Q1 2018 | Interim report January-March 2018

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JANUARY–MARCH 2018

- **Order intake for the quarter increased 9.6% to EUR 67.9 million (62.0).**
- **Order book increased 17.7% compared to 2017 year end ending at EUR 100.8 million.**
- **Revenues for the quarter were EUR 52.7 million (53.2).**
- **EBIT saw a decrease versus last year to EUR 2.2 million (3.5), corresponding to a margin of 4.2% (6.6%).**
- **Net result for the period was EUR 0.8 million (1.9). Earnings per share basic and diluted decreased to EUR 0.011 (0.025).**
- **Operating cash flow amounted to EUR 4.9 million (-0.2).**
- **Net debt increased to EUR 21.8 million (20.4 as of 31 December 2017).**

Cavotec wins EUR 8m breakthrough order for Bahrain International Airport modernisation

TRANSFORMATION PLAN – IMPORTANT EVENTS

Q3 2017	Q4 2017	Q1 2018
• Identification of operational strenghts and weaknesses • Development of Transformation plan • 50 development projects defined • Balance sheet review resulting in operational write-downs	• Introduction of new organization, consisting of three fully accountable Divisions: Ports & Maritime, Airports & Industry and Services • Internal launch of transformation projects • Continued balance sheet review resulting in impairment and tax write-downs	• Granular Market Assessment finalized • One Cavotec identity launched: vision, mission and values • Top team strengthened: four key management recruitments • ¼ of transformation projects completed

FINANCIAL SUMMARY

		Quarter		LTM Rolling	Full Year	
EUR 000's	**Q118**	**Q117**	**Delta**	**Q118-Q117**	**FY17**	**Delta**
Order intake	67,926	61,996	9.6%	200,548	194,618	3.0%
Order book	100,758	112,114	-10.1%	100,758*	85,577	17.7%
Revenues	52,707	53,229	-1.0%	211,838	212,360	-0.2%
EBITDA excluding non - recurring items	3,166	4,761	-33.5%	12,330	13,925	-11.5%
EBITDA excluding non - recurring items %	6.0%	8.9%	-2.9 pp	5.8%	6.6%	-0.8 pp
EBITDA	2,995	4,590	-34.8%	4,727	6,322	-25.2%
EBITDA, %	5.7%	8.6%	-2.9 pp	2.2%	3.0%	-0.7 pp
EBIT excluding non - recurring items	2,401	3,673	-34.6%	8,315	9,587	-13.3%
EBIT excluding non - recurring items %	4.6%	6.9%	-2.3%	3.9%	4.5%	-0.6 pp
EBIT	2,230	3,502	-36.3%	(19,269)	(17,997)	-7.1%
EBIT, %	4.2%	6.6%	-2.3 pp	-9.1%	-8.5%	-0.6 pp
Result for the period	836	1,954	-57.2%	(32,890)	(31,771)	-3.5%
Basic and diluted earnings per share, EUR	0.011	0.025	-57.2%	(0.140)	(0.405)	-65.5%
Operating cash flow	4,938	(218)	-2368.7%	18,017	12,861	40.1%
Net debt	(21,774)	(23,650)	-7.9%	(21,774)*	(20,441)	6.5%
Equity/assets ratio	48.0%	58.6%	-10.6 pp	48.0%*	49.6%	-1.6 pp
Leverage ratio	1.77x	1.0x	-0.1x	1.77x *	1.47x	0.3x
Full time equivalent employees	937	1,005	(68)	937 *	970	(33)

** Balances per Q118*

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Comment from the CEO

Good momentum in order intake – transformation continues

2018 is a transformation year for Cavotec where we seek to build on our strengths and address our weaknesses in order to return to a strong growth trajectory. As we focus on the transformation it is encouraging to see that we maintain a strong position in the market.

In the first quarter, we saw the order intake increase 9.6% year-on-year to EUR 67.9 million and the order book increase 17.7% compared to the fourth quarter 2017. This means that we now have an order book worth just over EUR 100 million after two previous soft quarters.

During the first quarter, we signed two landmark orders; a EUR 8 million order for the Bahrain International Airport modernization and a EUR 9 million order for automated mooring of electric ferries in Norway.

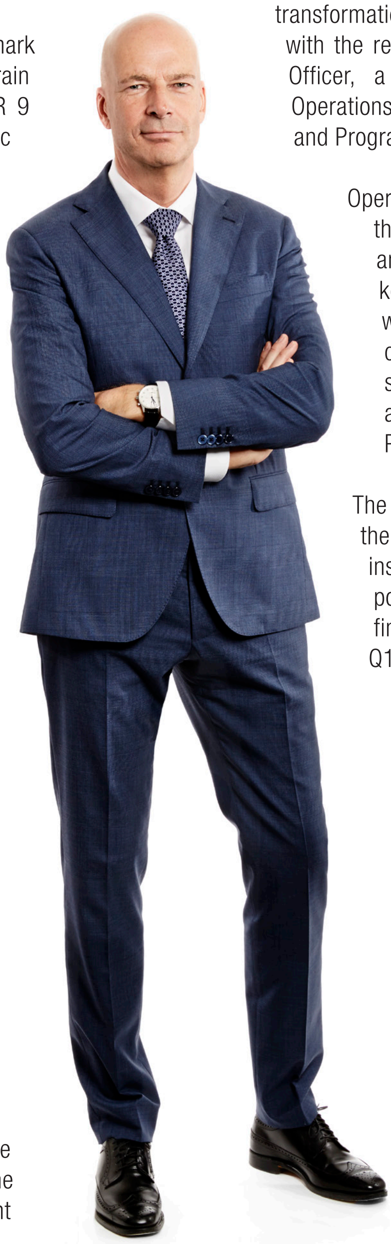
Both orders are signs of our technology strenghts in a world with increasing transportation and travel, where Cavotec provides solutions for a safer, cleaner and more efficient world.

Revenues for the group as a whole during the first quarter were flat compared to the first quarter 2017, even as the high pace of transformation continued. The order intake during the first quarter of 2018, on the other hand, increased more than 50% compared to the last quarter of 2017, as a result of increasing business activity in the container terminal business together with high interest for automated mooring as well as an uptick in Industry.

EBIT decreased compared to the same period in 2017 and the EBIT-margin amounted to 4.2% as a result of the low revenues in Ports & Maritime. It is, however, encouraging that the operating cash flow was extremely strong as an outcome of the continued actions to decrease working capital.

TRANSFORMATION PLAN

Any successful turnaround and growth plan must start with a deep understanding of the market potential. To that end, we have during the quarter finalized a very thorough assessment of our markets. We now have a comprehensive understanding of market sizes and future potential by core offering and by customer segments and geographies. In one sentence, our assessment shows that the opportunities are there. Looking, for example, at the market for infrastructure in ports and maritime, we can conclude that it is expected to grow from EUR 70 to 90 billion in the next five years. Also, in the airport infrastructure market we see a similar picture of robust annual growth of 4%. Even more promising is the picture in our mining end market where we see it coming back after the recent decline and growing 10% per year in the next five years.



To capitalize on these opportunities and to further drive the transformation we have strengthened our executive team with the recruitments of a new Chief Human Resources Officer, a President of Cavotec Services, a Chief Operations Officer, and a Group Vice President for Project and Program Management.

Operating a global engineering group across more than 30 countries requires a strong common and shared direction and identity. One of my key transformation goals for the first year was therefore to establish a “One Cavotec culture” and identity. We have taken decisive steps in that direction including being clear about our core values: Integrity, Accountability, Performance, and Teamwork.

The transformation continues and deepens during the remaining of the year, leading to a better insight into our commercial and operational potential. As a result, we expect to start sharing financial objectives with the market starting with Q1 report 2019.

Lugano, May 4, 2018

Mikael Norin
Chief Executive Officer

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ORDER INTAKE AND REVENUES

	Order Intake	
EUR 000's	**Q118**	**Q117**
Order Intake	67,926	61,996
Increase/decrease	5,930	5,439
Percentage change	9.6%	9.6%
Of which		
- Volumes and prices	15.8%	2.7%
- Currency effects	-6.2%	6.9%

	Revenues	
EUR 000's	**Q118**	**Q117**
Revenues	52,707	53,229
Increase/decrease	(522)	7,145
Percentage change	-1.0%	15.5%
Of which		
- Volumes and prices	7.6%	12.9%
- Currency effects	-8.6%	2.6%

BUSINESS UNITS

	Order Intake					
EUR 000's	**Q118**	**Q117**	**Change %**	**LTM Rolling**	**FY17**	**Change %**
Ports & Maritime	25,159	16,864	49.2%	75,628	67,332	12.3%
Airports & Industry	42,766	45,132	-5.2%	124,920	127,286	-1.9%
Total	**67,926**	**61,996**	**9.6%**	**200,548**	**194,618**	**3.0%**

	Revenues					
EUR 000's	**Q118**	**Q117**	**Change %**	**LTM Rolling**	**FY17**	**Change %**
Ports & Maritime	16,327	21,760	-25.0%	74,282	79,715	-6.8%
Airports & Industry	36,380	31,469	15.6%	137,556	132,645	3.7%
Total	**52,707**	**53,229**	**-1.0%**	**211,838**	**212,360**	**-0.2%**

	Order Book			Book/Bill ratio	
EUR 000's	**Q118**	**Q117**	**Change %**	**Q118**	**Q117**
Ports & Maritime	44,616	43,266	3.1%	1.54	0.77
Airports & Industry	56,142	68,848	-18.5%	1.18	1.43
Total	**100,758**	**112,114**	**-10.1%**	**1.29**	**1.16**

Financial Review

Order intake and Revenues

Order intake increased 9.6% to EUR 67.9 million (62.0). The higher order intake compared to the same quarter of 2017 is explained by several large orders taken in both Ports & Maritime and Airports & Industry divisions.

Revenues decreased 1.0% to EUR 52.7 million (53.2) in the first quarter of 2018, mainly as a result of the soft order book at the end of 2017.

Ports & Maritime

Order intake increased 49.2% compared to the same period in 2017; this is the result of a number of large orders that were booked during the quarter, including three new MoorMaster™ orders in Norway, showing encouraging signs of recovery of the ports business in Northern Europe.

Revenues in Ports & Maritime decreased 25% to EUR 16.3 million (21.8). This is due mainly to the lack of large projects, especially compared to the first quarter of 2017 when some major Ports & Maritime projects were close to completion phase.

Airports & Industry

The order intake in Airports & Industry decreased 5.2% compared to the same period of last year, while it shows an increase of 80.9% compared to Q417, driven by a strong demand in European and Asian markets. In the same period of last year the order intake included a breakthrough order for airport equipment in Middle East.

Revenues for Airports & Industry increased 15.6% to EUR 36.4 million (31.5). Airports contributed with both new large orders in EMEA and APAC geographical areas, and day-to-day business driven by a high demand of Airport Ground Connections. Industry showed a good performance in the Far – East countries, with underground mining remaining the strongest market.

EBIT

EBIT decreased to EUR 2.2 million (3.5), corresponding to a margin of 4.2%. The decrease is due to a different product mix, as Q118 revenues showed an increased contribution of the day-to-day business, while in the first quarter of 2017 revenues were mainly driven by large projects with higher margin.

Profit for the period and earnings per share

Finance costs amounted to EUR 1 million (0.8), of which interest expenses amounted to EUR 0.5 million and exchange differences to EUR 0.5 million. Profit before taxes ended EUR 1.3 million (2.7). Income tax expense for the first quarter of 2018 amounted to EUR 0.5 million (0.7), with an effective tax rate of 35%.

The net result for the period was EUR 0.8 million (1.9). Earnings per share, basic and diluted, decreased to EUR 0.011(0.025).

Cash flow

The operating cash flow amounted to EUR 4.9 million (-0.2). The strong cash flow is explained by continued improvement in working capital management.

Investing activities include CAPEX of EUR 6.4 million (-0.8), driven by the completion of the new production facility in Italy.

Cash flow from financing activities was EUR -1.2 million (+1.3), as a consequence of partial repayments of loans.

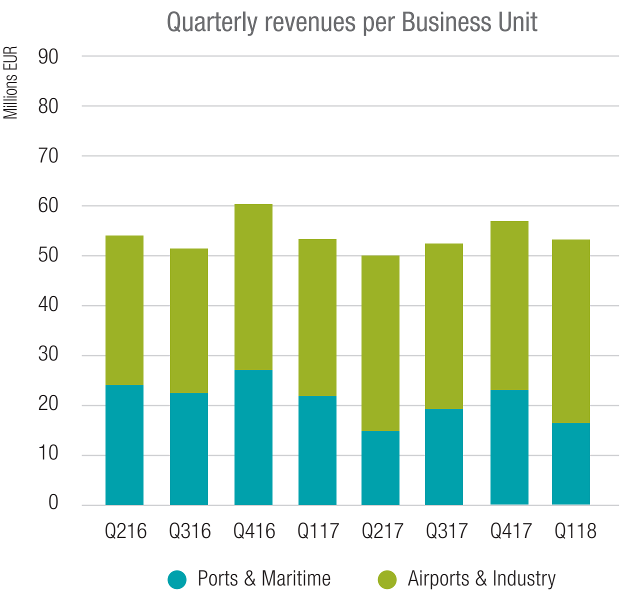
Cash and cash equivalents amounted to EUR 25.6 million as of 31 March 2018 (15.1).

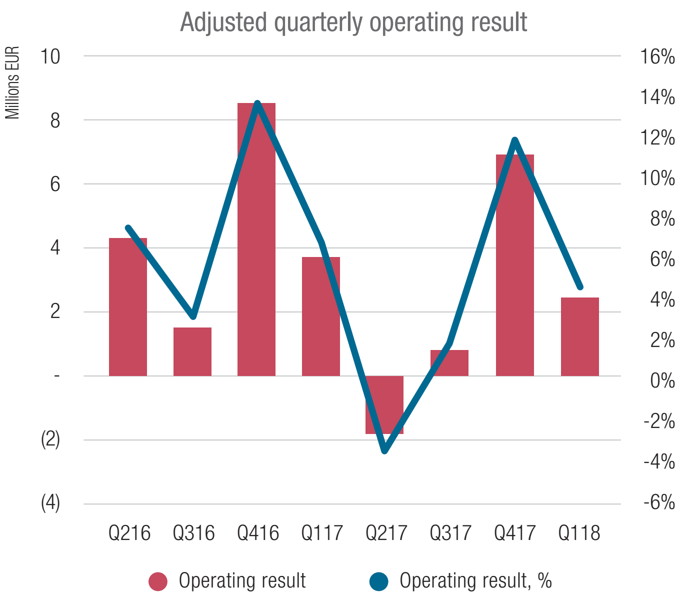
Financial Position

Cavotec's total assets amounted to EUR 216.4 million (210.7) as of 31 December 2017. The equity to assets ratio was 48.0% (49.6%) and the net debt amounted to EUR 21.8 million (20.4) as of 31 December 2017.

Employees

The number of full time equivalent employees in Cavotec Group was 937 as of 31 March 2018 (1005). The decrease is mainly a result of measures following the implementation of the transformation plan, leading to higher efficiency.





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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 000's	Unaudited three months 31 Mar, 2018	Unaudited three months 31 Mar, 2017	Audited year 31 Dec, 2017
Revenue from sales of goods and services	52,707	53,229	212,360
Other income	955	812	4,187
Cost of materials	(25,068)	(23,869)	(107,931)
Employee costs	(16,778)	(16,572)	(65,866)
Operating expenses	(8,821)	(9,010)	(36,428)
Gross Operating Result	**2,995**	**4,590**	**6,322**
Depreciation and amortisation	(765)	(1,088)	(4,334)
Impairment losses	-	-	(19,986)
Operating Result	**2,230**	**3,502**	**(17,998)**
Interest income	19	24	259
Interest expenses	(475)	(447)	(1,702)
Currency exchange differences - net	(482)	(388)	(3,409)
Other financial item	-	-	(242)
Profit /(loss) before income tax	**1,291**	**2,691**	**(23,092)**
Income taxes	(456)	(737)	(8,679)
Profit /(loss) for the period	**836**	**1,954**	**(31,771)**
Other comprehensive income:			
Remeasurements of post employment benefit obligations	4	7	18
Items that will not be reclassified to profit or loss	**4**	**7**	**18**
Currency translation differences	(450)	(135)	(6,084)
Items that may be subsequently reclassified to profit /(loss)	**(450)**	**(135)**	**(6,084)**
Other comprehensive income for the year, net of tax	**(446)**	**(128)**	**(6,066)**
Total comprehensive income for the period	**390**	**1,827**	**(37,837)**
Total comprehensive income attributable to:			
Equity holders of the Group	391	1,828	(37,833)
Non-controlling interest	(1)	(1)	(4)
Total	**390**	**1,827**	**(37,837)**
Profit (loss) attributed to:			
Equity holders of the Group	836	1,954	(31,771)
Total	**836**	**1,954**	**(31,771)**
Basic and diluted earnings per share attributed to the equity holders of the Group	0.011	0.025	(0.405)
Average number of shares	78,448,415	78,403,791	78,415,902

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CONSOLIDATED BALANCE SHEET

EUR 000's	Unaudited 31 Mar, 2018	Unaudited 31 Mar, 2017	Audited 31 Dec, 2017
Assets			
Current assets			
Cash and cash equivalents	25,573	15,144	28,718
Trade receivables	48,853	41,372	40,958
Tax assets	1,474	495	914
Other current receivables	6,421	7,161	5,401
Contract assets	1,471	12,101	5,229
Inventories	35,670	46,629	36,819
Assets held for sale	3,141	3,917	4,815
Total current assets	**122,603**	**126,820**	**122,854**
Non-current assets			
Property, plant and equipment	23,784	21,652	18,168
Intangible assets	52,775	74,707	52,971
Non-current financial assets	259	294	264
Deferred tax assets	10,012	20,347	9,294
Other non-current receivables	6,997	7,702	7,134
Total non-current assets	**93,826**	**124,702**	**87,831**
Total assets	**216,430**	**251,521**	**210,685**
Equity and Liabilities			
Current liabilities			
Current financial liabilities	(2,232)	(3,790)	(2,873)
Trade payables	(39,250)	(38,297)	(33,585)
Tax liabilities	(1,365)	(1,688)	(1,110)
Provision for risk and charges, current	(5,396)	(5,058)	(5,362)
Other current liabilities	(11,343)	(10,688)	(9,676)
Total current liabilities	**(59,586)**	**(59,521)**	**(52,606)**
Non-current liabilities			
Non-current financial liabilities	(44,536)	(34,144)	(45,627)
Deferred tax liabilities	(2,597)	(6,929)	(2,813)
Other non-current liabilities	(790)	(447)	(777)
Provision for risk and charges, non-current	(5,117)	(3,204)	(4,387)
Total non-current liabilities	**(53,040)**	**(44,724)**	**(53,604)**
Total liabilities	**(112,626)**	**(104,245)**	**(106,210)**
Equity			
Equity attributable to owners of the parent	(103,777)	(147,245)	(104,448)
Non-controlling interests	(26)	(31)	(27)
Total equity	**(103,803)**	**(147,276)**	**(104,475)**
Total equity and liabilities	**(216,430)**	**(251,521)**	**(210,685)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 000's	Share Capital	Reserves	Retained earnings	Equity related to owners of the parent	Non-controlling interest	Total equity
Unaudited						
Balance as at 1 January 2017	(86,842)	(12,094)	(46,482)	**(145,418)**	(32)	**(145,450)**
(Profit) / Loss for the period	-	-	(1,954)	**(1,954)**	-	**(1,954)**
Currency translation differences	-	134	-	**134**	1	**135**
Remeasurements of post employment benefit obligations	-	(7)	-	**(7)**	-	**(7)**
Total comprehensive income and expenses	**-**	**127**	**(1,954)**	**(1,828)**	**1**	**(1,827)**
Balance as at 31 March 2017	**(86,842)**	**(11,966)**	**(48,436)**	**(147,245)**	**(31)**	**(147,276)**
Audited						
Balance as at 1 January 2017	(86,842)	(12,094)	(46,482)	**(145,418)**	(32)	**(145,450)**
(Profit) / Loss for the period	-	-	31,771	**31,771**	-	**31,771**
Currency translation differences	-	6,080	-	**6,080**	4	**6,084**
Remeasurements of post employment benefit obligations	-	(18)	-	**(18)**	-	**(18)**
Total comprehensive income and expenses	**-**	**6,062**	**31,771**	**37,833**	**4**	**37,837**
Capital reduction	3,216	(6)	-	**3,210**	-	**3,210**
Issue of treasury shares to employees	-	(73)	-	**(73)**	-	**(73)**
Transactions with shareholders	**3,216**	**(79)**	**-**	**3,137**	**-**	**3,137**
Balance as at 31 December 2017	**(83,626)**	**(6,111)**	**(14,711)**	**(104,448)**	**(27)**	**(104,475)**
Unaudited						
Change in accounting policy	-	-	1,061	**1,061**	-	**1,061**
Restated total equity as at 1 January 2018	(83,626)	(6,111)	(13,649)	**(103,385)**	(27)	**(103,414)**
(Profit) / Loss for the period	-	-	(836)	**(836)**	-	**(836)**
Currency translation differences	-	449	-	**449**	1	**450**
Remeasurements of post employment benefit obligations	-	(4)	-	**(4)**	-	**(4)**
Total comprehensive income and expenses	**-**	**445**	**(836)**	**(391)**	**1**	**(390)**
Balance as at 31 March 2018	**(83,626)**	**(5,666)**	**(14,485)**	**(103,777)**	**(26)**	**(103,803)**

CONSOLIDATED STATEMENT OF CASH FLOWS - INDIRECT METHOD

EUR 000's	Unaudited three months 31 Mar, 2018	Unaudited three months 31 Mar, 2017	Audited year 31 Dec, 2017
Profit /(loss) for the period	**836**	**1,954**	**(31,771)**
Adjustments for:			
Net interest expenses	376	343	1,123
Current taxes	1,363	559	2,438
Depreciation and amortisation	765	1,088	4,334
Impairment losses	-	-	19,986
Deferred tax	(907)	178	6,241
Provision for risks and charges	337	(1,011)	1,613
Capital gain or loss on assets	(227)	(41)	(119)
Other items not involving cash flows	642	(15)	3,410
Interest paid	(404)	(345)	(1,110)
Taxes paid	(1,666)	(1,901)	(4,874)
	279	**(1,145)**	**33,042**
Cash flow before changes in working capital	**1,115**	**809**	**1,271**
Impact of changes in working capital:			
Inventories	1,143	(6,636)	1,372
Trade receivables	(7,561)	10,232	11,309
Other current receivables	2,746	(12,607)	(4,595)
Trade payables	5,661	8,246	3,630
Other current liabilities	1,686	(418)	(1,143)
Long term receivables and liabilities	148	156	1,017
Impact of changes involving working capital	**3,823**	**(1,027)**	**11,590**
Net cash inflow / (outflow) from operating activities	**4,938**	**(218)**	**12,861**
Financial activities:			
Proceeds of loans and borrowings	170	1,435	16,063
(Repayments) of loans and borrowings	(1,407)	(124)	(2,649)
Capital reduction	-	-	(3,539)
Net cash inflow / (outflow) from financial activities	**(1,237)**	**1,311**	**9,875**
Investing activities:			
Investments in property, plant and equipment	(6,455)	(467)	(2,112)
Investments in intangible assets	(689)	(414)	(1,585)
Disposal of assets	757	119	207
Net cash inflow / (outflow) from investing activities	**(6,387)**	**(762)**	**(3,490)**
Cash at the beginning of the period	28,718	14,982	14,982
Cash flow for the period	(2,686)	331	19,246
Currency exchange differences	(459)	(169)	(5,510)
Cash at the end of the period	**25,573**	**15,144**	**28,718**

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SEGMENT INFORMATION

EUR 000's	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Unaudited Three months ended 31 March 2018				
Revenue from sales of goods and services	16,327	36,380	-	**52,707**
Other income	343	612	-	**955**
Cost of materials and operating expenses before depreciation and amortisation	(17,273)	(31,690)	(1,704)	**(50,667)**
Gross Operating Result	**(603)**	**5,302**	**(1,704)**	**2,995**
Unaudited Three months ended 31 March 2017				
Revenue from sales of goods and services	21,771	31,459	-	**53,229**
Other income	319	492	-	**812**
Cost of materials and operating expenses before depreciation and amortisation	(19,837)	(27,900)	(1,714)	**(49,451)**
Gross Operating Result	**2,253**	**4,050**	**(1,714)**	**4,590**
Audited Year ended 31 December 2017				
Revenue from sales of goods and services	79,715	132,645	-	**212,360**
Other income	1,868	2,319	-	**4,187**
Cost of materials and operating expenses before depreciation and amortisation	(80,769)	(123,110)	(6,346)	**(210,225)**
Gross Operating Result	**814**	**11,854**	**(6,346)**	**6,322**

PARENT COMPANY - CONDENSED STATEMENT OF COMPREHENSIVE INCOME

CAVOTEC SA EUR 000's	Unaudited three months 31 Mar, 2018	Unaudited three months 31 Mar, 2017	Audited year 31 Dec, 2017
Other income	839	687	2,612
Employee benefit costs	(266)	(216)	(1,438)
Operating expenses	(253)	(372)	(19,575)
Operating Result	**320**	**100**	**(18,401)**
Interest expenses - net	(6)	(7)	(27)
Currency exchange differences - net	(2)	-	(420)
Profit / (Loss) before income tax	**311**	**93**	**(18,848)**
Income taxes	(5)	(4)	(177)
Profit / (Loss) for the period	**306**	**89**	**(19,024)**
Other comprehensive income:			
Actuarial gain (loss)	-	-	24
Total comprehensive income for the period	**306**	**89**	**(19,000)**

PARENT COMPANY - CONDENSED BALANCE SHEET

CAVOTEC SA EUR 000's	Unaudited year 31 Mar, 2018	Unaudited year 31 Mar, 2017	Audited year 31 Dec, 2017
Assets			
Current assets			
Cash and cash equivalents	136	77	19
Trade receivable	551	225	1,020
Tax assets	28	17	20
Other current receivables	604	591	9
Total current assets	**1,320**	**910**	**1,068**
Non-current assets			
Investment in subsidiary companies	137,303	155,622	137,303
Deferred tax assets	43	42	42
Total non-current assets	**137,346**	**155,663**	**137,345**
Total assets	**138,666**	**156,574**	**138,414**
Equity and Liabilities			
Current liabilities			
Bank overdrafts	(62,101)	(58,408)	(62,002)
Current financial liabilities	(1,955)	(1,955)	(1,955)
Trade payables	(103)	(215)	(249)
Other current liabilities	(361)	(238)	(387)
Total current liabilities	**(64,520)**	**(60,815)**	**(64,593)**
Non-current liabilities			
Provision for risks and charges - non current	(63)	(100)	(63)
Other non-current liabilities	(632)	(287)	(613)
Total non-current liabilities	**(696)**	**(387)**	**(676)**
Total liabilities	**(65,216)**	**(61,202)**	**(65,269)**
Total equity	**(73,451)**	**(95,372)**	**(73,144)**
Total equity and liabilities	**(138,666)**	**(156,574)**	**(138,414)**

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General information

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

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

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

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

These unaudited Financial Statements have been approved by the Board of Directors for publication on 4 May 2018.

Basis of preparation of Financial Statements

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

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

Changes in accounting policies

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

Impact of adoptions

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

Construction contracts reassessed at point in time under IFRS 15

EUR thousands	December 31, 2017	Adjustment IFRS 15	Adjusted January 1, 2018
Assets			
Current assets			
Other current assets	10,630	(2,003)	8,627
Inventories	36,819	942	37,761
Total assets	**210,685**	**(1,061)**	**209,624**
Equity and liabilities			
Equity			
Retained earnings	(14,712)	1,061	(13,651)
Total Equity	**(104,448)**	**1,061**	**(103,387)**

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.

Accounting policies

Revenue recognition

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

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

New standards, amendments and interpretations not yet adopted

IFRS 16 Leases

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

Segment information
In January 2017 the Group introduced a new organizational structure based on two Divisions: "Ports & Maritime" and "Airports & Industry", that represented also the new reporting segments. Towards the end of the year, the creation of the new "Services Division" has been announced, to be effective since 1 January 2018. As of Q118 there's no indication that total revenues for Services Division will exceed 10% of total Group revenues, therefore for FY2018 the new division won't be reported as a separate reporting segment yet.

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

Mr. Colaco has proceeded with an appeal of the judgement, which will postpone a final settlement towards late 2018.

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

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

Financial calendar

3 August 2018	Q218 Reporting
2 November 2018	Q318 Reporting
21 February 2019	Q418 and Annual Report Reporting

Q118 Conference call
A conference call for shareholders, analysts and media will be held on 4 May 2018 at 13:00 CEST.

Participating on the conference call from Cavotec will be Mikael Norin, CEO, and Kristiina Leppänen, CFO & IR. The meeting will start with some background on the Q118 results and will be followed by a Q&A session.

Conference call details:
Dial-in number: +46 8 566 425 08

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