Annual Report 2019

CAVOTEC
WE CONNECT THE FUTURE

€ 196.0 M
Revenues

€ 15.7 M
Adjusted EBIT

€ 196.0 M
Order Intake

80+
Number of countries where Cavotec systems are installed

800
Employees

Cavotec in Brief

Cavotec is 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.

Cavotec is made up of two divisions: Ports & Maritime and Airports & Industry.

Ports & Maritime manufactures innovative automated mooring, shore power, crane electrification, and connection and charging systems for ports and marine applications.

Airports & Industry manufactures state-of-the-art ground support equipment (GSE) for aircraft, and automation, control and electrification systems for a wide variety of industry sectors.

Ports & Maritime and Airports & Industry are supported by Services which provides comprehensive aftersales support.

Cavotec: What, Why, How

We are a global engineering group and our systems support customers in more than 80 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 rests on our core values: Integrity, Accountability, Performance, and Teamwork.

Contents

Highlights of 2019

EUR 10M auto-mooring order
Ports & Maritime won a major EUR 10M order for two MoorMaster™ automated mooring systems for a container handling application.

Three MoorMaster™ ferry orders
Ports & Maritime won three separate MoorMaster™ orders for ferry berths at the Port of Helsinki (a repeat customer), the Port of Turku in Finland, and the Port of Tallinn in Estonia.

Shore power orders
Ports & Maritime won several orders for shore power equipment during the year, including one for 24 shore power reels for 12 newbuild container vessels and a similar order for bulk vessels.

Fuelling systems for FedEx
Airports & Industry achieved a breakthrough on the US market with an order for 70 fuelling systems for global logistics group FedEx's hub in Indianapolis, a key reference in the US and beyond.

Fuelling tech for Delhi, Munich
Airports & Industry won important fuelling system orders involving the manufacture and supply of 130 fuel hydrant systems for Munich International Airport and Delhi International Airport.

China airports orders
In Hong Kong, we received a repeat order for 400Hz converters and in-ground pits. In November, we won an order to supply advanced ground support equipment for Beijing International Airport.

Major e-charging project
Airports & Industry won an important order for 300 spring reels for a global delivery company's electric vehicle charging systems in Germany, a segment set for rapid growth.

Full-service contract
We signed a major service contract with an airport customer in Germany, which will see Cavotec provide engineering support that will enhance the customer's aircraft servicing capabilities.

Services expands portfolio
Services introduced new investment protection programmes – CavotecReman, CavotecUp-to-date, and CavotecInspect – to better support customers and maximize the availability of their assets.

Services training programmes
Services rolled out two parallel training programmes to further improve the skill sets of our technicians and engineers, empowering them to better serve our customers and meet their needs.

Strengthening our team
Following the removal of country-based structures, we concluded organisational changes that establish a fair, transparent, competitive and coherent framework for all employees in the group.

Operational excellence
We strengthened our focus on quality, costs, delivery, people, and safety. Key achievements for the year included a 30 per cent reduction in lost time accidents.

CEO's Message

TRANSFORMATION COMPLETED - FOUNDATION IN PLACE FOR PROFITBLE GROWTH

The transformation we started in the fall of 2017 centred on the Group's strengths – a strong sales culture and customer focus combined with innovative automation and electrification products – while addressing our weaknesses; a fragmented structure with weak internal processes that created inefficiencies and high costs. We have since completed a thorough reorganisation and restructuring of our business, a strengthening of the management team, a rights issue and we have launched a new strategy. During 2019, we focused on locking in the improvements from those initiatives and on further investing in our Commercial and Operational Excellence programs to underpin our growth ambitions for 2020 and beyond. We now have a good control of costs, a more reliable process from sales to delivery and we focus our sales efforts on the right geographies and segments. We have also added an attractive service offering to our portfolio, which provides stable and predictable income streams and now represents 20% of our total revenue.

The successful completion of this process allowed us to report not only significantly improved profitability in 2019 but also the highest cash generation since Cavotec was listed in 2011 in Stockholm. One reason for this improvement is our focus on high quality, lower risk business combined with the lower cost base resulting from the transformation.

The adjusted EBIT for the whole year increased to EUR 15.7 million (3.9), corresponding to a margin of 8.0% (2.0%) while the operating cash flow amounted to EUR 14.4 million (1.2). This all together led to that the net debt decreased to EUR 3.9 million, which combined with continued good cash generation provides us with ample room to further develop our business organically and to start contemplating strategic acquisitions.

Revenues for the whole year 2019 were in line with the previous year at EUR 196 Million. This is a reflection of fewer big projects in some of our markets during the year but it also shows that we are becoming increasingly better at delivering stable financial performance without the boost from any extraordinary contract.

Our performance saw us achieve the financial targets we committed to at the beginning of the year ahead of schedule. This enabled us to announce a fresh set of targets in the beginning of 2020 that reflect our stronger position, including a 10 per cent EBIT margin over three years and more than 12 per cent EBIT over five years.

BUSINESS OVERVIEW

Our Ports & Maritime division performed strongly in 2019, with important orders in segments such as automated mooring, vessel charging and shore power. Particularly encouraging was a series of three separate MoorMaster™ automated mooring orders for large passenger and vehicle ferry applications in Finland and Estonia. We also won a substantial MoorMaster™ order valued at EUR 10m for a major container handling application. These orders illustrate the potential of this unique technology in the ferry and container handling segments.

The Airports & Industry division faced headwinds throughout the year as demand for larger projects remained sluggish. However, we did win a number of significant Airports projects, for example fuelling systems for airports in India and China. Looking forward, we are expecting higher demand in Asia and India where significant investment in new terminals and new airports are underway.

On the Industry side, we registered lower volumes from our traditional OEM customers. However, similar to Airports, we were awarded several orders that bode well for the future, including one for e-vehicle charging systems for a global delivery company in Germany. Looking ahead, we remain optimistic about being able to expand our Industry customer base in previously underserved geographies.

The Services business that we launched only six months before the start of the year performed well in 2019, expanding its offering – from inspections to comprehensive maintenance agreements – securing new orders in a variety of sectors. It is very encouraging that a small but growing proportion of the revenue in Services is from long-term service contracts. Services will be a key part of our future growth journey.

PROFITABLE GROWTH AHEAD

As we enter the new decade, we are focused on delivering the profitable growth Cavotec's transformation has made possible. We will base these efforts around two areas. Firstly, we will continue to invest in commercial and operational excellence and in our people with focus on recruiting, developing and training. Secondly, we are renewing our focus on developing our existing systems as well as new technologies that will build on our already strong positions in strategic areas such as safety, sustainability, automation, and electrification.

Thanks to the hard work of our incredible people we have completed the transformation of the Group and have left a challenging period in the company's history behind us. We can now fully leverage our fantastic products, sustainable technologies and excellent customer relationships to target profitable growth in the years ahead.

PS. At the time of writing this we are in the midst of the Covid19 pandemic. Our primary focus at this time is the health and wellbeing of our people who are working hard every day to continue to support our customers. We will do what is necessary for them while also securing the continuity of our operations. Our facility in Italy is temporarily closed while our other production facilities in the USA, Europe and Asia are fully operational. I am very thankful for the strong support from our customers during these exceptional times. It is encouraging that their interest in new business with us has remained strong.

Lugano, April 2020

Mikael Norin
Group CEO

Business Overview

A GLOBAL ENGINEERING GROUP

We are a global engineering group that designs and manufactures innovative automation and electrification systems for ports, airports and industrial applications worldwide. Cavotec is made up of two business divisions: Ports & Maritime and Airports & Industry, with comprehensive aftersales support provided by Services. Functions such as HR, Finance, Commercial Excellence and Operations, are active across the Group.

We market our systems primarily through wholly owned sales companies in a number of countries around the world. We design and manufacture systems at our Centres of Excellence in Germany, Italy, New Zealand, the UK and the US, which are in turn supported by Supply Chain Centres in Australia, China, France, India, Norway, Sweden and the US. Cavotec's head office is in Lugano, Switzerland. As of 31 December 2019, Cavotec had 800 employees.

AN ATTRACTIVE OFFERING

Our automation and electrification systems ensure safe, efficient and sustainable operations at a wide variety of applications all over the world. For example, our solutions:

- power, cool, and fuel aircraft
- moor and power ships at port
- electrify and automate port equipment
- power and control industrial equipment
- electrify and remotely operate drilling equipment

CONSIDERABLE MARKET POTENTIAL

Cavotec is ideally positioned to meet growing demand for automation and electrification technologies that improve safety, drive operational efficiency and reduce environmental impact. These are trends and themes that are set to continue and grow in importance in the medium and long term, thereby underpinning our growth ambition in our markets.

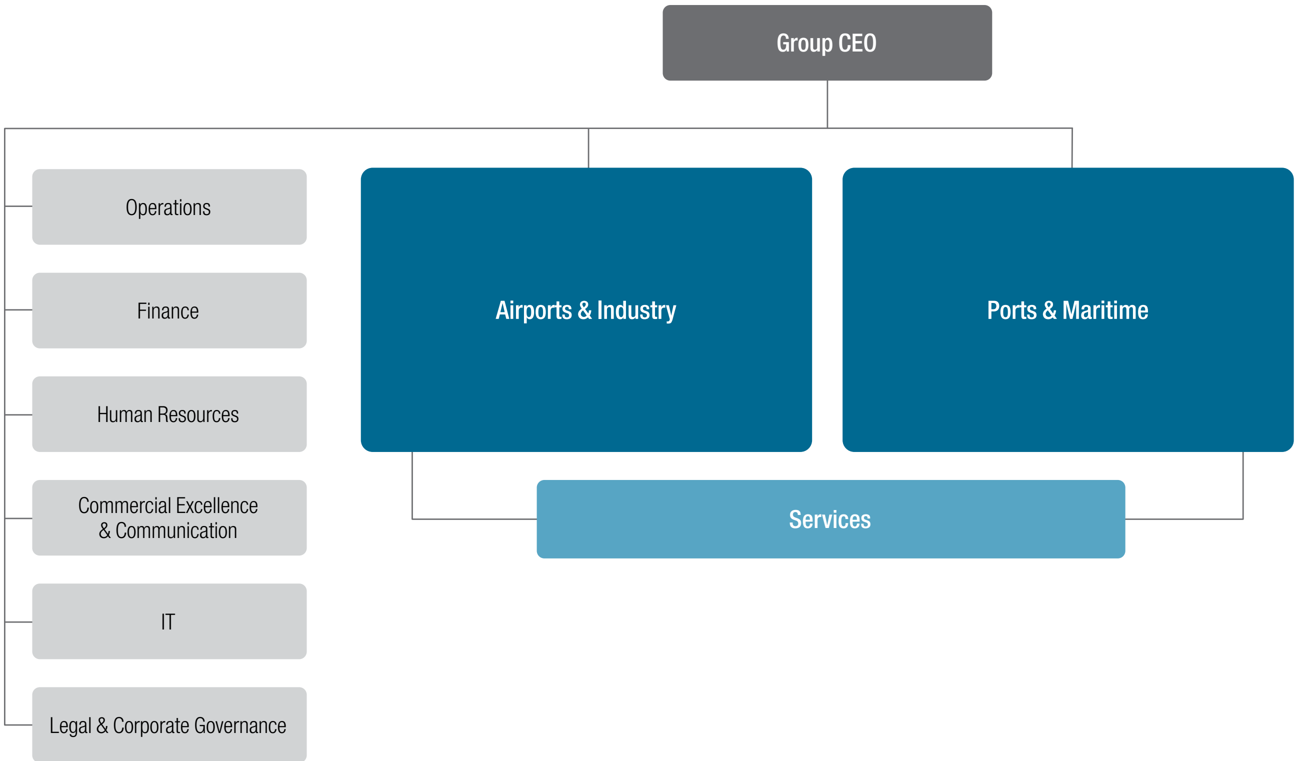
Our systems are well-established and market-leading in many segments. For example, our automated mooring technology, MoorMaster™, remains the only proven and widely used system of its kind, and we are a leading supplier of shore power electrical connection systems for ships. We also lead the development of innovative in-ground utility systems for aircraft servicing, and supply a majority of the world's in-ground aircraft fuelling systems.

CUSTOMER-CENTRIC APPROACH

We work closely with clients to develop systems and technologies to address their specific requirements and challenges. Building on many years' experience and strong customer relationships, our Services function ensures we stay close to the customer throughout the operational lifetime of our systems.

TRANSFORMATION

In 2019, we completed the transformation of Cavotec that saw us build on our strengths – customer focus and innovation – and address our weaknesses in terms of organisational and structural challenges. Our continued focus on commercial and operational excellence will maintain the competitiveness Cavotec needs to achieve profitable growth in 2020 and beyond.

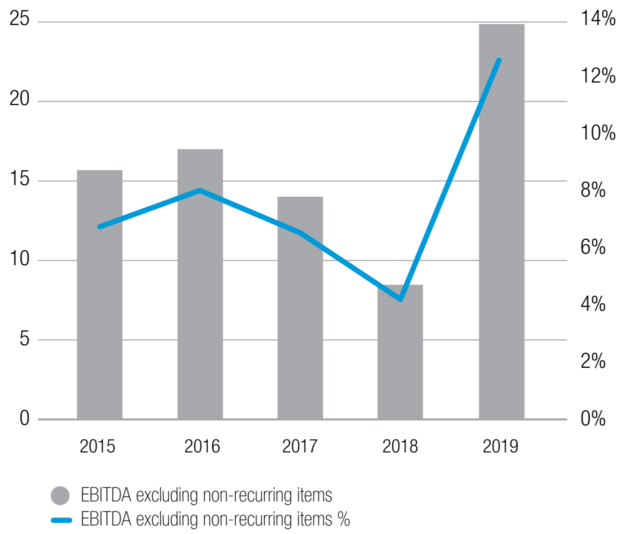


Five-year Financial Summary

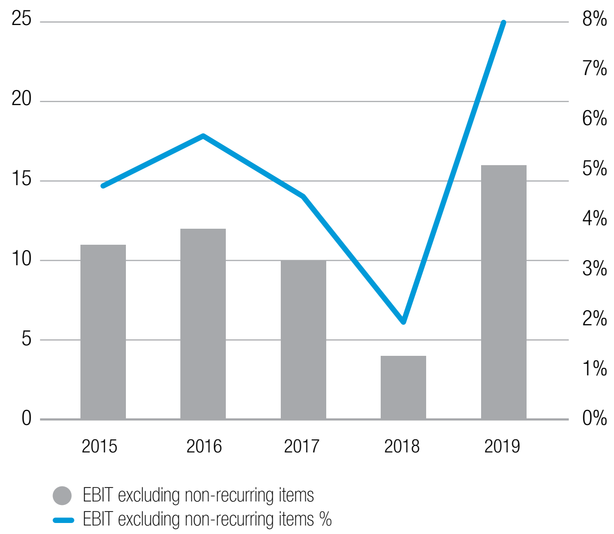
EUR 000s	2019	2018	2017	2016	2015
Order intake	195,967	211,473	194,618	216,396	229,699
Order book	100,030	100,090	85,577	103,325	98,443
Revenues	196,017	196,961	212,360	211,518	232,223
EBITDA excluding non-recurring items	24,840	8,559	13,925	16,945	15,681
EBITDA excluding non-recurring items %	12.7%	4.3%	6.6%	8.0%	6.8%
EBITDA	21,465	(9,059)	6,322	17,375	12,363
EBITDA, %	11.0%	-4.6%	3.0%	8.2%	5.3%
EBIT excluding non-recurring items	15,688	3,887	9,587	12,078	10,912
EBIT excluding non-recurring items %	8.0%	2.0%	4.5%	5.7%	4.7%
EBIT	12,312	(13,887)	(17,997)	12,281	7,595
EBIT, %	6.3%	-7.1%	-8.5%	5.8%	3.3%
Result for the period	7,514	(18,450)	(31,771)	6,484	6,124
Basic and diluted Earnings per Share, EUR	0.080	(0.233)	(0.404)	0.083	0.078
Operating cash flow	14,382	1,241	12,861	10,130	(268)
Net debt[1]	(24,113)	(32,050)	(20,441)	(22,713)	(26,695)
Equity/assets ratio[1]	51.4%	43.5%	49.6%	59.7%	53.8%
Leverage ratio[1]	0.98x	3.75x	1.47x	1.3x	1.7x

[1] *Figures including IFRS 16 impact. Figures calculated excluding IFRS16 according to the loan agreement definition are: Net debt: 3,892 (32,050), Equity/assets ratio: 56.6% (43.5%), Leverage ratio: 0.20x (3.75x)*

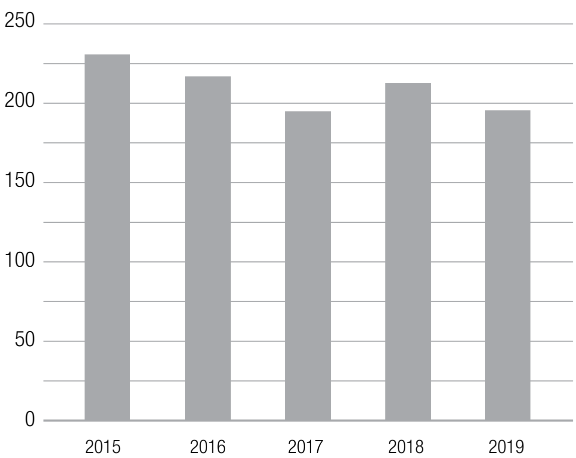
EBITDA, MEUR AND EBITDA MARGIN %



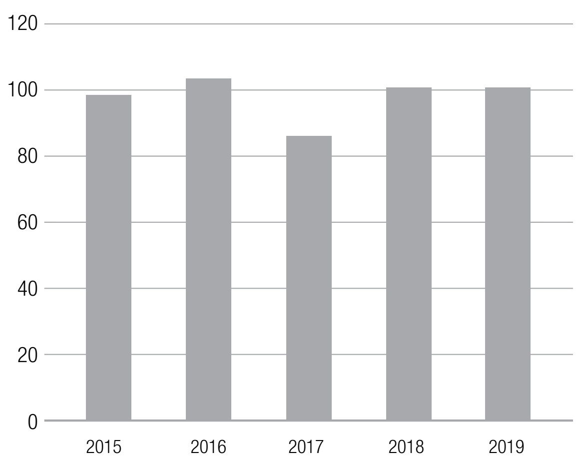
EBIT, MEUR AND EBIT MARGIN %



ORDER INTAKE, MEUR



ORDER BOOK, MEUR



Ports & Maritime Division

€84.6M

43.2 %*

Revenues

€95.5M

48.7 %*

Order intake

€60.0M

59.9 %*

Order book

* Percentage of Group total.

Ports & Maritime Division

Cavotec Ports & Maritime designs and manufactures innovative automation and electrification systems for ports, terminals and marine applications worldwide. The division's technologies play vital roles in key segments such as crane electrification, shore power, e-vessel charging, propulsion, and automated mooring. Our systems enable customers to optimise operational efficiency, improve safety, and reduce environmental impact.

THE YEAR IN BRIEF

Ports & Maritime performed strongly in 2019. Order intake was up 16.9 per cent on the year, revenues jumped 23.7 per cent, and profitability increased. At the start of 2020, our order book was approximately EUR 10M larger than it was at the beginning of 2019.

ORDER HIGHLIGHTS

It was another strong year for MoorMaster™ automated mooring with a total of EUR 26.5M of orders received. These included a repeat order for a ferry application at the Port of Helsinki, (see case study in this section), and a number of new projects in the Baltics at the ports of Turku and Tallinn, and a EUR 10M order for a major container handling application.

Shore power – connecting ships in port to shoreside electricity – continued to be a key area of activity for the division in 2019. We won orders for ship-based and shore-based shore power solutions for customers in Asia, Europe and the US.

In December, we won a substantial order from a leading electrical maritime equipment manufacturer for 24 Cavotec Alternative Maritime Power (AMP) reels for 12 container vessels being built in Japan. We were also awarded a similar order to equip a variety of bulk vessels with 40 AMP reels and supplied two "AMPTainer" solutions for a customer in South Korea. These orders demonstrate the strength of our relationships with shipyards shipping lines and suppliers.

In our other main technology segment – motorised cable reels – our strong position on the market ensured that our systems were specified by leading OEMs such as Konecranes and ZPMC for container crane applications in Vietnam and Israel, and China respectively.

OPERATIONS

We continued to invest in our organisation, our people, our capabilities and resources to address future market opportunities and fulfil our growth potential.

During the year, we improved our project management capacity to ensure we optimise management of increasingly complex projects involving advanced technologies and enhance our ability to work with and through system integrators. We continue to improve our competitiveness and reap the benefits of our Operational Excellence Programme in areas such as safety, quality, cost, and delivery.

The division completed work on combining its former five separate regions with a standard sales structure. We are now a much stronger organisation and we're in a much stronger position, with new skill sets in account and project management, and our sales footprint is now better aligned with the demands of our various markets. We now serve our customers for the entire lifecycle of our products with dedicated service programmes and an increased technicians' footprint in regions such as the Nordics and South East Asia.

LOOKING AHEAD

We anticipate stable market growth in 2020 as customers in our segments search for solutions to improve efficiency and reduce environmental impact. We start the year with a far stronger order book than we did 12 months earlier and

"Growing investment in 'green' technologies is driving demand for our solutions."

Patrick Mares,
President, Ports & Maritime Division

have a solid pipeline of projects across our strategic product families, (MoorMaster™, AMP, and motorised cable reels).

Ports' shore power investments are starting to ramp up in Europe as operators take steps to meet EU Directive 2014/94/EU* (see box) on alternative maritime fuels, but also in other parts of the world, (primarily China, South East Asia and the US). As governments push to make ports more sustainable, and demand in Asia for advanced automation and electrification technologies accelerates, we see fantastic opportunities. Similarly, interest in e-ferries – for which we supply automated charging and mooring solutions – continues to spread from the Nordics throughout the rest of the world.

We also note positive momentum in the retrofitting of older systems across the ports, terminals and maritime sector. Coupled to this, investment in terminal automation continues to grow, which is, again, positive for the Ports & Maritime division.

Looking further ahead, we will continue to invest in innovative technologies and smart, data-based systems to unlock potential in new and existing markets. We see considerable potential in the use of data to drive the development of automation and electrification technologies to further improve customers' operational efficiency, improve safety, and reducing environmental impact.

ENVIRONMENTAL REGULATIONS AND STANDARDS

In recent years, stricter environmental regulations that affect ports and shipping lines have entered into 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

Case Study – Automated Mooring at Port of Helsinki

Enabling port operators to optimize safety and efficiency and reduce environmental impact

In October, Port of Helsinki – Europe's busiest passenger port, handling some 12.2 million travellers in 2019 – placed a repeat order for our automated mooring system, MoorMaster™.

The project includes the manufacture, installation and commissioning of a multi-unit MoorMaster™ system for the port's Western Terminal. The 180m-long ROPAX ferry M/V Finlandia will use the system two to three times a day on its service to the Estonian capital Tallinn, where MoorMaster™ is also currently being installed. (This system was ordered in July).

The use of MoorMaster™ at Helsinki and Tallinn unlocks substantial system benefits for operators in terms of safety, efficiency, and sustainability. According to figures published by Port of Helsinki, some 8.9 million passengers used the service between Helsinki and Tallinn in 2019, amounting to 77 per cent of all Helsinki's passenger ferry traffic.

Helsinki first installed MoorMaster™ in 2016, also at a frequent-use passenger ferry berth, since when the system has successfully carried out some 6,500 moorings, enabling the safe and efficient transfer of people and vehicles several times a day.

"An auto-mooring system decreases the time taken for vessel mooring and release. The time saved amounts to significant reductions in fuel consumption, improved local air quality and reduced noise pollution," said Sari Nevanlinna, Vice President Passenger Services, Port of Helsinki, in a joint press release announcing the order.

In addition to the second Helsinki order and the Tallinn order, the Port of Turku in southwest Finland ordered a multi-unit MoorMaster™ system in June. This system, scheduled to be installed in the third quarter of 2020, will moor the 218-metre-long passenger and vehicle ferries Viking Grace and Viking Glory. Grace entered service in 2013, and Glory is scheduled to make its maiden voyage in 2021.

MoorMaster™ eliminates the need for conventional mooring lines with automated vacuum pads that moor and release vessels in seconds. More than 80 MoorMaster™ systems have performed in excess of 600,000 moorings at ferry, bulk and container handling ports, as well as lock and ship-to-ship applications worldwide.

More than twenty years after the first system entered service, MoorMaster™ is still the only proven and widely used automated mooring technology on the market. With its key patents and optimized hydraulics, the system offers superior performance to that claimed by any other system on the market, while maintaining low energy consumption.

Airports & Industry Division

€ 111.4 M

56.8 %*

Revenues

€ 100.5 M

51.3 %*

Order intake

€ 40.1 M

40.1 %*

Order book

* Percentage of Group total.

Airports & Industry Division

The Airports & Industry division supplies advanced fixed ground support equipment (GSE) for commercial and military aircraft applications, and automation and electrification systems for a broad range of industrial segments.

Cavotec's integrated fixed GSE systems service aircraft at gates, remote aprons and hangars at airports and military installations worldwide. We work with major airlines, airport authorities, consultants and aircraft manufacturers. Our integrated in-ground systems provide 400Hz power, preconditioned air, wet services and fuelling via tunnels built into the tarmac. This improves aircraft turnaround times, increases safety and reduces pollution by eliminating the use of diesel-powered mobile GSE and aircraft auxiliary power units.

Airports & Industry also supplies motorised and spring driven cable reels, human operator interface (HOI) systems, radio remote controls (RRC), power connectors and slip rings. Our systems enable operators to electrify and automate a range of different solutions and thereby improve safety, reduce emissions and increase operational efficiency. The division is active in a wide variety of sectors including underground and surface mining, cranes and tunnelling, energy, processing, and transportation. We work closely with leading OEMs such as Epiroc, Sandvik, Manitowoc and ThyssenKrupp. Our rugged products support OEM end-customers in harsh environments maximising operational safety and efficiency.

THE YEAR IN BRIEF

The division's revenues decreased in 2019 by 13.3 per cent to EUR 111.4 million. Order intake decreased by 22.6 per cent to EUR 100.5 million.

Airports & Industry experienced a slowdown in revenues primarily due to a lack of larger projects and a decrease in activity among industrial companies. However, we are optimistic for 2020 as we expect greater activity in Airports, for example, in India and the Middle East. In the Industry segment, we expect to attract new customers in previously underserved geographies.

While Airports lacked major orders in 2019, we did see a steady flow of projects in various geographies. For example, we had a strong year in our European markets, led by our fuelling and in-ground systems. We also registered a pick-up in demand in the Middle East. We continued to expand our product range with the introduction of a 400Hz "combo unit", which supplies 400Hz and 28VDC electrical power to large and small aircraft, adding value for customers in terms of cost savings and operational efficiency.

For Industry, somewhat softer demand in the mining segment was offset by an increase in demand in other segments such as mobile cranes. 2020 will see the launch of our new MC-2100 Radio Remote Control system and we expect continued growth in several sectors and geographies with key OEMs.

ORDER HIGHLIGHTS

We installed a major aircraft fuelling system at FedEx's second largest distribution hub, in Indianapolis in the US. The facility supports the operation of a large cargo aircraft fleet operating around the clock. We also continued to build on our long-running relationship with Airbus with the installation of several Pre-Conditioned Air (PCA), 400Hz electrical supply, and in-ground pit systems at the aircraft manufacturer's facilities.

"We had a slowdown in revenues primarily due to a lack of larger airport orders and a decrease in activity among industrial companies, but we are optimistic for 2020 as we expect greater activity in both segments."

Juergen Strommer,
President, Airports & Industry Division

In Europe, we installed more than 100 fuelling pits at Munich International Airport. We also signed a major service contract with an airport customer in Germany, which will see Cavotec provide maintenance and other services.

In Asia, we won an order for more than 100 fuel hydrant systems for Delhi International Airport – a key reference given India's rapidly expanding aviation sector. In Hong Kong, we received another order for 400Hz converters and in-ground pits, adding to the extensive existing installed base.

Lastly, we completed a major fuelling project at the newly opened Istanbul International Airport and commissioned the first sub-freezing PCA units – our unique aircraft cooling technology – at Bahrain International Airport; (these orders were placed in 2018).

OPERATIONS

During the year, we brought in experienced management to our existing talent pool and added sales leadership to further develop our potential in high-growth markets. Several operational efficiency improvement projects were rolled out during the year aimed at improving core product lead times and reducing costs. These initiatives are expected to continue during 2020. In addition, safety improvement remained a priority and safety trainings and additional procedures were implemented across sales and manufacturing centres worldwide. In Industry, we have established a new organisation in sales aimed at better serving our customer segments across the globe.

LOOKING AHEAD

The Airports & Industry division looks at 2019 as a year of consolidation, during which we established a solid platform with several internal projects targeting sales and operations. This has created an excellent springboard from which to build and grow in the years ahead.

We have identified opportunities to further increase market share across our Airports & Industry markets by better penetrating under-served customer segments. We expect demand in Europe to remain strong and we anticipate significant opportunities in the US and Middle East led by larger infrastructure projects.

Case Study – Fuelling systems at Istanbul International Airport

One of the world's largest aircraft fuelling systems for Turkey's new Istanbul Airport

With capacity due to top 200 million passengers when all phases are completed, and serving more than 300 destinations from six runways, Turkey's new Istanbul Airport is set to be one of the largest aviation hubs in the world. Cavotec has provided a state-of-the-art fuelling solution for the airport, one that integrates into an extraordinary 87 kilometres of jet fuel pipeline, ensuring that Istanbul Airport will be one of the world's premier airports for years to come.

Working closely with the customer and partner suppliers, we've developed an innovative fuelling solution – at scale – that will service a wide variety of aircraft safely and efficiently.

Cavotec supplied more than 800 fuel hydrant pit systems, 36 vault access covers, and more than 500 fuel hydrants for the project, making it our largest ever fuelling systems order.

We have also supplied utility pit systems and 400Hz cable management systems to Turkish Technic's new maintenance hangars at this mega airport.

This landmark project included an 87-km-long fuel hydrant pipeline, designed and constructed by long-term Cavotec customer Ordinat Insaat, a leading engineering company based in Turkey. Ordinat and the end-customer selected Cavotec for this project due to the superior design and performance of our systems. The fact that we are able to provide local, on-site support was also a key consideration for the customer.

Services

75
Service Experts

80+
Countries
served

24,000
Installations worldwide

Services

Services plays a key role in our overall strategy to drive profitable sales growth. It leverages the technical expertise of our engineers to generate value for customers by maximizing the availability of their assets, reducing operating costs and extending equipment lifespan. With some 24,000 Cavotec installations worldwide, the growth potential through offering comprehensive after-sales support is substantial.

Our Services offering includes commissioning and training support, inspection and repairs, preventive maintenance, long-term service agreements, renovation and upgrades.

THE YEAR IN BRIEF

In 2019, Services generated 20 per cent of Group revenues on the back of a significant number of new service contracts and new accounts in our Ports & Maritime and Airports & Industry divisions. We received contracts for all our service agreement types, including an important CavotecTotalCare contract for an Airports customer in Germany.

To further improve our customer offering, we added three new investment protection programmes to the Services portfolio during the year: CavotecReman (re-manufacturing), CavotecUp-to-Date, and CavotecInspect. These are three important service products where we believe we have considerable growth potential going forward.

We also made substantial progress in developing the skills sets of our service technicians and engineers to ensure that we further improve the efficiency and effectiveness of how we add value for customers.

OUR SERVICE AGREEMENTS

- ***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 minimize downtime.
- ***CavotecCare EnhancedPlus*** is a comprehensive maintenance scheme that includes consumables to maximize asset availability.
- ***Total CavotecCare*** provides a dedicated Cavotec expert on-site to maximize asset availability and minimize operational risk.

OUR INVESTMENT PROTECTION PROGRAMMES

- CavotecUp-to-Date provides expert parts and service to upgrade components such as low and high voltage collectors, slipring assemblies and drives to remove obsolesces risk and to ensure extended service life and performance optimisation.
- CavotecReman ensures fast, high quality remanufacturing of Cavotec components such as Fibre Optic Rotary Accumulators (FORA) and reel gearboxes.
- CavotecInspect users receive a report containing key findings, including operational and maintenance issues, recommended scope for future maintenance, a list of recommended spare parts, and (if necessary) a list of critical spare parts.

"We're excited about the considerable growth potential Services is set to unlock. 2019 has allowed us to set the foundation of a world class service activity and to confirm the tremendous value we bring to our customers."

Patrick Baudin,
President, Services

OPERATIONS
Following successful refurbishments of MoorMaster™ systems at our Ports & Maritime facility in Australia, we made the facility our primary footprint for retrofitting MoorMaster™ equipment worldwide. We also recruited a dedicated manager for our global spare parts business and established a new spare parts organisation in order to meet required KPIs for this type of business.

Another important step forward in 2019 was the launch of a new stringent certification process for all our service technicians and engineers, our Verification of Competences programme. The three-step programme verifies that our technicians and engineers have the up to date skills to service all customer needs.

In parallel to this, we rolled out our Commercial Awareness Training to help our teams to work closely with customers to proactively identify needs and opportunities and deliver solutions.

We also introduced a CRM platform to support opportunity management and to dispatch our Service teams to customers to further improve operational efficiency.

LOOKING AHEAD
In 2020 and beyond, we're ready to continue to grow the business based on our achievements in 2019. We're looking to expand the number of service agreements we have with customers, and target growth in terms of volume and in areas such as spare parts management. We'll also be introducing new elements to our service agreements and we plan full roll out of inspection programmes to all customers.

With the development of CavotecConnect, our cloud based data acquisition platform, we are taking steps towards the use of predicative maintenance, an area that represents an important opportunity for us.

Case Study: TotalCavotecCare full-service agreement at major US airport

Ensuring safe, efficient operations and passenger comfort at one of the busiest airports in the US

Working closely with one of the busiest airports in the US, Cavotec provides full-service support that ensures the safe and efficient operation of aircraft GSE and an enhanced passenger experience for the 45 million people who travel through the airport every year.

Our service team at the airport is based inside the airport's Air Operations Area and performs OEM preventive and corrective maintenance on more than 230 pieces of equipment.

These include Service Transport Units, Central Plant PCA Air Handlers, 400Hz Motor Generators and Chiller Plant Equipment Controllers that service more than 100 passenger boarding bridges. The team maintains two fully equipped service vehicles that provide on demand repair and troubleshooting support.

Our crew provides 24-hour on-call service and is onsite seven days a week. The team completes an average of 563 preventive maintenance inspections annually and hundreds of corrective actions.

The team dovetails seamlessly with the airport's own passenger boarding bridge maintenance team, with the two working effectively as a single unit to ensure maximum bridge availability and supply of PCA and 400Hz power to some 400,000 flights originating and transiting through the airport annually.

Cavotec's role in keeping PCA operational for aircraft plays a vital role in ensuring that passenger experience at the airport is pleasant, safe, and incident-free.

Sustainability Report

We strive to operate sustainably and responsibly in all our markets and in all activities. This commitment includes being a responsible, ethical employer and supplier, and reducing the environmental impact of our operations. Our innovative automation and electrification systems enable customers around the world to minimise their impact on the environment and operate safely and efficiently. This section provides an overview of how we do this.

INNOVATIVE TECHNOLOGIES FOR A SAFER, CLEANER, MORE EFFICIENT WORLD

We provide technologies that significantly reduce or eliminate emissions from mobile equipment such as ships, cranes and other industrial vehicles. For example, our shore power connection and battery charging systems reduce emissions of particulate matter, nitrogen, sulphuric and carbon oxides at ports and terminals worldwide.

Our MoorMaster™ automated vacuum mooring technology makes operations safer by removing mooring lines from the mooring process. It also 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, again helping to reduce emissions.

We are a leading supplier of motorised cable reels for container cranes and other equipment used, for example, in mining and tunnelling. This enables the wider use of electrically powered equipment rather than conventional 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 and improving safety.

OPERATIONAL EXCELLENCE

We actively work 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. We prioritise the management of the environmental impact of our business activities and those of our suppliers and seek to prevent and mitigate negative environmental impacts across the supply chain. We minimise the environmental impact of our operations through:
- 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 employees to a safe working environment where all employees are treated with dignity and respect. Employees with comparable qualifications, experience and performance will receive equal pay for equal work with respect to those performing similar tasks under similar working conditions and similar output.

The Cavotec Code of Conduct 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 maintaining 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 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 employees
- specialised training for employees where relevant
- regular health and safety performance reviews
- appointment of Operational Health and Safety Representatives at all workplaces

In addition to the above, our Operations initiatives focus on achieving improvements at our production facilities in five key areas: quality, cost, delivery, people, and safety. This work intensified in 2019 and resulted in, for example, a 30 per cent reduction in lost time accidents. We also launched an employee operations academy at our Centres of Excellence in Europe. This long-term, Group-wide initiative will be rolled out at our sites in China and the US in 2020.

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 corporate social responsibility.

We comply with all relevant laws and regulations in all markets where we conduct business. In the event of differences between national legislation and international human rights, we adhere to the higher standard. When national and international human rights are in conflict or faced with unclear requirements, Cavotec will adhere to 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 related to supply chain and human rights, Cavotec has adopted a Human Rights Policy founded upon the UN Guiding Principles on Business and Human Rights. The Policy states that Cavotec expects its business partners to comply with the Policy, or equivalent policies, 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 comply with the Cavotec Human Rights Policy

ANTI-BRIBERY AND CORRUPTION

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

While we comply with all relevant laws and regulations in all markets where we conduct business, 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 starting 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.

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.

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 2019.

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 - participation 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

The 3 following LTI plans were running in parallel in 2019:

2019-2021 LTI Plan

The implementation of a new equity based long term incentive plan (LTIP) was approved by the 2019 AGM. This plan is a 3 year plan that rewards the performance between Jan 1, 2019 and Dec 31 2021 (performance period). The CEO and EMT members are eligible for the plan. The plan grants performance shares to the participants at the beginning of the period as a percentage of the base salary (80% for the CEO, 20-40% for the EMT members). The number of shares that will vest at the end of the performance period depends on the performance of two indicators:
1) Growth in Earnings Per Share (EPS) with 65% weight
2) Relative Total Shareholder Return (relative TSR) with 35% weight
Threshold, target and stretch levels are defined for the achievement level calculation.

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 in cash and 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. The 2018-2019 LTI Bridge Plan will pay-out in 2020, based on the achievement level of the EPS on December 31, 2019.

2017-2019 Co-investment shares plans

Senior management members that joined the Group prior to 2017 are benefiting from the existing co-investment share LTIP.
The Co-investment shares plan 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 Patrik Tigerschiöld in 2019.

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, Niklas Edling, Roberto Italia, Annette Kumlien, Erik Lautmann, Patrik Tigerschiöld (Chairman).

The Board of Directors of Cavotec SA held eleven board meetings in 2019.

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 Fabio Cannavale, Patrik Tigerschiöld and Erik Lautmann (Chairman).

The Remuneration Committee of Cavotec SA held five meetings in 2019 (Feb 7, Apr 16, Jun 5, Sep 25, Dec 10).

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 2019 BUSINESS YEAR

All amounts stated are gross and include all fixed and variable remuneration paid 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 in 2019

Amounts paid in 2019 in EUR	Board fees	Social security Contributions	Pension	Consultancy	Total 2019	Total 2018
Fabio Cannavale	36,250	-	-	-	36,250	36,250
Niklas Edling(1)	26,250	916	1,375	-	28,541	-
Roberto Italia	28,750	1,038	1,558	-	31,346	28,750
Annette Kumlien(1)	33,750	1,178	1,768	-	36,696	-
Erik Lautmann	45,000	722	1,577	-	47,299	45,644
Heléne Mellquist(2)	11,250	404	606	-	12,260	47,431
Helena Thrap-Olsen(2)	10,000	155	339	-	10,495	42,130
Patrik Tigerschiöld (Chairman)	95,000	3,340	5,011	-	103,351	88,328
Stefan Widegren(3)	-	-	-	-	-	27,500
Total remuneration	**286,250**	**7,754**	**12,233**	**-**	**306,237**	**316.033**

Amounts paid in 2019 in CHF	Board fees	Social security Contributions	Pension	Consultancy	Total 2019	Total 2018
Fabio Cannavale	40,324	-	-	-	40,324	41,867
Niklas Edling(1)	29,200	1,019	1,529	-	31,749	-
Roberto Italia	31,981	1,155	1,733	-	34,868	33,205
Annette Kumlien(1)	37,543	1,311	1,966	-	40,820	-
Erik Lautmann	50,057	803	1,754	-	52,614	52,717
Heléne Mellquist(2)	12,514	449	674	-	13,638	54,780
Helena Thrap-Olsen(2)	11,124	173	378	-	11,674	48,659
Patrik Tigerschiöld (Chairman)	105,676	3,715	5,574	-	114,966	102,016
Stefan Widegren(3)	-	-	-	-	-	31,761
Total remuneration	**318,419**	**8,625**	**13,608**	**-**	**340,652**	**365,005**

(1) Elected as Independent Director at the AGM 2019.
(2) Did not stand for re-election as Board member at AGM 2019.
(3) Did not stand for re-election as Board member at AGM 2018.

b) Compensation paid to the Chief Executive Officer in 2019

Amounts paid in 2019 in EUR	Total Base Salary(1)	Short-term Incentive Plan(2)	Long-term Incentive Plan(3)	Benefits in kind(4)	Social Security, Insurance and Pension Contributions(5)	Total 2019	Total 2018
Mikael Norin	701,798	-	-	55,118	192,184	949,100	1,048,671

Amounts paid in 2019 in CHF	Total Base Salary(1)	Short-term Incentive Plan(2)	Long-term Incentive Plan(3)	Benefits in kind(4)	Social Security, Insurance and Pension Contributions(5)	Total 2019	Total 2018
Mikael Norin	780,666	-	-	61,312	213,782	1,055,760	1,211,173

(1) Incl. children allowance, exchange rate used for 2019 is 1.11238 CHF/EUR.
(2) Paid in 2019.
(3) FY2016 LTIP Plan paid out respectively in 2019 but the CEO was not eligible for any of these plans.
(4) Allowances (Fitness, health insurance and school fees).
(5) Pension contribution to the CEO has partly been made in form of cash payment in lieu of defined contribution payment.

Comments on the Compensation paid to the CEO in 2019

Following the approach taken in the previous year, the table above present the amount paid in cash during 2019 to Mikael Norin.
In 2020 the CEO will receive the following performance-based payments linked to the 2019 Group's performance:

2019 Performance Based compensation, paid in 2020		
1. 2019 STIP paid in 2020 in cash	537,600 EUR	598,015 CHF
2. 2018-2019 LTIP paid in 2020 in cash	630,000 EUR	700,799 CHF
3. Estimation of the social security, insurance and pensions Contributions to be paid in 2020	111,150 EUR	123,640 CHF

All of these amounts have been accrued for in the 2019 accounts and will be paid in 2020 for items 1, 2 and 3.

Lugano, March 2020

Erik Lautmann
Chairman, Remuneration Committee

Report of the statutory auditor

to the General Meeting of Cavotec SA

Lugano

We have audited the compensation report of Cavotec SA on page 23 for the year ended 31 December 2019.

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.

Opinion

In our opinion, the compensation report of Cavotec SA for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Efrem Dell'Era

Luigi Voulgarelis

Audit Expert
Auditor in charge

Lugano, 3 April 2020

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.

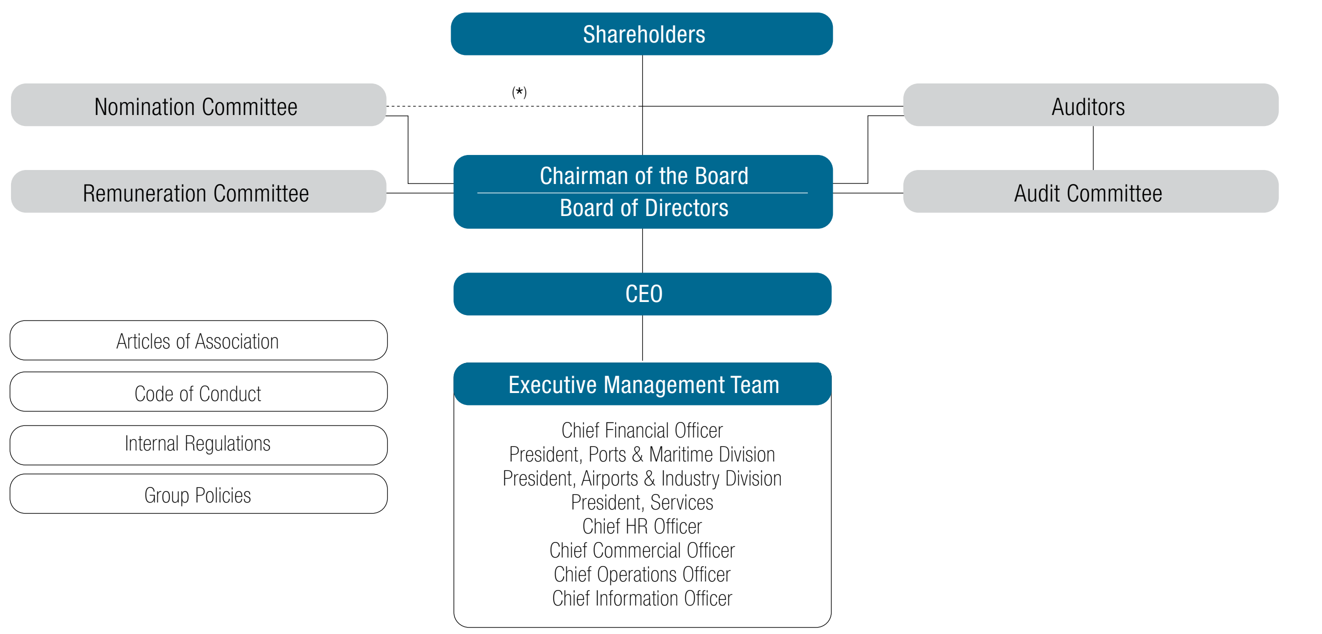
Right to attend shareholders' meetings

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.

Annual General Meeting 2020: extraordinary situation due to COVID-19

Due to the extraordinary situation in connection with the coronavirus, which strongly limits the holding of any public or private event in Switzerland, the Board of Directors decided that the shareholders of Cavotec SA may exercise their rights at the Annual General Meeting exclusively through the Independent Proxy. The personal attendance at the Annual General Meeting will therefore not be allowed.

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.*

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.

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.

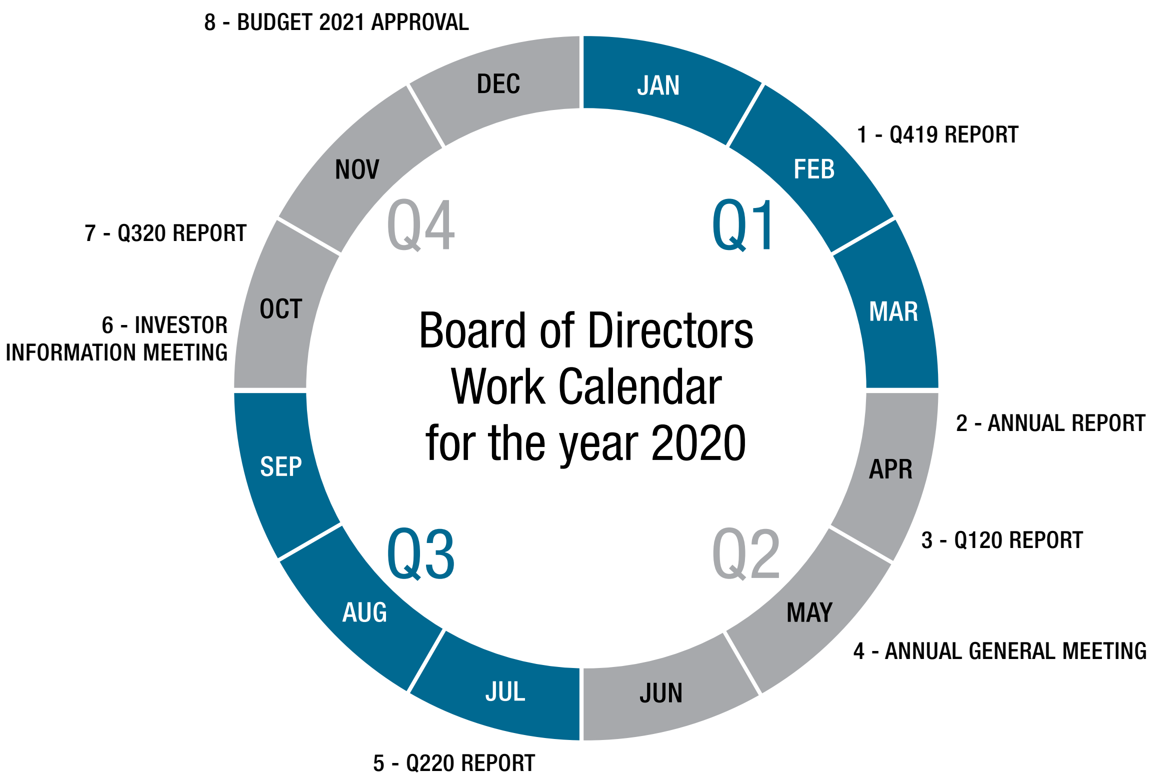
Nomination Process
The process for the nomination of Board members for Cavotec is construed in light of the Code, while still respecting Swiss laws and regulations applicable to a Swiss company. The ultimate goal has been to adopt a Nomination Process that is open and transparent to all shareholders 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 15, 2019 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 2019 the Committee began preparing a proposal for the Board of Directors to be submitted to the Annual General Meeting 2020. An evaluation of the work performed by the Board of Directors was completed in October 2019.

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



External auditor
At the Annual General Meeting 2020 the Nomination Committee will also propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Annual General Meeting 2021. 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 eleven ordinary Board meetings for Cavotec SA in 2019.

BOARD AND COMMITTEE MEETINGS IN CAVOTEC SA IN 2019

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Henrik Blomquist							2	2
Fabio Cannavale	11	10					2	1
Nicklas Edling(1)	5	5						
Thomas Ehlin							2	2
Roberto Italia	11	8	7	7				
Annette Kumlien(1)	5	5	5	5				
Erik Lautmann	11	9			5	5		
Heléne Mellquist(2)	6	4	2	2				
Helena Thrap-Olsen(3)	6	6			5	5		
Patrik Tigerschiöld	11	9	7	7	5	5		
Stefan Widegren							2	2

(1) *Elected at the AGM 2019.*
(2) *Heléne Mellquist did not stand for re – election at the AGM 2019 and was replaced as Chairwoman of the Audit Committee by Annette Kumlien in May 2019.*
(3) *Helena Thrap-Olsen did not stand for re – election at the AGM 2019 and was replaced as Chairwoman of the Audit Committee by Annette Kumlien in May 2019.*

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 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 7 times in 2019.

The current members of Audit Committee are Annette Kumlien (Chairwoman), 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), Fabio Cannavale 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 2020/2021: Erik Lautmann, Fabio Cannavale and Patrik Tigerschiöld.

The Remuneration Committee of Cavotec SA met five times in 2019.

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.

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 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 - participation 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.

REMUNERATION OF THE BOARD OF DIRECTORS AND CEO IN 2019

Board of Directors EUR	Board fees	Social security Contributions	Pension	Consultancy	Total 2019
Fabio Cannavale	36,250	-	-	-	36,250
Niklas Edling[1]	26,250	916	1,375	-	28,541
Roberto Italia	28,750	1,038	1,558	-	31,346
Annette Kumlien[1]	33,750	1,178	1,768	-	36,696
Erik Lautmann	45,000	722	1,577	-	47,299
Heléne Mellquist[2]	11,250	404	606	-	12,260
Helena Thrap-Olsen[2]	10,000	155	339	-	10,495
Patrik Tigerschiöld (Chairman)	95,000	3,340	5,011	-	103,351
Total remuneration	**286,250**	**7,754**	**12,233**	**-**	**306,237**

(1) Elected as Independent Director at the AGM 2019.
(2) Did not stand for re-election as Board member at AGM 2019.

Chief Executive Officer EUR	Total Base Salary[1]	Short-term Incentive Plan[2]	Long-term Incentive Plan[3]	Benefits in kind[4]	Social Security, Insurance and Pension Contributions[5]	Total 2019
Mikael Norin	701,798	-	-	55,118	192,184	949,100

(1) Incl. children allowance, exchange rate used for 2019 is 1.11238 CHF/EUR.
(2) Paid in 2019.
(3) FY2016 LTIP Plan paid out respectively in 2019 but the CEO was not eligible for any of these plans.
(4) Allowances (Fitness, health insurance and school fees).
(5) Pension contribution to the CEO has partly been made in form of cash payment in lieu of defined contribution payment.

Please refer to Note 7 on page 79 for a detailed overview of the share ownership and refer to Compensation Report on page 20 for details.

c) LTIP
The 3 following LTI plans are running in parallel in 2019:

2019-2021 LTI Plan
The implementation of a new equity based long term incentive plan (LTIP) was approved by May 10, 2019 AGM. This plan is a 3 years plan that rewards the performance between Jan 1, 2019 and Dec 31 2021 (performance period). The CEO and EMT members are eligible for the plan. The plan grants performance shares to the participants at the beginning of the period as a percentage of the base salary (80% for the CEO, 20-40% for the EMT members). The number of shares that will vest at the end of the performance period depends on the performance of two indicators:
1. Growth in Earnings Per Share (EPS) with 65% weight
2. Relative Total Shareholder Return (relative TSR) with 35% weight

Threshold, target and stretch levels are defined for the achievement level calculation.

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 in cash and 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. The 2018-2019 LTI Bridge Plan will pay-out in 2020, based on the achievement level of the EPS on December 31, 2019.

2017-2019 Co-investment shares plans
Senior management members that joined the Group prior to 2017 are benefiting from the existing co-investment share LTIP.

The Co-investment shares plan 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 1,198,000 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 and has acted as CEO of the Bravofly Rumbo Group, now Lastminute. com Holding since then. He started his career as a consultant, working between 1989 and 1996 for A. T. Kearney and for McKinsey&Company. Between 1999 and 2001, Fabio was a member of the management team of eDreams, an online travel start-up. In 2017 he founded BHeroes a new concept of investor&devoloper of Start Ups, which has currently more then 100 companies in its portfolio. He is also a member of the Board of Directors of a number of private companies associated with his investment activities.

Fabio Cannavale and related parties hold 7,901,857 shares in Cavotec directly or indirectly (through Nomina).

Niklas Edling
Member of the Board

Born 1963

Member since 2019

Niklas holds an M.Sc. in Mechanical Engineering from the KTH Royal Institute of Technology in Stockholm and a B.Sc. in Economics and Business Administration from the Stockholm School of Economics. In addition to being on the Cavotec board, Niklas is also SVP Corporate Development & Deputy CEO at leading electronics production solutions provider Mycronic, where he has also served as SVP Operations. He is also a board member at award-winning lift manufacturer Aritco.

Niklas Edling holds 75,000 shares in Cavotec.

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

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. In 2013 he founded Red Black Capital, his own investment group targeting investment in small- to medium-sized companies across Europe, and co-founded Space Holding, a holding company promoting special purpose acquisition companies in public markets and private and private investment vehicles. Since 2020 he is Chief Executive Officer of Verlinvest. 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.

Annette Kumlien
Member of the Board

Born 1965

Member since 2019

Annette has a Bachelor of Business Administration from the Stockholm School of Economics. Alongside her Cavotec role, she holds the position as GVP, CFO at Munters Group AB. Previosly Annette has worked as CFO/ COO in Diaverum and CFO in Höganäs AB and Pergo AB.

Annette Kumlien does not hold any shares or warrants in Cavotec.

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.

Executive Management Team (EMT)

The EMT is selected by the CEO and consists of nine 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 200,000 shares in Cavotec.

Glenn Withers
Group Chief Financial Officer

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

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 133,635 shares in Cavotec.

Patrick Baudin

President, Services

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 and 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 2013.

Giorgio Lingiardi holds 89,869 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 in Lausanne, Switzerland. Before that he managed the Beaulieu Convention Center in Lausanne. Previously René spent 12 years in leadership positions in the field of Energy working for various consulting engineering companies active globally.

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

Martin Riegger

Group Chief Operations 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 holds 10,000 shares in Cavotec.

Memed Üzel

Group Chief Commercial Officer

Born 1977

Memed holds an MBA from IMD Business School in Lausanne and an Industrial Engineering degree from Lehigh University, Pennsylvania. Prior to joining Cavotec in 2019, Memed was Global Commercial Excellence Director at the Building Technologies division in Honeywell. Before that, he held a series of sales effectiveness and marketing roles at Medtronic, Dupont and Volvo.

Memed Üzel does not hold any shares or warrants in Cavotec.

Consolidated Financial Statements 2019

This report is dated 2 April 2020 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 000s	Notes	2019	2018
Revenue from sales of goods and services	5	196,017	196,961
Other income	6	2,549	3,076
Cost of materials		(90,814)	(96,601)
Employee benefit costs	7	(60,249)	(64,482)
Operating expenses	8	(26,038)	(48,012)
Gross Operating Result		**21,465**	**(9,058)**
Depreciation and amortisation	16,17	(4,684)	(4,673)
Depreciation of right-of-use of leased asset	16	(4,266)	-
Impairment losses	16	(203)	(156)
Operating Result		**12,312**	**(13,887)**
Interest income	10	26	82
Interest expenses	10	(1,919)	(1,957)
Currency exchange differences - net	10	318	1,588
Other financial item	10	(28)	(1,157)
Profit /(Loss) before income tax		**10,709**	**(15,331)**
Income taxes	11,19	(3,195)	(3,119)
Profit /(Loss) for the period		**7,514**	**(18,450)**
Other comprehensive income:			
Remeasurements of post employment benefit obligations	27	(344)	31
Items that will not be reclassified to profit or loss		**(344)**	**31**
Currency translation differences		758	(2,313)
Items that may be subsequently reclassified to profit/(loss)		**758**	**(2,313)**
Other comprehensive income for the year, net of tax		**414**	**(2,282)**
Total comprehensive income for the year		**7,928**	**(20,732)**
Total comprehensive income attributable to:			
Equity holders of the Group		7, 928	(20,733)
Non-controlling interest		1	1
Total		**7,928**	**(20,732)**
Profit attributed to:			
Equity holders of the Group		7,514	(18,450)
Total		**7,514**	**(18,450)**
Basic and diluted earnings per share attributed to the equity holders of the Group (EUR/Share)	30	0.080	(0.233)
Average number of shares		94,206,242	79,078,713

The notes on pages 43 to 64 are an integral part of these Consolidated Financial Statements.

Balance Sheet

Cavotec SA & Subsidiaries

Assets EUR 000s	Notes	2019	2018
Current assets			
Cash and cash equivalents		13,254	21,257
Trade receivables	12	36,500	42,798
Tax assets	13	3,683	1,671
Other current receivables	14	2,797	26,435
Contract assets	5,12	2,200	1,144
Inventories	15	38,801	39,458
Assets held for sale	16	5,363	5,512
Total current assets		**102,598**	**138,275**
Non-current assets			
Property, plant and equipment	16	18,270	20,082
Right-of-use of leased assets	16	19,425	-
Intangible assets	17	52,844	53,436
Non-current financial assets	18	280	275
Deferred tax assets	19	9,217	9,297
Other non-current receivables	20	8,004	8,775
Total non-current assets		**108,040**	**91,865**
Total assets		**210,639**	**230,140**

Equity and Liabilities EUR 000s	Notes	2019	2018
Current liabilities			
Current financial liabilities	21	(14,462)	(4,271)
Current lease liabilities		(4,081)	-
Trade payables	22	(25,483)	(27,081)
Contract liabilities	5,22	(7,534)	(10,558)
Tax liabilities	23	(1,531)	(1,678)
Provision for risk and charges, current	26	(6,772)	(13,186)
Other current liabilities	24	(12,125)	(13,015)
Total current liabilities		**(71,988)**	**(69,789)**
Non-current liabilities			
Non-current financial liabilities	21	(2,644)	(48,663)
Non-current lease liabilities		(16,140)	-
Deferred tax liabilities	25	(2,405)	(2,468)
Other non-current liabilities		(103)	(407)
Provision for risk and charges, non-current	26	(9,188)	(8,769)
Total non-current liabilities		**(30,482)**	**(60,307)**
Total liabilities		**(102,469)**	**(130,096)**
Equity			
Equity attributable to owners of the parent	28	(108,140)	(100,015)
Non-controlling interests		(29)	(29)
Total equity		**(108,169)**	**(100,044)**
Total equity and liabilities		**(210,639)**	**(230,140)**

The notes on pages 43 to 64 are an integral part of these Consolidated Financial Statements.

Statement of Changes in Equity

Cavotec SA & Subsidiaries

EUR 000s	Notes	Share Capital	Reserves	Retained earnings	Equity related to owners of the parent	Non-controlling interest	Total equity
Balance 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 obligations	27	-	(31)	-	**(31)**	-	**(31)**
Total comprehensive income and expenses		**-**	**2,283**	**18,450**	**20,733**	**(2)**	**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)**
Balance as at 1 January 2019		(100,169)	(4,646)	4,800	**(100,015)**	(29)	**(100,044)**
(Profit) / Loss for the period		-	-	(7,514)	**(7,514)**	-	**(7,514)**
Currency translation differences		-	(758)	-	**(758)**	(1)	**(759)**
Remeasurements of post employment benefit obligations	27	-	344	-	**344**	-	**344**
Total comprehensive income and expenses		**-**	**(414)**	**(7,514)**	**(7,928)**	**(1)**	**(7,929)**
Employees share scheme		-	(136)	-	**(136)**	-	**(136)**
Purchase of treasury shares		-	38	-	**38**	-	**38**
Issue of Treasury shares to employees		-	(99)	-	**(99)**	-	**(99)**
Transactions with shareholders		**-**	**(197)**	**-**	**(197)**	**-**	**(197)**
Balance as at 31 December 2019		**(100,169)**	**(5,257)**	**(2,714)**	**(108,140)**	**(30)**	**(108,170)**

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

The notes on pages 43 to 64 are an integral part of these Consolidated Financial Statements.

Statement of Cash Flows - Indirect Method

Cavotec SA & Subsidiaries

EUR 000s	Notes	2019	2018
Profit /(Loss) for the year		**7,514**	**(18,450)**
Adjustments for:			
Net interest expenses		1,437	1,456
Current taxes	11	3,169	2,997
Depreciation and amortisation		4,684	4,673
Depreciation of right -of-use of leased assets		4,266	-
Impairment losses	16	203	156
Deferred tax		26	122
Provision for risks and charges		(8,185)	11,813
Capital gain or loss on assets		(144)	(279)
Other items not involving cash flows		(130)	(42)
Interest paid		(1,510)	(1,463)
Taxes paid		(5,327)	(3,184)
		1,512	16,249
Cash flow before change in working capital		6,003	(2,201)
Impact of changes in working capital			
Inventories		2,647	(1,546)
Trade receivables and contract assets		6,173	(2,155)
Other current receivables		4,068	1,557
Trade payables and contract liabilities		(4,597)	4,028
Other current liabilities		88	3,506
Long term receivables and liabilities		-	(1,951)
Impact of changes involving working capital		8,379	3,439
Net cash inflow /(outflow) from operating activities		**14,382**	**1,237**
Financial activities			
Net changes in loans and borrowings	21	(35,584)	2,512
Repayment of lease liabilities	16	(3,604)	-
Interest paid on lease liabilities		(608)	-
Capital increase	28	18,527	-
Capital reduction		-	(1,357)
Net cash inflow /(outflow) from financial activities		**(21,269)**	**1,155**
Investing activities			
Investments in property, plant and equipment		(1,384)	(7,866)
Investments in intangible assets		(341)	(1,384)
Disposal of assets		433	2,038
Net cash outflow from investing activities		**(1,292)**	**(7,213)**
Cash at the beginning of the year		21,257	28,718
Cash flow for the year		(8,179)	(4,820)
Currency exchange differences		176	(2,641)
Cash at the end of the year		13,254	21,257

The notes on pages 43 to 64 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 2 April 2020. The report is subject to approval by the Annual General Meeting on 13 May 2020.

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 2019:
• IFRS 16 - Leases
The adoption of new or amended standards and interpretations that are effective for the financial year beginning on January 1, 2019, had impact on the Group's consolidated financial statements as follows:

IFRS 16 Leases

Cavotec implemented IFRS 16 Leases as of January 1, 2019 which substantially changed the consolidated financial statements, as the majority of leases for which the company is the lessee became on balance sheet liabilities with corresponding right of use assets also recognized 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 and related interpretations. Upon adoption of the new standard, a portion of the annual operating lease costs is recorded as an interest expense. This was previously fully recognized within operating income as a functional expense. In addition, the portion of the lease payments that represents the reduction of the lease liability is recognized in the cash flow statement as an outflow from financing activities. Previously, this was fully recognized as an outflow from operating activities. Cavotec applied the modified retrospective method, with right of use assets measured at an amount equal to lease liability, adjusted by the amount of the prepaid or accrued lease payments made before the commencement date and will note restate prior years. For further information on the impact of adoption of IFRS 16 Leases, see Note 16, for the implementation of IFRS 16 Leases, please refer to Note 3.

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 2019 and 2018.

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 Profit or Loss, except when recognised in other comprehensive income 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
- Resulting exchange differences related to currency translation adjustment 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 designated as quasi-equity loans are recognised in other comprehensive income. 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 2019 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 Connectors AB	Sweden	Centre of Excellence	Cavotec Group Holdings NV		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 International Ltd	United Kingdom	Services	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 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 USA Inc.	Unites States of America	Sales company	Cavotec SA	100%	
Ipalco BV	The Netherlands	Holding/Services	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 following entities have been closed in FY2017 & FY2018 and are now in liquidation phase:
Cavotec Connectors AB
Cavotec Danmark AS
Cavotec Latin America
Cavotec Russia OOO
Cavotec South Africa

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 Profit or Loss.

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

LEASES

Cavotec implemented IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.77%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

In applying the IFRS 16 for the first time, Cavotec has used the following practical expedients permitted by the standard:
- applying a single discount rate to portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- excluding initial direct costs for the measurement of the right of use asset at the date of initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Measurement of lease liabilities	
Operating lease commitments December 31, 2018[(1)]	**26,182**
Recognition exemption for short-term leases	(115)
Recognition exception for low-value leases	(359)
Lease arrangements with commencement date after December 31 2018	643
Undiscounted future lease payments continuing operations as of January 2019	26,351
Effect of discounting	(3,104)
Right of use recognized as of January 1, 2019	**23,247**
Pre-payments and accrued lease payments	(1,832)
Lease liabilities as of January 1, 2019	**21,415**

[(1)] As reported in Annual Report 2018 Note 36

The associated right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

For further information on the impact of adoption of IFRS 16 Leases, see note 16.

Prior to the adoption of IFRS 16 on January 1, 2019, the Group accounting policy for leases was as follows:

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 65.

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.

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 Profit or Loss 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 mainly include severance payments to employees. 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.

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.

The company has defined the following 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.

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.

Uncertain tax positions are measured either at the most likely outcome or at the expected value, depending on which method better predicts the resolution of the uncertainty. Thereby detection risk is not taken into account.

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 000s	Net book value as of 31/12/2018	Translation differences and other	Acquisitions and dispositions	Impairment	Net book value as of 31/12/2019
Ports & Maritime	**23,254**	43	-	-	**23,297**
Airports, AGC & Fuelling	**15,256**	298	-	-	**15,554**
Industry	**6,939**	(6)	-	-	**6,933**
Total	**45,449**	**335**	**-**	**-**	**45,784**

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 transformation strategy set by the CEO and the reorganisation of the business finalised in 2019, the Group has updated the five-year Strategic Plan that defines a roadmap for the Company up to 2024. The impairment model has been prepared based on this Strategic Plan. The value in use is mainly driven by the terminal value, which is sensitive to changes in the assumptions on the terminal value growth rate and discount rate. The 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 assumptions used to determine the value in use for impairment test purposes:

	Terminal growth rate		WACC	
	2019	2018	2019	2018
Ports & Maritime	2.00%	2.00%	9.24%	9.84%
Airports, AGC & Fuellling	2.30%	2.25%	9.56%	10.18%
Industry	1.50%	1.50%	8.60%	9.17%

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.

Ports & Maritime goodwill

The goodwill allocated to CGU Ports & Maritime remains sensitive to changes in estimates. In accordance with the group's strategic plan, the sensitivity analysis shows that, maintaining the other assumptions constant, a reduction in gross margin of 6.9% (29.7% instead of 36.6%) would remove the available headroom. Prior year sensitivity on gross margin was 3.2%. The CGU is no longer sensitive to the expected revenue growth rates, following the introduction of the new business model. Reasonably possible changes in terminal growth rate assumptions would not cause the recoverable amount of the CGU to fall below the carrying amount.

Airports, AGC & Fuelling and Industry goodwill

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

NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

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 2019 EUR 000s	Airports & Industry	Ports & Maritime	Total
Revenue from external customer			
Timing of revenue recognition			
At a point in time	104,862	72,873	177,735
Over time	6,567	11,715	18,282
Total	**111,429**	**84,588**	**196,017**

Year ended 31 December 2018 EUR 000s	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 2019 EUR 000s	AMER	EMEA	APAC	Total
Ports & Maritime	21,423	40,773	22,392	84,588
Airports & Industry	21,349	67,766	22,314	111,429
Total	**42,772**	**108,539**	**44,706**	**196,017**

Year ended 31 December 2018 EUR 000s	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**

Assets and liabilities related to contract with customers

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

EUR 000s	31 Dec, 2019	31 Dec, 2018	1 Jan, 2018
Current Assets/Liabilities			
Contract Assets	2,200	1,144	3,226
Contract Liabilities	(7,534)	(10,558)	(6,881)
Total	**(5,334)**	**(9,414)**	**(3,655)**

The movement in contract liabilities year over year of EUR 3,024 thousands is due to the following drivers:

- Decrease of EUR 8,533 thousands: Contract liabilities included in the balance at the beginning of the period, have been recognised as revenue during the year.
- Increase of EUR 5,509 thousands: Received consideration from customers (prepayments) on new or ongoing contracts.

NOTE 6. OTHER INCOME

EUR 000s	2019	2018
Carriage, insurance and freight	1,495	2,167
Exchange gains and losses	(226)	(363)
Other miscellaneous income	1,280	1,272
Total	**2,549**	**3,076**

NOTE 7. EMPLOYEE BENEFIT COSTS

EUR 000s	2019	2018
Salaries and wages	(43,385)	(48,374)
Social security contributions	(6,740)	(7,113)
Other employee benefits	(10,123)	(8,995)
Total	**(60,249)**	**(64,482)**

The employee benefit costs are based on an average workforce during the year, ended at 769[1] full time equivalents (2018: 896). 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 20). The cost for the Group for all plans (excluding social security payments) was EUR 1,142 thousands (2018: 396), the total outstanding shares were 114,968 shares (2018: 282,991).

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

NOTE 8. OPERATING EXPENSES

EUR 000s	2019	2018
Transportation expenses	(1,618)	(2,250)
External services	(9,629)	(11,341)
Provision for litigation	-	(11,866)
Travelling expenses	(3,429)	(5,621)
General expenses	(6,199)	(8,067)
Rent and leasing	(1,519)	(6,283)
Credit losses	(719)	(599)
Warranty costs	(2,926)	(1,985)
Total	**(26,038)**	**(48,012)**

In 2019 Rent and leasing of EUR 1,519 thousands mainly include utility expenses.

NOTE 9. NON-RECURRING ITEMS

EUR 000s	2019	2018
Restructuring costs	(3,218)	(5,455)
Litigation costs	(158)	(8,308)
Non-recurring income	-	9
Other non-recurring	-	(4,020)
Total	**(3,376)**	**(17,774)**

Non-recurring items are presented in order to give a better view of the operational result and totalled costs of EUR -3,376 thousands (2018: -17,774). 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 000s	2019	2018
Interest income	26	82
Interest expense	(1,528)	(1,538)
Change of derivatives fair value	-	9
Amortisation of issuance costs	(392)	(428)
Loan modification	-	(1,157)
Interest expenses - net	**(1,894)**	**(3,032)**
Currency exchange difference - net	**290**	**1,588**
Total	**(1,604)**	**(1,444)**

Interest expense include EUR 608 thousands of interest expense recognise under IFRS16. Loan modification costs are related to potential extra financial costs in relation to the negotiation of the waiver with the syndicated banks done in November 2018.

NOTE 11. INCOME TAXES

EUR 000s	2019	2018
Current tax	(2,633)	(3,118)
Deferred tax	(26)	(122)
Other taxes	(536)	121
Total	**(3,195)**	**(3,119)**

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 000s		2019		2018
Tax on consolidated pre-tax income at group rate	**23.1%**	**(2,473)**	**24.8%**	**3,801**
Tax effect of loss-making subsidiaries		(2,306)		(7,588)
Tax effect of non-taxable income included in profit before tax		(1,179)		607
Tax on non-deductible expenses		(366)		(673)
Effects of tax losses/credits utilized		255		-
Utilisation of previously unrecognised DTA		517		-
Effects of different tax rates in countries in which the group operates		-		734
Total	**29.8%**	**(3,194)**	**20.3%**	**(3,119)**

The Group operates in many jurisdictions where statutory tax rates vary from 0% to 35%. The weighted average applicable tax rate was 23.1% (2018: 24.8%).

NOTE 12. TRADE RECEIVABLES AND CONTRACT ASSETS

EUR 000s	2019	2018
Trade receivables	42,085	48,258
Contract assets	2,200	1,144
Provision for doubtful debts	(5,584)	(5,460)
Net Trade receivables and Contract assets	**38,701**	**43,942**

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

Opening balance	**(5,460)**	**(5,145)**
Provision recorded in the year	(2,325)	(1,667)
Provision used in the year	837	442
Provision reversed not used in the year	1,431	940
Currency exchange difference	(67)	(30)
Closing balance	**(5,584)**	**(5,460)**

Contract assets include EUR 2,200 thousands (2018: 1,144) 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 000s	2019	2018
Tax assets	470	767
VAT recoverable	3,213	904
Total	**3,683**	**1,671**

NOTE 14. OTHER CURRENT RECEIVABLES

EUR 000s	2019	2018
Short term investments at fair value through PL	31	78
Deposits	491	487
Prepayments	1,837	4,809
Other receivables	438	21,061
Total	**2,797**	**26,435**

2018 Other receivables include EUR 18.515 thousands as a result of the Rights Issue.

NOTE 15. INVENTORIES

EUR 000s	2019	2018
Raw materials	21,753	11,549
Finished goods	20,536	33,368
Provision for slow moving inventories	(3,488)	(5,459)
Total	**38,801**	**39,458**

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

EUR 000s	2019	2018
Opening balance	**(5,459)**	**(6,197)**
Provision used during the year	1,273	2,218
Provision recorded in the year	(289)	(1,756)
Provision reversed not used in the year	1,031	357
Currency exchange difference	(45)	(81)
Closing balance	**(3,488)**	**(5,459)**

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

EUR 000s	Land & buildings	Plant & equipment	Fixtures & fittings	Total
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**
Year ended 31 December 2019				
Opening net book value	7,728	8,821	3,533	20,082
Additions	253	898	312	1,463
Disposals	-	(389)	(58)	(447)
Reclassification	-	-	-	-
Impairment	-	-	-	-
Reclassification, asset held for sale	-	-	-	-
Depreciation	(306)	(2,289)	(766)	(3,361)
Currency exchange differences	23	110	400	533
Closing net book value	**7,697**	**7,151**	**3,421**	**18,270**
At 31 December 2019				
Cost	11,454	22,949	9,979	44,381
Accumulated depreciation	(3,757)	(15,797)	(6,558)	(26,112)
Net book amount	**7,697**	**7,151**	**3,421**	**18,270**

The buildings reclassified as assets held for sales are Trondheim building (Norway), Cavotec Italy former building in Nova Milanese (Italy), and Cavotec USA building in Mooresville (USA). Management expect to sell the building in the next 12 months. In the current year, the building in Norway has been written down EUR 203 thousands to EUR 2,726 thousands, the remaining difference with previous year is due to exchange difference. Total amount of asset held for sale is EUR 5,363 thousands.

IMPACT OF ADOPTION OF IFRS 16 LEASES

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements. Cavotec applied the practical expedient, outlined in Note 3.

Amounts recognised in the balance sheet

The Balance Sheet shows the following amounts relating to leases:

EUR 000s	31 Dec, 2019	1 Jan, 2019
Right of use		
Land & building	19,064	22,527
Plant & equipment	156	544
Fixtures & fittings	205	176
Total right of use	**19,425**	**23,247**

EUR 000s	31 Dec, 2019	1 Jan, 2019
Lease liabilities		
Current	4,081	3,294
Non current	16,140	18,121
Total lease liabilities	**20,221**	**21,415**

Amounts recognised in the income statement

The statement of profit or loss shows the following amounts relating to leases:

EUR 000s	31 Dec, 2019
Depreciation charge of Right of Use asssets	
Land & building	(3,955)
Plant & equipment	(200)
Fixtures & fittings	(111)
Total depreciation charge of right of use assets	**(4,266)**
Interest expenses	**(608)**

CURRENT YEAR DISCLOSURE

The following table summarizes the movements of the right-of-use assets of continuing operations:

Right of use assets at January 1 2019 EUR 000s	**23,247**
Additions	628
Lease contract terminations	(120)
Depreciation charge	(4,266)
Currency translation effects	(64)
Total right of use assets at December 31 2019	**19,425**

NOTE 17. INTANGIBLE ASSETS

EUR 000s	Goodwill	Patents & trademarks	R&D and other	Total
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**
Year ended 31 December 2019				
Opening net book value	45,449	1,204	6,783	53,436
Additions	-	17	323	341
Disposals	-	-	-	-
Impairment	-	-	-	-
Amortisation	-	(410)	(912)	(1,322)
Currency exchange differences	335	7	49	390
Closing net book value	**45,784**	**817**	**6,243**	**52,844**
At 31 December 2019				
Cost	45,784	7,036	12,687	65,506
Accumulated amortisation	-	(6,218)	(6,444)	(12,663)
Net book amount	**45,784**	**817**	**6,243**	**52,844**

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

NOTE 18. NON-CURRENT FINANCIAL ASSETS

EUR 000s	2019	2018
Financial receivables	243	237
Financial assets at fair value through PL	38	38
Total	**280**	**275**

NOTE 19. DEFERRED TAX ASSETS

EUR 000s	2019	2018
Deferred tax assets to be recovered within 12 months	3,884	5,311
Deferred tax assets to be recovered after more than 12 months	5,333	3,986
Total	**9,217**	**9,297**

EUR 000s	2019	2018
Provisions for warranty, doubtful accounts and others	1,130	1,437
Losses carried forward	3,464	3,375
Inventory	2,008	2,014
PPE and intangible assets	417	467
Accrued expenses not currently deductible	1,228	1,389
Others temporary differences	970	615
Total	**9,217**	**9,297**

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 94,527 thousands (2018: 74,015).

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 6,003 thousands (2018: 5,890) and deposits for Cavotec Italy building and machinery EUR 1,678 thousands.

NOTE 21. LOANS AND BORROWINGS

EUR 000s	2019	2018
Credit facility current portion	(10,479)	-
Other current financial liabilities	(4,220)	(4,271)
Credit facility non-current portion	-	(44,465)
Other non-current financial liabilities	(2,644)	(4,648)
Unamortised issuance costs	237	450
Total	**(17,106)**	**(52,934)**

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, untill second quarter 2019 included.

EUR 000s	2019	2018
Bank overdrafts	1.00%	1.00%
Short term debt	3.40%	1.54%
Long term debt	2.03%	2.88%
Interest bearing liabilities	**3.19%**	**2.77%**

The average cost of the interest bearing liabilities at the end of 2019 was higher compared to the previous year mainly due to the higher interest rates on loans denominated in USD and the higher margin paid on the main credit facility in the first half of 2019.

NOTE 22. TRADE PAYABLES

EUR 000s	2019	2018
Trade payables	(25,483)	(27,081)
Contract liabilities	(7,534)	(10,558)
Total	**(33,017)**	**(37,639)**

NOTE 23. TAX LIABILITIES

EUR 000s	2019	2018
Tax liabilities	(728)	(604)
VAT payable	(804)	(1,074)
Total	**(1,532)**	**(1,678)**

NOTE 24. OTHER CURRENT LIABILITIES

EUR 000s	2019	2018
Employee entitlements	(5,791)	(5,718)
Accrued expenses and other	(6,335)	(7,297)
Total	**(12,126)**	**(13,015)**

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

NOTE 25. DEFERRED TAX LIABILITIES

EUR 000s	2019	2018
Deferred tax liabilities to be released within 12 months	(118)	(79)
Deferred tax liabilities to be released after more than 12 months	(2,287)	(2,389)
Total	**(2,405)**	**(2,468)**

EUR 000s	2019	2018
PPE and intangible assets	(1,602)	(1,714)
Unrealised exchange differences	(13)	(13)
Untaxed reserves	(685)	(675)
Other	(105)	(66)
Total	**(2,405)**	**(2,468)**

For more details, please refer to note 19.

NOTE 26. PROVISION FOR RISKS AND CHARGES

EUR 000s	2019	2018
Provision for risk and charges, current	(6,772)	(13,186)
Provision for risk and charges, non-current	(9,188)	(8,769)
Total	**(15,960)**	**(21,955)**

EUR 000s	Dec 31, 2018	Recorded	Used	Reversed not used	Exchange diff	Dec 31, 2019
Provision for pensions	(2,485)	(654)	700	44	(49)	(2,444)
Provision for warranty	(6,316)	(651)	165	40	(247)	(7,009)
Provision for litigation	(8,471)	-	8,162	-	(163)	(472)
Provision for restructuring	(1,200)	(1,671)	2,190	190	72	(420)
Other provisions	(3,483)	(2,626)	492	-	2	(5,615)
Total	**(21,955)**	**(5,602)**	**11,709**	**274**	**(386)**	**(15,960)**

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. Other provisions mainly relate to provisions on legal and penalty costs. For details about the provision for litigation and others, please refer to note 34.

An amount of EUR 6,772 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 000s	2019				2018
	Switzerland	Italy	U.A.E.	Total	Total
Present value of defined benefit obligation (DBO)	(3,135)	-	-	**(3,135)**	**(2,049)**
Fair value of plan assets	2,233	-	-	**2,233**	**1,465**
Deficit of funded plans	**(902)**	**-**	**-**	**(902)**	**(584)**
Present value of unfunded obligations	-	(550)	(746)	**(1,296)**	**(1,692)**
Liability in the Balance Sheet	**(902)**	**(550)**	**(746)**	**(2,198)**	**(2,276)**

In addition the Group has liabilities from defined contribution plan for an amount of EUR 210 thousands.

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

EUR 000s			2019		2018
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**(2,049)**	**(807)**	**(885)**	**(3,741)**	**(3,620)**
Reclassification of pension scheme	-	-	-	**-**	**-**
Service cost:					
- Current service cost	(194)	-	(86)	**(280)**	**(244)**
Interest expenses	(20)	(12)	(25)	**(57)**	**(57)**
Cash flow:					
- Benefit payments from plan assets	(270)	-	-	**(270)**	**(58)**
- Benefit payments from employer	-	277	356	**633**	**438**
- Participant contributions	(226)	-	-	**(226)**	**(141)**
- Insurance premium for risk benefits	32	-	-	**32**	**22**
Remeasurements:					
- Effect of changes in financial assumptions	(220)	(21)	(69)	**(310)**	**130**
- Effect of experience adjustments	(85)	13	(16)	**(88)**	**(100)**
Exchange differences	(103)	-	(22)	**(125)**	**(111)**
At 31 December	**(3,135)**	**(550)**	**(746)**	**(4,432)**	**(3,741)**

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

EUR 000s			2019		2018
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**1,465**	**-**	**-**	**1,465**	**1,093**
Interest Income	16	-	-	**16**	**8**
Cash flow:					
- Employer contributions	226	277	356	**859**	**579**
- Participant contributions	226	-	-	**226**	**141**
- Benefit payments to plan	270	-	-	**270**	**58**
- Benefit payments from employer	-	(277)	(356)	**(633)**	**(438)**
- Administrative expenses paid from plan assets	(16)	-	-	**(16)**	**(15)**
- Insurance premium for risk benefits	(32)	-	-	**(32)**	**(22)**
Remeasurements:					
- Return on plan assets (excluding interest income)	5	-	-	**5**	**10**
Exchange differences	73	-	-	**73**	**51**
At 31 December	**2,233**	**-**	**-**	**2,233**	**1,465**

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

EUR 000s			2019		2018
	Switzerland	Italy	U.A.E.	Total	Total
Service cost:					
- Current service cost	194	-	86	**280**	**244**
Total Service cost	**194**	**-**	**86**	**280**	**244**
Net interest cost:					
- Interest expense on DBO	20	12	25	**57**	**57**
- Interest (income) on plan assets	(16)	-	-	**(16)**	**(8)**
Total net interest cost	**4**	**12**	**25**	**41**	**49**
Administrative expenses and/or taxes (not reserved within DBO)	15	-	-	15	13
Defined benefit cost included in the Income Statement	**214**	**12**	**111**	**337**	**306**
Effect of changes in financial assumptions	220	21	69	**310**	**(130)**
Effect of experience adjustments	85	(13)	16	**88**	**100**
Return on plan assets (excluding interest income)	(4)	-	-	**(4)**	**(10)**
Exchange Differences	15	-	7	**22**	**19**
Effect of deferred taxes	(72)	-	-	**(72)**	**(10)**
Total remeasurements included in Other Comprehensive Income	**244**	**8**	**92**	**344**	**(31)**

The Group expects to pay EUR 279 thousands in contribution to defined benefit plans in 2020 (EUR 231 thousands was the expectation in 2018 concerning the amount to be paid in 2019).

The principal actuarial assumptions were as follows:

	2019			2018		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate	0.20%	0.80%	3.00%	1.00%	1.55%	4.10%
Salary increases	1.00%	n/a	3.00%	1.00%	n/a	3.00%
Inflation	0.00%	1.00%	n/a	0.00%	1.50%	n/a

The principal demographic assumptions were as follows:

	2019			2018		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Life expectancy	BVG 2015GT	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)	-	-	0.00%	-	-	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.

	2019			2018		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate +0.50%	(2,880)	(515)	(714)	(1,948)	(758)	(903)
Discount rate -0.50%	(3,429)	(587)	(782)	(2,177)	(859)	(962)

For comparability purposes we updated comparatives to show only variations of 0.5%.

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 000s	No of ordinary shares (Fully paid)	Share capital
Balance at 1 January 2019	**94,243,200**	**(100,169)**
Balance at 31 December 2019	**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 000s	2019	2018
Currency translation reserves	8,319	9,067
Share premium reserve	(14,251)	(14,251)
Own shares reserve	3	64
Actuarial reserve	819	474
Reserve for LTIP	(136)	-
Revaluation reserve	(11)	-
Total	**(5,257)**	**(4,646)**

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 000s	2019	2018
Profit for the year	7,514	(18,450)
Attributable to:		
Equity holders of the Group	7,514	(18,450)
Total	**7,514**	**(18,450)**
Weighted-average number of shares outstanding	94,206,242	79,078,713
Basic and diluted earnings per share attributed to the equity holders of the Group	0.080	(0.233)

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 2 Divisions: "Ports & Maritime" and "Airports & Industry", that are also representing the operating segments. Customers of both divisions are supported by a Services organization that was launched mid 2018.

Other information that is not reportable has been combined and disclosed within "Other reconciling items" which mainly include not allocated head office costs.

Information by operating segment for the year ended 31 December, 2019 for each operating segment is summarised below:

Year ended 31 December, 2019 EUR 000s	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Revenue from sales of goods and services	84,588	111,429	-	196,017
Other income	567	1,981	-	2,549
Operating expenses before depreciation and amortization	(70,404)	(100,339)	(6,357)	(177,101)
Gross Operating Result	**14,751**	**13,071**	**(6,357)**	**21,465**

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

Year ended 31 December, 2018 EUR 000s	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 amortization	(71,674)	(131,522)	(5,899)	(209,095)
Gross Operating Result	**(2,314)**	**(845)**	**(5,899)**	**(9,058)**

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 000s	2019	2018
Gross operating result for operating segments	21,465	(9,058)
Goodwill impairment & other operational write - downs	(203)	(156)
Depreciation	(7,627)	(3,400)
Amortisation	(1,322)	(1,272)
Financial costs - net	(1,575)	(620)
Other financial items	(28)	(825)
Profit before income tax	**10,709**	**(15,331)**

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

Year ended 31 December 2019 EUR 000s	AMER	EMEA	APAC	Total
Ports & Maritime	21,423	40,773	22,392	**84,588**
Airports & Industry	21,349	67,766	22,314	**111,429**
Total	**42,773**	**108,539**	**44,706**	**196,017**

Year ended 31 December 2018 EUR 000s	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**

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 3,668 thousands (2018: 4,763). The total compensation also includes compensation to EMT members' related parties.

Please refer to the Compensation Report on page 23 for the remuneration of the Board Members and page 20 for the description of the long-term incentive plan.

Year ended 31 December 2019					
EUR 000s	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Share-based payment	Total
Chief Executive Officer	1,295	285	450	108	2,138
Executive Management Team	2,488	252	-	31	2,771
Total remuneration	**3,783**	**537**	**450**	**139**	**4,909**

Year ended 31 December 2018					
EUR 000s	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**

For more details of CEO remuneration, please see the Compensation Report on page 23.
In FY2019 there were no transactions with related parties controlled or influenced by Board members.

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 000s	2019	2018
Audit services		
PricewaterhouseCoopers	649	584
Other audit firms	105	130
Total	**754**	**714**
Other assurance services:		
Taxation		
PricewaterhouseCoopers	54	30
Other audit firms	14	20
Total	**68**	**50**
Other assurance services		
PricewaterhouseCoopers	1	13
Other audit firms	7	2
Total	**8**	**15**
Total	**76**	**65**

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

On the lawsuit in California with Mr Colaco, the Superior Court of California in May 2019 entered a judgment and instructed Cavotec to make a payout of EUR 8.0 million (USD 9.1 million). The judgment is in line with Cavotec's expectations as reflected in the reported 2018 accounts. The cash charge was recorded in the second quarter 2019.

NOTE 35. CONTINGENCIES

EUR 000s	2019	2018
Bonds	16,096	12,828
Financial guarantees	109	2,140
Other guarantees	2,579	2,657
Total	**18,784**	**17,625**

The items listed under Contingencies are mainly performance and advance payment bonds to customers in the Middle East region, Finland, Hong Kong and China. On the total of contingencies EUR 14,677 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 000s	2019	2018
Rental commitments		
Within one year	57	4,339
Later than one, not later than two years	30	3,636
Later than two, not later than five years	-	8,648
Later than five years	-	9,559
Total	**87**	**26,182**
Operating lease commitments		
Within one year	-	397
Later than one, not later than two years	-	227
Later than two, not later than five years	-	53
Later than five years	-	-
Total	**-**	**677**

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 367 thousands at 31 December, 2019 (2018: 590) are secured by mortgages on land and buildings in Italy and Germany. The decrease of the year is due to the repayment of the current portion of the loans.

NOTE 38. SUBSEQUENT EVENTS

SALE OF MOORESVILLE, US BUILDING

In February 2020 Cavotec USA building located in Mooresville (NC) has been sold for USD 2.6 million. As the building was accounted as Asset held for Sale with a book value of USD 1.8 million, the Company will recognize in the same month a capital gain of USD 0.8 million.

UPDATE ON OPERATIONAL AND FINANCIAL IMPACT RELATED TO COVID-19

At the date of this report, Cavotec is facing the midst of the Covid-19 pandemic. The primary focus at this time is the health and wellbeing of our people who are working hard every day to continue to support our customers. We will do what is necessary for them while also securing the continuity of our operations.
Measures taken to contain the virus have affected economic activity and the group's business in various ways:

- The decision of the Italian government to close down businesses, including Cavotec's production facility outside Milan, leading to postponements of deliveries to customers and the interruption of the production from the 23rd of March.
- The finalization of the renegotiation of the syndicated financing facility agreement, maturing in June 2020 has been postponed to the second quarter.
- The logistic constraints resulted in delays in deliveries and on request from customers to postpone some of deliveries, but no order has been cancelled.

Based on Cavotec's assessment at this date, the Group's revenue is expected to be 15 to 20 percent lower in Q1 2020 compared to Q1 2019. The Group has proactively implemented cost control measures at the start of the COVID-19 situation and is at this date expected to stay profitable in the quarter even at the lower revenue level. The order backlog has grown in the first quarter on the back of strong market interest.

In the period since 31 December 2019, the group has not recorded any material accounting adjustment in relation to the impact of COVID-19.

Except for our facility in Italy that is temporarily closed all the other production facilities in the USA, Europe and Asia are fully operational and have so far only been indirectly affected by COVID-19 due to logistical restrictions. Our production facility in California, USA has been classified by the authorities as an essential business.

Based on the situation as of the dates leading to the publication of the financial statements the group has performed scenario analyses using assumptions on the timing of the reopening of the facility in Italy and hypothetical closure of other facilities. The Group has taken a variety of measures in an effort to maintain an adequate level of liquidity in the based on these scenarios and developed plans to minimize the impact of the disruptions.

Governments in the countries in which we operate have also announced the implementation of government assistance measures which may mitigate the impact of the COVID-19 outbreak on our results and liquidity. We are currently investigating the extent to which we can apply for such government assistance in the countries in which we operate. However, the details of available arrangements and the period through which they remain available are unknown.

Due to the uncertainty of how the COVID-19 situation will develop, it is too early to draw any conclusion of the financial impact on the Group for future periods.

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	0.24311	0.24264
ARS	0.01854	0.01488
AUD	0.62073	0.62520
BRL	0.22656	0.22145
CAD	0.67322	0.68503
CHF	0.89897	0.92132
DKK	0.13394	0.13384
EUR	1.00000	1.00000
GBP	1.13917	1.17536
HKD	0.11401	0.11432
INR	0.01268	0.01247
KRW	0.00077	0.00077
NOK	0.10150	0.10138
NZD	0.58825	0.60049
RMB	0.12926	0.12787
RUB	0.01380	0.01429
SEK	0.09443	0.09572
SGD	0.65475	0.66177
USD	0.89330	0.89015
ZAR	0.06182	0.06338

At 31 December 2019, 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 1,476 thousands higher/lower (2018: 1,091 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.

	2019		2018	
EUR 000s	EUR -10%	EUR +10%	EUR -10%	EUR +10%
Receivables	81	(81)	38	(38)
Payables	(199)	199	(252)	252
Financial assets	2,573	(2,573)	3,052	(3,052)
Financial liabilities	(979)	979	(1,747)	1,747
Total increase / (decrease)	**1,476**	**(1,476)**	**1,091**	**(1,091)**

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

	2019		2018	
EUR 000s	Receivables	Trade payables and contract liabilities	Receivables	Trade payables and contract liabilities
EUR	12,529	(22,768)	17,467	(23,932)
USD	12,072	(1,706)	10,256	(4,370)
RMB	3,502	(2,952)	5,595	(2,251)
AED	1,934	(427)	2,565	(1,007)
GBP	1,436	(1,067)	323	(851)
SEK	496	(234)	1,059	(620)
NOK	370	(298)	443	(550)
AUD	1,751	(1,066)	2,791	(1,300)
CHF	-	(255)	-	(304)
HKD	41	(270)	604	(188)
CAD	-	(88)	558	(65)
INR	1,549	(387)	643	(401)
RUB	35	(13)	20	(172)
Other	785	(1,486)	474	(1,628)
Total	**36,500**	**(33,017)**	**42,798**	**(37,639)**

Financial assets and financial liabilities held at year end are held in the following currencies (2019 data include lease liabilities):

	2019		2018	
EUR 000s	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
EUR	6,905	(20,163)	10,257	(35,421)
USD	2,763	(14,632)	2,709	(17,467)
RMB	382	(397)	1,794	-
AED	351	-	1,765	-
GBP	277	(910)	893	-
SEK	63	(349)	307	(33)
NOK	46	(107)	273	-
AUD	871	(146)	665	-
CHF	143	(526)	223	-
HKD	72	(32)	18	-
CAD	-	-	438	-
INR	203	(26)	556	-
RUB	674	-	707	-
Other	504	(39)	652	(13)
Total	**13,254**	**(37,327)**	**21,257**	**(52,934)**

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, 2019 77% of the debt was floating rate (2018: 90%). In 2019, the Euribor rates were stable with very low volatility during the year. On the other hand, the USD Libor rates experienced a sustained decline due to the lower 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 134 thousands (2018: 482 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 2019 and at 31 December 2018:

	2019			
EUR 000s	Level 1	Level 2	Level 3	Total
Assets				
Current financial assets	31	-	-	31
Non-current financial assets	-	-	38	38
Assets held for sale	-	-	5,363	5,363
Total assets	**31**	**-**	**5,401**	**5,432**
Liabilities				
Non-current trading derivatives	-	(10)	-	(10)
Total liabilities	**-**	**(10)**	**-**	**(10)**

	2018			
EUR 000s	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)**

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 2019. A discounted cash flow method was used to calculate market value assuming a perpetual annual rent net of expenses and capex of about NOK 2,574 thousands with an estimated yield of 9.5%. The valuation as at 31 December 2019 is equal to EUR 2,726 thousands (2018: EUR 2,904 thousands).

In 2019 Cavotec Realty US building (EUR 1,563 thousands) and Cavotec Specimas SpA old building (EUR 1,074 thousands) are still classified as assets held for sales. 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 000s	2019	Expected Credit Loss	% Expected Credit Loss
Not yet due	19,026	(81)	0.43%
Overdue up to 30 days	10,188	(60)	0.59%
Overdue up to 30 and 60 days	1,909	(32)	1.66%
Overdue up to 60 and 90 days	1,327	(104)	7.87%
Overdue up to 90 and 120 days	3,095	(639)	20.66%
Overdue up to 120 and 150 days	1,223	(411)	33.61%
Overdue more than 150 days	5,306	(4,257)	80.21%
Total	**42,074**	**(5,584)**	

In the category "Not yet due", EUR 2.200 thousands are under contract assets. At 31 December, 2019 EUR 5,584 thousands (2018: 5,460) have been provisioned according to the percentages of expected credit loss shown in the table. The amount of written-off receivables recognised in 2019 was EUR 573 thousands (2018: 411).

NET DEBT

Net Debt is defined as financial liabilities (excluding lease 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 000s	2019	2018
Cash and cash equivalents	13,254	21,257
Current financial assets	31	78
Short-term debt	(14,699)	(4,271)
Long-term debt	(2,644)	(49,113)
Total	**(4,058)**	**(32,050)**

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

EUR 000s	Cash and cash equivalents	Current financial assets	Bank overdraft	Short-term debt	Long-term debt	Net position
Opening balance Jan 1, 2018	**28,718**	**80**	**-**	**(2,873)**	**(43,365)**	**(20,440)**
Cash flows	(4,819)	-	-	(1,398)	(1,114)	
Currency exchange differences	(2,642)	(2)	-	-	(905)	
Other non-cash movements	-	-	-	-	(730)	
Closing balance Dec 31, 2018	**21,257**	**78**	**-**	**(4,271)**	**(49,113)**	**(32,050)**

EUR 000's	Cash and cash equivalents	Current financial assets	Bank overdraft	Short-term debt	Long-term debt	Lease Liabilities	Net position
Opening balance Jan 1, 2019	**21,257**	**78**	**-**	**(4,271)**	**(49,113)**	**(21,415)**	**(53,464)**
Cash flows	(8,179)	5	-	51	35,533	3,604	
Currency exchange differences	176	-	-	-	-	(782)	
Other non-cash movements	-	(52)	-	(10,479)	10,936	(1,628)	
Closing balance Dec 31, 2019	**13,254**	**31**	**-**	**(14,699)**	**(2,644)**	**(20,221)**	**(24,279)**

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. The Group is in compliance with all existing loan covenants as of December 31, 2019.

As of December 31, 2019, 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 80.4 million, of which EUR 17.3 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, 2019, the Group has bank guaranties facilities amount of EUR 25.0 million of which EUR 8.0 million was utilised and insurance guaranties facilities amount of EUR 8.7 Mio of which EUR 4.6 Mio was utilized.

	2019			
EUR 000s	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Bank overdrafts and short-term debt	(3,072)	-	-	-
Long-term debt	(12,013)	(2,813)	-	-
Lease liabilities	(4,081)	(4,870)	(4,272)	(6,998)
Total	**(19,166)**	**(7,683)**	**(4,272)**	**(6,998)**
Cash and cash equivalents	13,254	-	-	-

The long term debt includes the maturity analysis based on the contractual undiscounted cashflow. The interests are included using an average interest rate of 3.19%.

	2018			
EUR 000s	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	-	-	-

	Credit facilities		
EUR 000s	Total credit facilities	Total credit facilities utilisation	Syndicated facility utilisation
Bank overdrafts	(1,900)	-	-
Current financial liabilities	(75,873)	(14,699)	(10,479)
Non-current financial liabilities	(2,644)	(2,644)	-
Total	**(80,417)**	**(17,343)**	**(10,479)**

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 2019 (excluding the impact of IFRS 16) and 31 December 2018 were as follows:

EUR 000s	2019	2018
Total interest bearing liabilities	(17,343)	(53,385)
Cash and cash equivalents	13,254	21,257
Current financial assets	31	78
Net debt	**(4,058)**	**(32,050)**
Senior net debt	**(3,892)**	**(32,118)**
Total equity	**(108,170)**	**(100,044)**
Senior net debt/equity ratio	3.6%	32.1%
Equity/asset ratio	56.6%	43.5%
Interest cover	10.50x	2.06x
Leverage ratio	0.20x	3.75x

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 balance sheet as at 31 December 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in equity, 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 38 to 69) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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 1'900'000

We concluded full scope audit work at 15 reporting units in 14 countries.

Our audit scope addressed over 90% of the Group’s revenue and 87% of total assets.

In addition, review procedures were performed on a further 9 reporting units in 6 countries, representing a further 8% of the Group’s revenue and 12% of total assets.

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

Goodwill –impairment assessment

Litigation in the USA

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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 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 1'900'000
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	We chose total 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 95'000 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.

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 15 reporting units in 14 countries. In addition, review procedures were performed on a further 9 reporting units in 6 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 site visits and conference calls with component auditors. During the year, we visited the PwC component team in Italy.

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 52 (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 45.8 million as of 31 December 2019; EUR 45.4	We evaluated Group management's assumptions as described on page 52 (Note 4) of the financial statements and discussed these with the Audit Committee and responsible management.

million as of 31 December 2018) as well as the considerable judgement required by Group management in making their assessment on the impairment test. The determination of recoverability of related intangible assets is 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 and we challenged management on the inclusion of all appropriate assets and liabilities in the cash-generating units. We focused our analysis on the Ports & Maritime CGU as it is the unit with the least headroom and has most of the goodwill balance (EUR 23.3m) allocated to it. In relation to the value in use, we performed the following: We compared Group management's expectations of revenue growth and gross profit margins, included in the five-year plan included in the impairment model, with the company's budget, forecasts and the projects in the pipeline, and we found them to be consistent. We evaluated Group management's assumptions of long-term growth rates, by comparing them with economic and industry forecasts. We also evaluated, with the support of our PwC valuation team, certain management's valuation parameters, specific to the model. 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 that the assumptions of gross profit margins, revenue growth, weighted average cost of capital and terminal growth rate, 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 52 Note 4: Critical accounting estimates and judgements) and note 20 and 34. Following the legal case with the former owner of INET Airport Systems, Superior Court of California in May 2019 entered a judgment and instructed Cavotec to make a payout of Euro 8 million (USD 9.1 million). The judgment is in line with Cavotec's expectations as reflected in the reported 2018 accounts. 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 6 million as of 31 December 2019. The company has recorded a non-current asset in relation to these advances. However, in the	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.

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. The legal assessment remains unchanged, consequently Cavotec has maintained the provision of EUR 3 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.	We assessed the classification of advanced legal fees within non-current assets. 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, 3 April 2020


CAVOTEC

Statutory Financial Statements 2019

Please note that all reported amounts are in CHF.

Income statement
Cavotec SA

CHF	2019	2018
Net proceeds of services	2,784,526	3,992,264
Staff cost	(1,195,164)	(2,040,293)
External services	(1,090,885)	(2,574,467)
Travelling expenses	(29,306)	(30,704)
General expenses	(172,210)	(244,241)
Operating result	**296,961**	**(897,441)**
Finance costs - net	(47,023)	(31,605)
Foreign exchange - net	(131,559)	(90,702)
Profit / (Loss) before taxes	**118,379**	**(1,019,748)**
Income taxes	(60,002)	(189,526)
Profit / (Loss) for the year	**58,377**	**(1,209,274)**

Balance Sheet
Cavotec SA

Assets CHF	2019	2018
Current assets		
Cash and cash equivalents	105,088	105,560
Other short-term receivables	2,186,726	2,762,262
from third parties	*-*	*11,299*
from group companies	*2,186,726*	*2,750,963*
Accrued income and prepaid expenses	15,590	20,933
Prepaid exp. and accrued income	*9,129*	*9,304*
Tax assets	*6,461*	*11,629*
Other current receivables	*-*	*-*
Other receivables from shareholder	-	22,414,226
Total current assets	**2,307,404**	**25,302,981**
Non-current assets		
Investments in subsidiary companies	149,031,462	154,729,636
Total non-current assets	**149,031,462**	**154,729,636**
Total assets	**151,338,866**	**180,032,617**

Liabilities CHF	Notes	2019	2018
Short-term liabilities			
Other short-term liabilities		(113,606)	(227,999)
to third parties		*(94,856)*	*(198,757)*
to group companies		*(18,750)*	*(29,242)*
Short-term interest-bearing liabilities	8	(51,437,170)	(74,413,670)
due to investments		*(51,437,170)*	*(74,413,670)*
Accruals and deferred income		(217,193)	(1,724,503)
Accruals and deferred income		*(202,416)*	*(1,729,741)*
Tax provision		*(14,776)*	*5,238*
Other liabilities		(85,492)	(760,889)
Other liabilities from capital increase		-	(22,414,226)
Translation provision		(2,521,161)	(6,282,037)
Total short-term liabilities		**(54,374,621)**	**(105,823,324)**
Other Long-term liabilities		(217,080)	-
to related parties		*(217,080)*	*-*
Total long-term liabilities		**(217,080)**	**-**
Total liabilities		**(54,591,701)**	**(105,823,324)**

Equity CHF	Notes	2019	2018
Share capital	4	(120,631,296)	(100,526,080)
Share premium reserve		(19,018,227)	(16,709,216)
Loss brought forward	4	42,957,278	41,748,004
Result for the period	4	(58,377)	1,209,274
Treasury shares	4,5	3,457	68,725
Total equity		**(96,747,165)**	**(74,209,293)**
Total equity and liabilities		**(151,338,866)**	**(180,032,617)**

Notes to Statutory Financial Statements

NOTE 1. GENERAL

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

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 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 Stockholm Mid Cap. 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	100%	CHF	200,000
Cavotec MoorMaster Ltd	Holding & engineering	New Zealand	100%	NZD	196,164,928
Cavotec USA Inc	Sales company	USA	100%	USD	68,000,000
Cavotec India Private Ltd	Sales company	India	8%	INR	46,000
Cavotec Netherland Holding BV	Holding	The Netherlands	100%	EUR	100

Following the reorganisation of Cavotec US entities, effective from 1st January 2019, Cavotec US Holdings Inc. was merged into Cavotec USA Inc., the surviving company.

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
Increase share capital	10 January 2019	94,243,200	120,631,296.00

The share capital as of 31 December 2019 is divided into 94,243,200 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, 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**
Opening balance at January 1, 2019	**100,526,080**	**(68,725)**	**16,709,216**	**(41,748,004)**	**(1,209,274)**	**74,209,293**
Purchase of Treasury shares		(41,911)				**(41,911)**
Sales of Treasury shares		107,179				**107,179**
Increase share capital	20,105,216		2,309,011			**22,414,227**
Result of the period					58,377	**58,377**
Allocation prior year result				(1,209,274)	1,209,274	**-**
Balance at December 31, 2019	**120,631,296**	**(3,457)**	**19,018,227**	**(42,957,278)**	**58,377**	**96,747,165**

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

During year 2019 the Board of Directors of Cavotec SA has resolved the implementation of a new Long Term Incentive Plan ("LTIP") program 2019-2021 for certain key employees to increase and enhance its ability to recruit, retain and motivate employees and to encourage personal long-term ownership of Cavotec SA shares among the participants.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 20.

Share capital as of December 31, 2019	No of registered shares	Par value (CHF)	Total (CHF)
Issued shares	94,243,200	1.28	120,631,296
Contingent shares	713,972	1.28	913,884
Authorised shares	18,848,640	1.28	24,126,259

NOTE 5. TREASURY SHARES

The treasury shares held at 31 December were 1,871, equal to 0.00% of the total share capital. During the year, according to the 2015 and 2016 Long Term Incentive Plan, 4,112 and respectively 52,671 shares were allocated to the employees of Cavotec Group. The average selling price was EUR 2.57 respectively EUR 1.19 each.

NOTE 6. SIGNIFICANT SHAREHOLDERS

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

Year ended 31 December 2019			
Bure Equity AB	Financial institution	25,579,935	27.1%
Fjärde AP-Fonder	Investment Fund	9,230,465	9.8%
Fabio Cannavale (Nomina SA)	Board member	7,901,857	8.4%
LCL International Ltd.	Shareholder	5,488,212	5.8%
Lannebo Fonder	Investment Fund	5,115,774	5.4%
Total		53,316,243	56.6%

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%

(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 2019		Number	%
Fabio Cannavale & family (Nomina SA)	Board member	7,901,857	8.4%
Patrik Tigerschiöld (Anna Kirtap AB & familly)	Chairman	1,198,000	1.3%
Mikael Norin	CEO	200,000	0.2%
Erik Lautmann	Board member	133,562	0.1%
Juergen Strommer	EMT member	133,635	0.1%
Giorgio Lingiardi	EMT member	89,869	0.1%
Niklas Edling	Board member	75,000	0.1%
Martin Riegger	EMT member	10,000	0.0%
Total		9,714,923	10.3%

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 48,230 thousands, was related to the Group Cash Pooling balance, and CHF 3,207 thousands was the utilisation of Corner bank facilities.

NOTE 9. GUARANTEES AND COMMITMENTS

The following table provides quantitative data regarding the Company's third-party guarantees.

CHF	31 December 2019	31 December 2018
Advance payment bonds	1,037,220	-
Performance bond	204,962	-
Parent guarantee	9,307,331	9,307,331
Other guarantees	518,837	-
Total	11,068,350	9,307,331

Cavotec SA carries joint liability in respect of the federal tax authorities for value added tax liabilities of its Swiss subsidiary, furthermore Cavotec SA is a guarantor for the existing EUR 95 million syndicated credit facility.

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 2019, 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.

NOTE 12. SIGNIFICANT EVENTS

There are no significant events after the Balance Sheet date which could impact the book value of the assets or liabilities or which should be disclosed here. For an update of Covid – 19 impact on Cavotec, please refer to Note 38 pag. 64.

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

On the lawsuit in California with Mr Colaco, the Superior Court of California in May 2019 entered a judgment and instructed Cavotec to make a payout of CHF 8.9 million (USD 9.1 million). The judgment is in line with Cavotec's expectations as reflected in the reported 2018 accounts. The cash charge was recorded in the second quarter 2019.

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

CHF	31 December 2019	31 December 2018
Profit brought forward	(42,957,278)	(41,748,004)
Profit for the year	58,377	(1,209,274)
Total earnings	**(42,898,901)**	**(42,957,278)**
Appropriation to general statutory reserves (retained earnings)	-	-
Appropriation to other reserves	-	-
Proposed balance to be carried forward	**(42,898,901)**	**(42,957,278)**

The Board of Directors' proposal to the Annual General Meeting is that no dividend is to be paid for the 2019 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 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 76 to 80) as at 31 December 2019 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 206.000

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

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

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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 206.000
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 bench-mark. 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 1'500'000 (rounded). However, because the materiality allocated as part of the group audit (CHF 206'000) 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 2019, the carrying value of the company's investments amounts to CHF 149 million (2018: CHF 154.7 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 four 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 budget 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;

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

Audit expert
Auditor in charge

Luigi Voulgarelis

Lugano, 3 April 2020

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.

Notes

Credits

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Cavotec SA is listed on Nasdaq Stockholm