndicated credit facilities signed with UBS Switzerland AG, Banca dello Stato del Cantone Ticino, Banca Coop AG, Intesa Sanpaolo S.p.A, SEB AG and HSBC Bank plc and the credit facility signed with Cornér Bank. As of year-end the main amount, CHF 71,084 thousands, was related to the Group Cash Pooling balance, and CHF 3,330 thousands was the utilisation of Corner bank facilities.

NOTE 9. GUARANTEES AND COMMITMENTS

Cavotec SA is a guarantor for the existing EUR 95 million syndicated credit facility. Moreover we have an open parent guarantee of EUR 9.31 Million to third party for the lease of the building for Cavotec Specimas Spa.

Cavotec SA carries joint liability in respect of the federal tax authorities for value added tax liabilities of its Swiss subsidiary.

NOTE 10. RISK ASSESSMENT DISCLOSURE

Cavotec SA, as the ultimate parent company of Cavotec Group, is fully integrated into the Company-wide internal risk assessment process.

The Company-wide internal risk assessment process consists of regular reporting to the Board of Directors of Cavotec SA on identified risks and management's reaction to them. The procedures and actions to identify the risks, and where appropriate remediate, are performed by specific corporate functions as well as by the operating companies of the Group.

It also adopted and deployed Group-wide the Internal Control System ("ICS").

The ICS is designed to identify, communicate, and mitigate risks in order to minimise their potential impact on the Group. A risk assessment analysis was performed by the Board of Directors. This analysis provided a high-level mapping of risks to allow Group Management to make appropriate decisions on the future of the Group. This map identified the following main areas of risks related to:

- Information and Consolidated Reporting
- Engaging the Group, Protecting its Assets, Compliance
- The Group's Industry
- The Group's Business
- Information, Subsidiary Reporting, Social Security and Tax
- Engaging Subsidiaries, Protecting their Assets, Local Compliance.

Financial risks management is described in more detail in the Risk Management note of the Consolidated Financial Statements.

NOTE 11. RELATED PARTY TRANSACTIONS

As of 31 December 2018, the company has granted no loans, advances, borrowings or guarantees in favour of member of the Board of Directors and members of the Executive Management Team or parties closely related to such persons.

The following table summarises the Cavotec SA transactions with its related parties, which are controlled or influenced by some Board members:

EUR 000's					Revenues		Costs	
Company	Country	Receivables	Payables	Guarantees	Goods and services	Others	Goods and services	Others
Bure Equity AB	Sweden	-	(335)	-	-	-	-	-
Total		**-**	**(335)**	**-**	**-**	**-**	**-**	**-**

The transaction with Bure Equity AB is related to the guarantee commitment fee on Right Issue subscription.

NOTE 12. SIGNIFICANT EVENTS

The Board of Directors of Cavotec SA has resolved to conduct a rights issue of SEK 204 million with pre-emptive rights for Cavotec's Shareholders with the aim to provide firepower to accelerate the future grow. The capital increase for the ordinary shares of 15,707,200 and value CHF 20,105,216 was booked in the register of commerce with date 10 January 2019. As a result of the operations, an asset and a liability have been recognised.

NOTE 13. LEGAL RISKS

As a global company with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and tax assessments. The outcome of any current or future proceedings cannot be predicted. It is therefore possible that legal or regulatory judgments or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings.

Legal proceedings currently considered to involve material risks are outlined below.

US litigation

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 subsequently proceeded with an appeal of the judgement, for which the Court of Appeal of the State of California issued a verdict partly reversing the initial verdict. As result, the Group made a non-recurring provision at local level in the year of CHF 12.9 million including accrued interest, in line with IFRS accounting rules. Both parties subsequently filed petitions with the California Supreme Court to hear the case. Those petitions where denied by the court. The case in California is now reaching its conclusion and both parties have filed petitions for the court to finally settle the amounts owed by both parties. Cavotec SA is co-defendant in the litigation.

NOTE 14. FULL TIME EQUIVALENTS

The number of full-time equivalents, as well as the previous year, did not exceed 10 on an annual average basis.

CAVOTEC SA

Proposed appropriation of available earnings

Proposed Appropriation of Available Earnings:

CHF	31 December 2018	31 December 2017
Loss brought forward	(41,748,004)	(19,612,363)
Loss for the year	(1,209,274)	(22,135,641)
Total earnings	(42,957,278)	(41,748,004)
Appropriation to general statutory reserves (retained earnings)	-	-
Appropriation to other reserves	-	-
Proposed balance to be carried forward	(42,957,278)	(41,748,004)

The Board of Directors' proposal to the Annual General Meeting is that no dividend is to be paid for the 2018 financial year.

Report of the statutory auditor
to the General Meeting of Cavotec SA
Lugano

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Cavotec SA, which comprise the balance sheet as at 31 December 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 87 to 90) as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 220'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Risk of impairment of investments in subsidiaries

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Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that 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 materiality for the financial statements as a whole 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, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 220'000
How we determined it	Consistent with the level of materiality used as part of the group audit
Rationale for the materiality benchmark applied	We initially chose total assets as the benchmark because, in our view, it is the relevant benchmark for a holding company that mainly holds investments and it is a generally accepted benchmark. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards. This calculation resulted in an overall materiality of CHF 1'800'000 (rounded). However, because the materiality allocated as part of the group audit (CHF 220'000) was lower, the audit was performed using this lower materiality threshold.

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, 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.

Risk of impairment of investments in subsidiaries

Key audit matter	*How our audit addressed the key audit matter*
At 31 December 2018, the carrying value of the company's investments amounts to CHF 154.7 million (2017: CHF 160.7 million). We focused our audit on these assets because of the large value of the account balances and the judgment involved in the assessment of recoverability of these assets. This impairment assessment involves significant judgments. It is based on an analysis of the respective equity of the subsidiaries at balance sheet date, budget and five years business forecasts.	We have tested management's assessment of the recoverability of investments as follows: • We analysed and challenged management's assessment of the businesses' future results, as reflected in the corresponding budgets and strategic plan of the Group; • We have reconciled the information used in the tests to the one used by the group management for the assessment of the goodwill; • We challenged management's assumptions of long-term growth rates and discount rate by comparing them with economic and industry forecasts; • We compared market capitalisation of Cavotec SA at 31 December 2018 with the equity of the company and found it to be higher. Based on our audit work we assess management's impairment test as adequate to support the value of the investments.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines 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 is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 Swiss law and Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Efrem Dell'Era | Luigi Voulgarelis

Audit expert
Auditor in charge

Lugano, 15 March 2019

Financial Definitions

Financial figures

Dividend yield Dividend as a percentage of the market price.

Dividend per share (DPS) Dividend for the period divided by the total number of shares outstanding.

Earnings per share Profit/loss attributable to equity holders of the Group divided by the average number of shares for the period.

Equity/asset ratio Total equity as a percentage of total assets.

FY Full Year.

Leverage ratio Senior net debt divided by operating result before depreciation and amortisation, adjusted for non-recurring items.

LTM Last Twelve Months.

Net debt Borrowings plus other financial liabilities, less cash and cash equivalents and current financial investments.

Net debt/equity ratio Net debt as a percentage of total equity.

Return on equity (ROE) Net profit after tax (rolling 12 months) divided by total equity less minority interests calculated on the average of quarterly values.

Senior net debt All interest bearing indebtedness that is not subordinated, minus liquid assets.

Total equity Shareholders' equity including minority interests.

Operating figures

Adjusted EBIT EBIT excluding Non-Recurring items.

Adjusted EBITDA EBITDA excluding Non-Recurring items.

Average capital employed Total assets less current liabilities calculated on their average of quarterly values for the period.

Average number of employees Average number of employees during the year based on hours worked. Does not include consultancy staff.

EBIT Operating result excluding net interest and income tax.

EBITDA Operating result excluding depreciation and amortisation of PPE and intangible assets, net interest and income tax.

EBITDA margin EBITDA excluding profit from participations in joint venture/associated companies as a percentage of net sales.

Gross operating margin Operating result before depreciation and amortisation as a percentage of the period's revenue from sales of goods.

Interest coverage Operating result, adjusted for non-recurring items divided by net interest expenses.

Net debt/EBITDA Net debt divided by EBITDA.

Non-Recurring Items any material items which represent gains or losses arising from: restructuring of the activities of an entity and reversal of any provisions for the costs of restructuring as defined under IFRS, disposal of non-current assets, disposal of assets associated with discontinued operations, extraordinary provisions and litigation.

Number of employees at year-end Including insourced staff and temporary employees.

Operating cash flow EBITDA excluding non-cash items, capital expenditures, divested PPE and changes in working capital, but excluding cash flow pertaining to restructuring.

Operating margin Operating result after depreciation and amortisation as a percentage of the period's revenue from sales of goods.

Operating result EBIT as stated in the income statement.

Order intake Value of orders received during the period.

PPE Property, plant and equipment.

Profit before income tax margin Profit/loss before income tax as a percentage of the period's revenue from sales of goods.

Return on average capital employed (ROACE) Net operating profit after tax (rolling 12 months) divided by average capital employed.

Credits

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Cavotec SA is listed on Nasdaq Stockholm