Q4 2018 | Interim report October-December 2018

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Stable order intake, but lower revenues – majority of restructuring measures finalized in Q4

OCTOBER–DECEMBER 2018

- **Order intake remained stable at EUR 44.2 million (44.5)**
- **Order book increased 17.0% to EUR 100.1 million (85.6)**
- **Revenues decreased 13.8% to EUR 48.8 million (56.6)**
- **EBIT excluding non-recurring items amounted to EUR 0.1 million (6.9), corresponding to a margin of 0.2% (12.2%)**
- **Non-recurring items amounted to EUR 11.2 million, of which EUR 5.0 million is related to the restructuring programme that was announced in October 2018, and EUR 4.2 million related to the US litigation provision**
- **Net result for the period was EUR -13.4 million (-20.4)**
- **Earnings per share basic and diluted amounted to EUR -0.169 (-0.260)**
- **Operating cash flow amounted to EUR 1.8 million (17.9)**

JANUARY–DECEMBER 2018

- **Order intake increased 8.7% to EUR 211.5 million (194.6)**
- **Order book increased 17.0% to EUR 100.1 million (85.6)**
- **Revenues decreased 7.3% to EUR 197.0 million (212.4)**
- **EBIT excluding non-recurring items amounted to EUR 3.9 million (9.6), corresponding to a margin of 2.0% (4.5%)**
- **Non-recurring items amounted to EUR 17.8 million, of which EUR 11.2 million is related to the US litigation provision, and EUR 5.0 million to the restructuring programme that was announced in October 2018**
- **Net result for the period was EUR -18.5 million (-31.8)**
- **Earnings per share basic and diluted amounted to EUR -0.233 (-0.404)**
- **Operating cash flow amounted to EUR 1.2 million (12.9)**
- **Net debt increased to EUR 32.1 million (FY2017: 20.4)**
- **The Board of Directors' proposal to the Annual General Meeting is that no dividend is to be paid for the 2018 financial year**

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

TRANSFORMATION PLAN – IMPORTANT EVENTS

Q1 2018	Q2 2018	Q3 2018	Q4 2018
• Launch of new organization, consisting of three fully accountable Divisions: Ports & Maritime, Airports & Industry and Services • Granular Market Assessment finalized • One Cavotec identity launched: vision, mission and values • Top team strengthened: four key management recruitments • 25% of 50 Transformation projects that were launched in 2017 completed	• New production facility opened in Milan • 40% of Transformation Projects completed • Implementation of sales management and CRM tool • Production planning and inventory planning tools implemented	• 65% of Transformation Projects completed • Commercial excellence initiative launched	• Restructuring programme initiated in order to achieve annual savings of approximately EUR 10 million by 2021 • Cavotec announced a fully underwritten rights issue of SEK 204 million • 76% of Transformation Projects completed

FINANCIAL SUMMARY

	Quarter			YTD		
EUR 000's	**Q418**	**Q417**	**Delta**	**FY18**	**FY17**	**Delta**
Order intake	44,207	44,513	-0.7%	211,473	194,618	8.7%
Order book	100,090	85,577	17.0%	100,090	85,577	17.0%
Revenues	48,816	56,601	-13.8%	196,961	212,360	-7.3%
EBITDA excluding non - recurring items	1,458	7,985	-81.7%	8,559	13,925	-38.5%
EBITDA excluding non - recurring items %	3.0%	14.1%	-11.1 pp	4.3%	6.6%	-2.3 pp
EBITDA	(9,611)	7,468	-228.7%	(9,059)	6,322	-243.1%
EBITDA, %	-19.7%	13.2%	-32.9 pp	-4.6%	3.0%	-7.6 pp
EBIT excluding non - recurring items	90	6,898	-98.7%	3,887	9,587	-59.5%
EBIT excluding non - recurring items %	0.2%	12.2%	-12 pp	2.0%	4.5%	-2.5 pp
EBIT	(11,135)	(12,514)	11.0%	(13,887)	(17,997)	22.8%
EBIT, %	-22.8%	-22.1%	0.7 pp	-7.1%	-8.5%	1.4 pp
Result for the period	(13,385)	(20,414)	34.4%	(18,450)	(31,771)	41.9%
Basic and diluted earnings per share, EUR	(0.169)	(0.260)	-35.0%	(0.233)	(0.404)	-42.3%
Operating cash flow	1,769	17,889	-90.1%	1,241	12,861	-90.1%
Net debt	(32,050)	(20,441)	56.8%	(32,050)	(20,441)	56.8%
Equity/assets ratio	43.5%	49.6%	-6.1 pp	43.5%	49.6%	-6.1 pp
Leverage ratio	3.75x	1.47x	-2.28x	3.75x	1.47x	-2.28x
Full time equivalent employees	896	970	-74	896	970	-74

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Comment from the CEO

Final phase of transformation to profitability

Cavotec's order intake increased 8.7% year-over-year and the order book at the end of 2018 stood at EUR 100.1 million. This is 17.0% higher than at the same time last year. This was achieved despite extensive transformation efforts throughout the year including a comprehensive restructuring programme during the fourth quarter.

Revenues, however, decreased 13.8% to EUR 48.8 million for the quarter and 7.3% to EUR 197.0 million for the whole year. The underlying business was in line with last year, but the lower level of large orders in both divisions during the year impacted revenue. In Airports and Industry, we have seen the postponement and cancellations of several new airport and terminal projects. In Ports and Maritime there has been a steady buildup of activity in the latter half of the year that we believe will bear fruit in terms of orders in 2019. The lower revenues are also partly explained by continuing problems with our production in Italy. The investments made in reconfiguring the facility, new management and processes are mostly done but the results of those programs will only become evident in the first half of 2019.

At the beginning of October, we announced a programme to address structural inefficiencies in the Group targeting annual savings of approximately EUR 10 million by 2021, whereof significant run-rate savings already in 2019. We closed 10 local offices in the fourth quarter as part of the programme and the headcount was down 7.7% compared to the same period previous year.

At the beginning of November, we announced a fully underwritten rights issue of SEK 204 million to strengthen our balance sheet to give us the resources we need to complete our transformation initiatives swiftly. The rights issue was successfully completed in January 2019.

Most of the 50 projects under the A New Day transformation plan designed to streamline processes and transform Cavotec into a more efficient organisation have been finalized at the end of the quarter. We furthermore strengthened the executive team with a new CFO and a new President of the Ports and Maritime Division, after the end of the period. Our efforts to bring in highly experienced managers to lead key areas at all levels means that six out of eight top executives have been added or replaced during the last 18 months.

EBIT, excluding non-recurring items, for the fourth quarter 2018 decreased to EUR 90 thousand, corresponding to a margin of 0.2%, while EBIT, excluding non-recurring items, for the 12 months period 2018 amounted to EUR 3.9 million, corresponding to a margin of 2.0%. The lower EBIT is explained by the lower revenues and higher than normal consulting, recruitment fees and travelling expenses in connection with the ongoing transformation. Non-recurring items related to the restructuring programme, amounted to EUR 5.0 million. We still expect the total cost of the programme to be in line with our previous announcement of EUR 7.0 million.

As the lawsuit in California is now reaching its conclusion both parties have filed petitions for the court to finally settle the amounts owed by each party. We have made a further provision of EUR 1.3 million in the quarter to cover most possible outcomes of that process. Throughout the case we have also made advancement payments of legal expenses for the other party of approx. EUR 5.9 million as per company statutes. As the case is now concluding we 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 we will be able to recoup the full sum. Consequently, we made a provision in the quarter of EUR 3.0 million to cover most eventualities of this process.

PLATFORM FOR FUTURE PROFITABLE GROWTH

All in all, 2018 has been a year of significant transformation for Cavotec, during which we have taken a multitude of necessary steps to create a foundation for future profitable growth. We are now substantially ready to focus on growing profitability during 2019. We continue to be well positioned in terms of fundamental market trends, specifically around safety, automation and the environment, and we have outstanding, innovative technologies suited to meet the demands of these trends.

With these strengths, along with the transformation that is taking hold across the organisation, we believe that we have a promising future ahead of us.

Lugano, February 21, 2019

Mikael Norin
Chief Executive Officer

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ORDER INTAKE AND REVENUES

	Order Intake			
EUR 000's	**Q418**	**Q417**	**FY18**	**FY17**
Order Intake	44,207	44,513	211,473	194,618
Increase/decrease	(306)	(18,602)	16,855	(21,778)
Percentage change	-0.7%	-29.5%	8.7%	-10.1%
Of which				
- Volumes and prices	-1.2%	-20.9%	7.6%	-7.6%
- Currency effects	0.5%	-8.5%	1.1%	-2.5%

	Revenues			
EUR 000's	**Q418**	**Q417**	**FY18**	**FY17**
Revenues	48,816	56,601	196,961	212,360
Increase/decrease	(7,785)	(3,621)	(15,399)	842
Percentage change	-13.8%	-6.0%	-7.3%	0.4%
Of which				
- Volumes and prices	-12.8%	-3.6%	-4.0%	1.7%
- Currency effects	-0.9%	-2.4%	-3.3%	-1.3%

DIVISIONS

	Order Intake					
EUR 000's	**Q418**	**Q417**	**Change %**	**FY18**	**FY17**	**Change %**
Ports & Maritime	17,901	20,872	-14.2%	81,664	67,332	21.3%
Airports & Industry	26,306	23,641	11.3%	129,809	127,286	2.0%
Total	**44,207**	**44,513**	**-0.7%**	**211,473**	**194,618**	**8.7%**

	Revenues					
EUR 000's	**Q418**	**Q417**	**Change %**	**FY18**	**FY17**	**Change %**
Ports & Maritime	19,300	22,981	-16.0%	68,396	79,715	-14.2%
Airports & Industry	29,516	33,620	-12.2%	128,565	132,645	-3.1%
Total	**48,816**	**56,601**	**-13.8%**	**196,961**	**212,360**	**-7.3%**

	Book/Bill ratio		Book/Bill ratio		Order Book		
EUR 000's	**Q418**	**Q417**	**FY18**	**FY17**	**FY18**	**FY17**	**Change %**
Ports & Maritime	0.93	0.91	1.19	0.84	49,046	35,778	37.1%
Airports & Industry	0.89	0.70	1.01	0.96	51,044	49,799	2.5%
Total	**0.91**	**0.79**	**1.07**	**0.92**	**100,090**	**85,577**	**17.0%**

Financial Review

OCTOBER–DECEMBER 2018

Order intake and Revenues

Order intake remained stable at EUR 44.2 million (44.5).

The order book amounted at the end of the period to EUR 100.1 million (85.6).

Revenues decreased 13.8% to EUR 48.8 million (56.6) compared to the same period 2017. The decrease is mainly explained by several postponed orders in both divisions.

Ports & Maritime

Order intake decreased 14.2% compared to the same period in 2017. The low order intake was driven by delayed orders for new port terminals although activity levels have been picking up.

Revenues decreased 16.0% to EUR 19.3 million (23.0). The decrease is to a large extent explained by low order intake in the second half of 2017 and the lack of large orders in the beginning of the year, as well as internal production challenges.

Airports & Industry

Strong demand, especially in Europe and CIS for Aircraft ground connection solutions, has resulted in an increased order intake of 11.3% compared to the same period last year.

While fluctuations in large projects in Airports have resulted in a decrease in revenue of 12.2% to EUR 29.5 million (33.6), a stable output in the Industry for all our solutions shows the continuity within this Market Unit.

Adjusted EBIT

Adjusted EBIT, excluding non-recurring items, amounted to EUR 0.1 million (6.9), corresponding to a margin of 0.2% (12.2%). Non-recurring items amounted to EUR 11.2 million, of which EUR 5.0 million are related to the restructuring programme that was announced in October 2018.

EBIT

EBIT increased 11.0% to EUR -11.1 million (-12.5), corresponding to a margin of -22.8%. The higher EBIT is explained by higher non- recurring costs registered last year due to the operational review.

Profit for the period and earnings per share

Finance costs amounted to EUR 0.4 million (1.2), all related to interest expenses. The comparative figure is including fx differences for EUR 0.7 million.

The net result for the period was EUR -13.4 million (-20.4).

Earnings per share, basic and diluted, decreased to EUR -0.169 (-0.260).

JANUARY–DECEMBER 2018

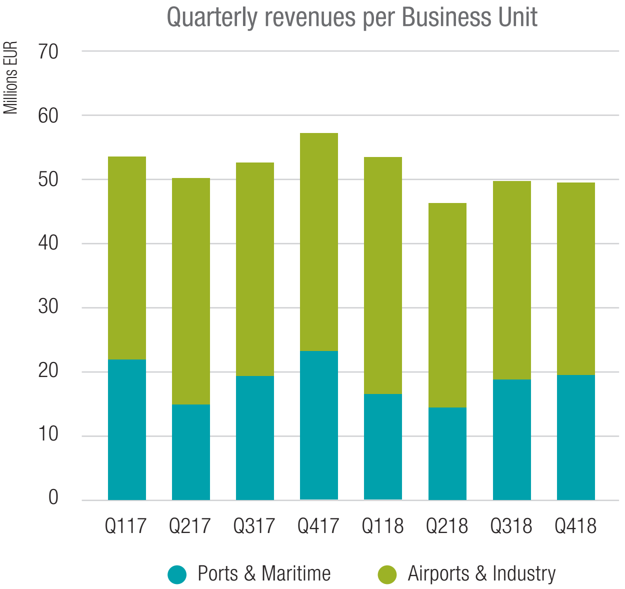
Order intake and Revenues

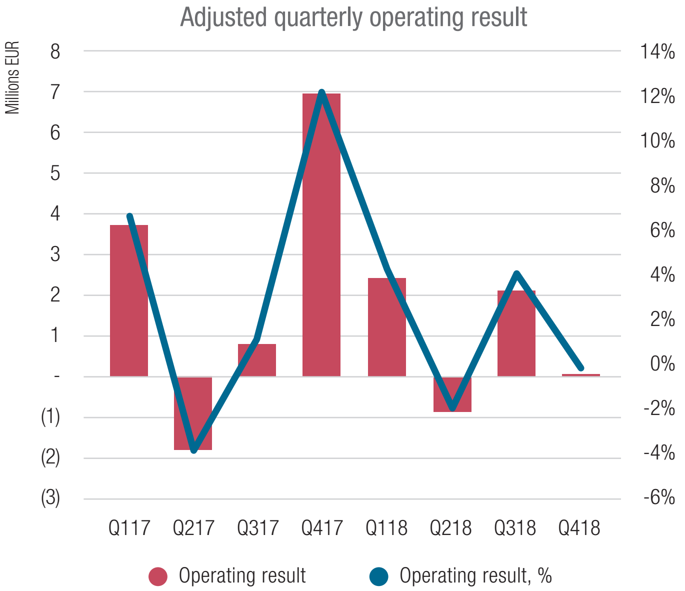
Order intake increased 8.7% to EUR 211.5 million (194.6). The increase was driven mainly by Ports & Maritime, with positive signs of growth in Shipbuilding sectors that led to new orders for container ships and high activity in Northern Europe for Automated Mooring and Automated Plug –in Systems.

Revenues decreased 7.3% to EUR 197.0 million (212.4) in 2018, compared to 2017. The full year shortfall is both due to low order intake in the second half of 2017 and to postponed orders in both divisions, together with a slowdown of long-term projects.

Adjusted EBIT

EBIT excluding non-recurring items amounted to EUR 3.9 million (9.6), corresponding to a margin of 2.0% (4.5%). The lower EBIT is explained by the lower revenues and higher consulting fees, recruitment fees and travelling expenses generated in connection to the ongoing turnaround programme.





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Non-recurring items amounted to EUR 17.8 million, of which EUR 11.2 million is related to a non-recurring provision as a result of US litigation verdict and EUR 5.0 million to the restructuring programme that was announced in October 2018.

EBIT

EBIT increased 22.8% to EUR -13.9 million (-18.0) corresponding to a margin of -7.1%. The higher EBIT is explained by higher non - recurring costs registered last year due to the operational review and goodwill impairment.

Profit for the period and earnings per share

Finance costs amounted to EUR 2.0 million (5.4), all related to interest expenses. The comparative figure is including fx differences for EUR 3.4 million.

Income tax expense for the period of 2018 amounted to EUR 3.1 million (8.7), with an effective tax rate of 20.3%.

The net result for the period was EUR -18.5 million (31.7).

Earnings per share, basic and diluted, decreased to EUR -0.233 (-0.404).

Cash flow

The operating cash flow amounted to EUR 1.2 million (12.9). The weak cash flow is related to a high level of spending in connection with the ongoing transformation and restructuring programme.

Investing activities amounted to EUR 7.2 million (3.5), driven by the completion of the new production facility in Italy.

Cash flow from financing activities was EUR 1.2 million (9.8), as a consequence of higher utilization of the revolving credit facility.

Cash and cash equivalents amounted to EUR 21.3 million as of 31 December 2018 (28.7).

Financial Position

Cavotec's total assets amounted to EUR 230.1 million (210.7) as of 31 December 2018. A right issue was performed during December 2018 that led to a share capital increase of CHF 20,105,216, through the issuance of 15,707,200 new shares at a par value of CHF 1.28; as a consequence, the equity to assets ratio was 43.5% (49.6%). As of 31 December 2018, the 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 that ended at EUR 32.1 million (20.4).

Employees

The number of full time equivalent employees in Cavotec Group was 896 as of 31 December 2018 (970). The decrease is mainly a result of measures following the implementation of the transformation plan and restructuring in the fourth quarter.

A battery-powered AMPMobile unit connects a ship to shore power at Shenzhen cruise terminal.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 000's	Unaudited three months 31 Dec, 2018	Unaudited three months 31 Dec, 2017	Unaudited year 31 Dec, 2018	Audited year 31 Dec, 2017
Revenue from sales of goods and services	48,816	56,601	196,961	212,360
Other income	603	1,299	3,076	4,187
Cost of materials	(26,083)	(25,560)	(96,601)	(107,931)
Employee benefit costs	(17,125)	(15,340)	(64,482)	(65,866)
Operating expenses	(15,821)	(9,532)	(48,012)	(36,428)
Gross Operating Result	**(9,610)**	**7,468**	**(9,058)**	**6,322**
Depreciation and amortisation	(1,368)	(1,069)	(4,673)	(4,334)
Impairment losses	(156)	(18,913)	(156)	(19,986)
Operating Result	**(11,134)**	**(12,514)**	**(13,887)**	**(17,998)**
Interest income	20	99	82	259
Interest expenses	(446)	(503)	(1,957)	(1,702)
Currency exchange differences - net	58	(696)	1,588	(3,409)
Other financial item	(1,157)	-	(1,157)	(242)
Profit /(loss) before income tax	**(12,659)**	**(13,614)**	**(15,331)**	**(23,092)**
Income taxes	(726)	(6,800)	(3,119)	(8,679)
Profit/(Loss) for the period	**(13,385)**	**(20,414)**	**(18,450)**	**(31,771)**
Other comprehensive income:				
Remeasurements of post employment benefit obligations	37	(16)	31	18
Items that will not be reclassified to profit or loss	**37**	**(16)**	**31**	**18**
Currency translation differences	(434)	(511)	(2,313)	(6,084)
Items that may be subsequently reclassified to profit /(loss)	**(434)**	**(511)**	**(2,313)**	**(6,084)**
Other comprehensive income for the period, net of tax	**(397)**	**(527)**	**(2,282)**	**(6,066)**
Total comprehensive income for the period	**(13,782)**	**(20,941)**	**(20,732)**	**(37,837)**
Total comprehensive income attributable to:				
Equity holders of the Group	(13,784)	(20,940)	(20,733)	(37,833)
Non-controlling interest	2	(1)	1	(4)
Total	**(13,782)**	**(20,941)**	**(20,732)**	**(37,837)**
Profit/(loss) attributed to:				
Equity holders of the Group	(13,385)	(20,414)	(18,450)	(31,771)
Total	**(13,385)**	**(20,414)**	**(18,450)**	**(31,771)**
Basic and diluted earnings per share attributed to the equity holders of the Group	(0.169)	(0.260)	(0.233)	(0.405)
Average number of shares	79,085,443	78,416,167	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		(0.260)		(0.404)
Average number of shares		78,614,993		78,614,727

CONSOLIDATED BALANCE SHEET

EUR 000's	Unaudited 31 Dec, 2018	Audited 31 Dec, 2017
Assets		
Current assets		
Cash and cash equivalents	21,257	28,718
Trade receivables	42,798	40,958
Tax assets	1,671	914
Other current receivables	26,435	10,630
Contract assets	1,144	-
Inventories	39,458	36,819
Assets held for sale	5,512	4,815
Total current assets	**138,275**	**122,854**
Non-current assets		
Property, plant and equipment	20,082	18,168
Intangible assets	53,436	52,971
Non-current financial assets	275	264
Deferred tax assets	9,297	9,294
Other non-current receivables	8,775	7,134
Total non-current assets	**91,865**	**87,831**
Total assets	**230,140**	**210,685**
Equity and Liabilities		
Current liabilities		
Current financial liabilities	(4,271)	(2,873)
Trade payables	(27,081)	(33,585)
Contract liabilities	(10,558)	-
Tax liabilities	(1,678)	(1,110)
Provision for risk and charges, current	(13,186)	(5,362)
Other current liabilities	(13,015)	(9,676)
Total current liabilities	**(69,789)**	**(52,606)**
Non-current liabilities		
Non-current financial liabilities	(48,663)	(45,627)
Deferred tax liabilities	(2,468)	(2,813)
Other non-current liabilities	(407)	(777)
Provision for risk and charges, non-current	(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	(100,015)	(104,448)
Non-controlling interests	(29)	(27)
Total equity	**(100,044)**	**(104,475)**
Total equity and liabilities	**(230,140)**	**(210,685)**

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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
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)	(13,650)	**(103,387)**	(27)	**(103,414)**
(Profit) / Loss for the period	-	-	18,450	**18,450**	-	**18,450**
Currency translation differences	-	2,314	-	**2,314**	(1)	**2,313**
Remeasurements of post employment benefit obligations	-	(31)	-	**(31)**	-	**(31)**
Total comprehensive income and expenses	**-**	**2,283**	**18,450**	**20,733**	**(1)**	**20,732**
Capital reduction	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)**

CONSOLIDATED STATEMENT OF CASH FLOWS - INDIRECT METHOD

EUR 000's	Unaudited three months 31 Dec, 2018	Unaudited three months 31 Dec, 2017	Unaudited year 31 Dec, 2018	Audited year 31 Dec, 2017
Profit /(loss) for the period	**(13,385)**	**(20,414)**	**(18,450)**	**(31,771)**
Adjustments for:				
Net interest expenses	285	327	1,456	1,123
Current taxes	(878)	(56)	2,997	2,438
Depreciation and amortisation	1,368	1,069	4,673	4,334
Impairment losses	156	18,913	156	19,986
Deferred tax	1,604	6,856	122	6,241
Provision for risks and charges	5,008	(3,794)	11,813	1,613
Capital gain or loss on assets	(20)	(7)	(279)	(119)
Other items not involving cash flows	1,173	(249)	(38)	3,410
Interest paid	(283)	(412)	(1,463)	(1,110)
Taxes paid / received	(365)	(1,193)	(3,184)	(4,874)
	8,048	**21,454**	**16,253**	**33,042**
Cash flow before changes in working capital	**(5,337)**	**1,040**	**(2,197)**	**1,271**
Impact of changes in working capital:				
Inventories	4,799	7,875	(1,546)	1,372
Trade receivables	1,968	(449)	(2,155)	11,309
Other current receivables	6,713	11,369	1,557	(4,595)
Trade payables	(5,858)	(1,118)	4,028	3,630
Other current liabilities	1,092	(1,085)	3,506	(1,143)
Long term receivables and liabilities	(1,607)	257	(1,951)	1,017
Impact of changes involving working capital	**7,107**	**16,849**	**3,439**	**11,590**
Net cash inflow / (outflow) from operating activities	**1,770**	**17,889**	**1,242**	**12,861**
Financial activities:				
Net changes in loans and borrowings	5,870	(4,561)	2,512	13,414
Capital reduction	-	66	(1,357)	(3,539)
Net cash inflow / (outflow) from financial activities	**5,870**	**(4,837)**	**1,155**	**9,875**
Investing activities:				
Investments in property, plant and equipment	(886)	(420)	(7,866)	(2,112)
Investments in intangible assets	(489)	(45)	(1,384)	(1,585)
Increase in other assets	(3)	-	(4)	-
Disposal of assets	1,809	3	2,038	207
Net cash inflow / (outflow) from investing activities	**431**	**(462)**	**(7,216)**	**(3,490)**
Cash and cash equivalent at the beginning of the period	14,786	16,905	28,718	14,982
Cash flow for the period	8,071	12,590	(4,820)	19,246
Currency exchange differences	(1,600)	(777)	(2,641)	(5,510)
Cash and cash equivalent at the end of the period	**21,257**	**28,718**	**21,257**	**28,718**

SEGMENT INFORMATION

EUR 000's	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Unaudited **Three months ended 31 December 2018**				
Revenue from sales of goods and services	19,305	29,511	-	**48,816**
Other income	157	446	-	**603**
Cost of materials and operating expenses before depreciation and amortisation	(22,337)	(35,258)	(1,434)	**(59,029)**
Gross Operating Result	**(2,875)**	**(5,301)**	**(1,434)**	**(9,610)**
Unaudited **Three months ended 31 December 2017**				
Revenue from sales of goods and services	22,981	33,620	-	**56,601**
Other income	673	616	-	**1,289**
Cost of materials and operating expenses before depreciation and amortisation	(19,726)	(29,086)	(1,621)	**(50,433)**
Gross Operating Result	**3,928**	**5,150**	**(1,621)**	**7,458**
Unaudited **Year ended 31 December 2018**				
Revenue from sales of goods and services	68,396	128,565	-	**196,961**
Other income	964	2,112	-	**3,076**
Cost of materials and operating expenses before depreciation and amortisation	(71,674)	(131,522)	(5,899)	**(209,095)**
Gross Operating Result	**(2,314)**	**(845)**	**(5,899)**	**(9,058)**
Audited **Year ended 31 December 2017**				
Revenue from sales of goods and services	79,715	132,645	-	**212,360**
Other income	1,868	2,319	-	**4,187**
Cost of materials and operating expenses before depreciation and amortisation	(80,769)	(123,110)	(6,346)	**(210,225)**
Gross Operating Result	**814**	**11,854**	**(6,346)**	**6,322**

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PARENT COMPANY - CONDENSED STATEMENT OF COMPREHENSIVE INCOME

CAVOTEC SA EUR 000's	Unaudited three months 31 Dec, 2018	Unaudited three months 31 Dec, 2017	Audited year 31 Dec, 2018	Audited year 31 Dec, 2017
Dividend	441	-	441	-
Other income	514	293	3,009	2,612
Employee benefit costs	(964)	(128)	(1,685)	(1,438)
Operating expenses	(293)	(18,599)	(1,099)	(19,575)
Operating Result	**(302)**	**(18,434)**	**666**	**(18,401)**
Interest expenses - net	(8)	(7)	(28)	(27)
Currency exchange differences - net	-	2	(72)	(420)
Profit / (Loss) before income tax	**(310)**	**(18,439)**	**566**	**(18,848)**
Income taxes	(106)	(52)	(198)	(177)
Profit / (Loss) for the period	**(416)**	**(18,492)**	**368**	**(19,024)**
Other comprehensive income:				
Actuarial gain (loss)	19	24	19	24
Total comprehensive income for the period	**(397)**	**(18,468)**	**387**	**(19,000)**

PARENT COMPANY - CONDENSED BALANCE SHEET

CAVOTEC SA EUR 000's	Audited year 31 Dec, 2018	Audited year 31 Dec, 2017
Assets		
Current assets		
Cash and cash equivalents	94	19
Trade receivable	2,441	1,020
Tax assets	10	20
Other current receivables	18,524	9
Total current assets	**21,069**	**1,068**
Non-current assets		
Investment in subsidiary companies	137,306	137,303
Deferred tax assets	8	42
Total non-current assets	**137,314**	**137,345**
Total assets	**158,383**	**138,414**
Equity and Liabilities		
Current liabilities		
Bank overdrafts	(63,079)	(62,002)
Current financial liabilities	(2,955)	(1,955)
Trade payables	(203)	(249)
Other current liabilities	(918)	(387)
Total current liabilities	**(67,155)**	**(64,593)**
Non-current liabilities		
Provision for risks and charges - non current	(64)	(63)
Other non-current liabilities	(271)	(613)
Total non-current liabilities	**(335)**	**(676)**
Total liabilities	**(67,490)**	**(65,269)**
Total equity	**(90,893)**	**(73,144)**
Total equity and liabilities	**(158,383)**	**(138,414)**

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, 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 21 February 2019.

Basis of preparation of Financial Statements

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

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

Changes in accounting policies

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

Impact of adoptions

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

Construction contracts reassessed at point in time under IFRS 15

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

EUR thousands	December 31, 2017	Adjustment IFRS 15	Adjusted January 1, 2018
Assets			
Current assets			
Other 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 assets	**(33,585)**	**-**	**(33,585)**
Equity and liabilities			
Equity			
Prior year retained earnings	(14,712)	1,061	(13,651)
Total Equity	**(104,448)**	**1,061**	**(103,387)**

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

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

Changes in presentation of comparative figures

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

Accounting policies

IFRS 15 - Revenue from customers

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

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

IFRS 9 - Financial instruments

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

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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 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 recognized 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 recognized 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 recognize on January 1, 2019, lease liabilities in the range of EUR 21.4 million and right-of-use assets in the range of EUR 23.2 million (after adjustments for the approximately EUR 1.8 million pre-payments and accrued lease payments recognized as at December 31, 2018).

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 Q418 there's no indication that total revenues for Services Division will exceed 10% of total Group revenues, therefore the new division won't be reported as a separate reporting segment yet.

Legal disputes

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

Significant events in the current reporting period

The financial position and performance of the group was particularly affected by the following events and transactions during Q418:

- At the beginning of 2018 Cavotec announced a restructuring programme to address structural inefficiencies in the company caused by a historically fragmented organization. Non - recurring costs amounted to EUR 5.0 million as a consequence of the programme. In connection with this, the Group also agreed with the syndicated banks to formally waive reporting of the financial covenants until the third quarter 2019.
- A right issue was performed during December 2018 that led to a share capital increase of CHF 20,105,216, through the issuance of 15,707,200 new shares at a par value of CHF 1.28. As of 31 December 2018, the amount of the capital increase was accounted for in other current receivables and was paid to the Group on 10 January 2019.

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

15 March 2019	2018 Annual Report
3 May 2019	Q119
7 May 2019	Investor Information Meeting
10 May 2019	AGM

Q418 Conference call

A conference call for shareholders, analysts and media will be held on 21 February 2019 at 10:00 CET. Participating on the conference call from Cavotec will be Mikael Norin, CEO, and Glenn Withers, CFO.
Conference call Dial-in numbers:
UK: +443333009269
SE: +46856642706
US: +18446251570

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This is information that Cavotec SA is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:00 CET on 21 February 2019.

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