Annual Report 2020

CAVOTEC
WE CONNECT THE FUTURE

CAVOTEC IN BRIEF

€158.4M
Revenues

€3.5M
EBIT

€85.0M
Order backlog

80+
Number of countries where Cavotec systems are installed

764
Employees

Profitable sustainability
Cavotec enables its customers to achieve profitable sustainability with innovative automation and electrification systems for ports, airports, and industry. We do this by maximizing productivity, minimizing risk to personnel and equipment, and reducing environmental impact. Our unique technologies and engineering expertise maximize profitability and sustainability simultaneously, thereby helping businesses to grow and accelerating progress towards a sustainable future.

We provide connection systems that electrify ships, cranes, and trucks at ports and terminals around the world. At ports, lock, and offshore applications, our automated vacuum mooring system MoorMaster™ transforms operations by reducing mooring times from up to an hour to a matter of seconds, improving safety and productivity and reducing environmental footprint at the same time. We are also the leading manufacturer of Shore Power and automated e-vessel charging systems that connect ships to electrical power in port, which dramatically reduces emissions.

For airports, we manufacture state-of-the-art ground support equipment that provides air, fuel, power, and wet services to aircraft at commercial and defence applications worldwide. Our in-ground and tunnel utility systems ensure aircraft are serviced quickly and safely by reducing the number of conventionally-powered vehicles on the apron. Our electrical connection systems for aircraft enable aircraft to switch off their auxiliary power units at the gate more quickly, thereby reducing emissions.

We are a leading provider of automation and electrification solutions for a wide variety of industrial and entertainment applications. Our electrification systems enable the switch from polluting, diesel-powered equipment at mining, tunnelling, and industry applications. And our Radio Remote Control and Human Operator Interface systems allow personnel to operate machinery remotely, away from hazardous areas.

Cavotec Group is made up of two divisions: Ports & Maritime and Airports & Industry. The divisions are supported by our Services entity, which provides a comprehensive range of aftersales support programmes to ensure our customers maximize the efficiency, lifetime, and availability of their assets.

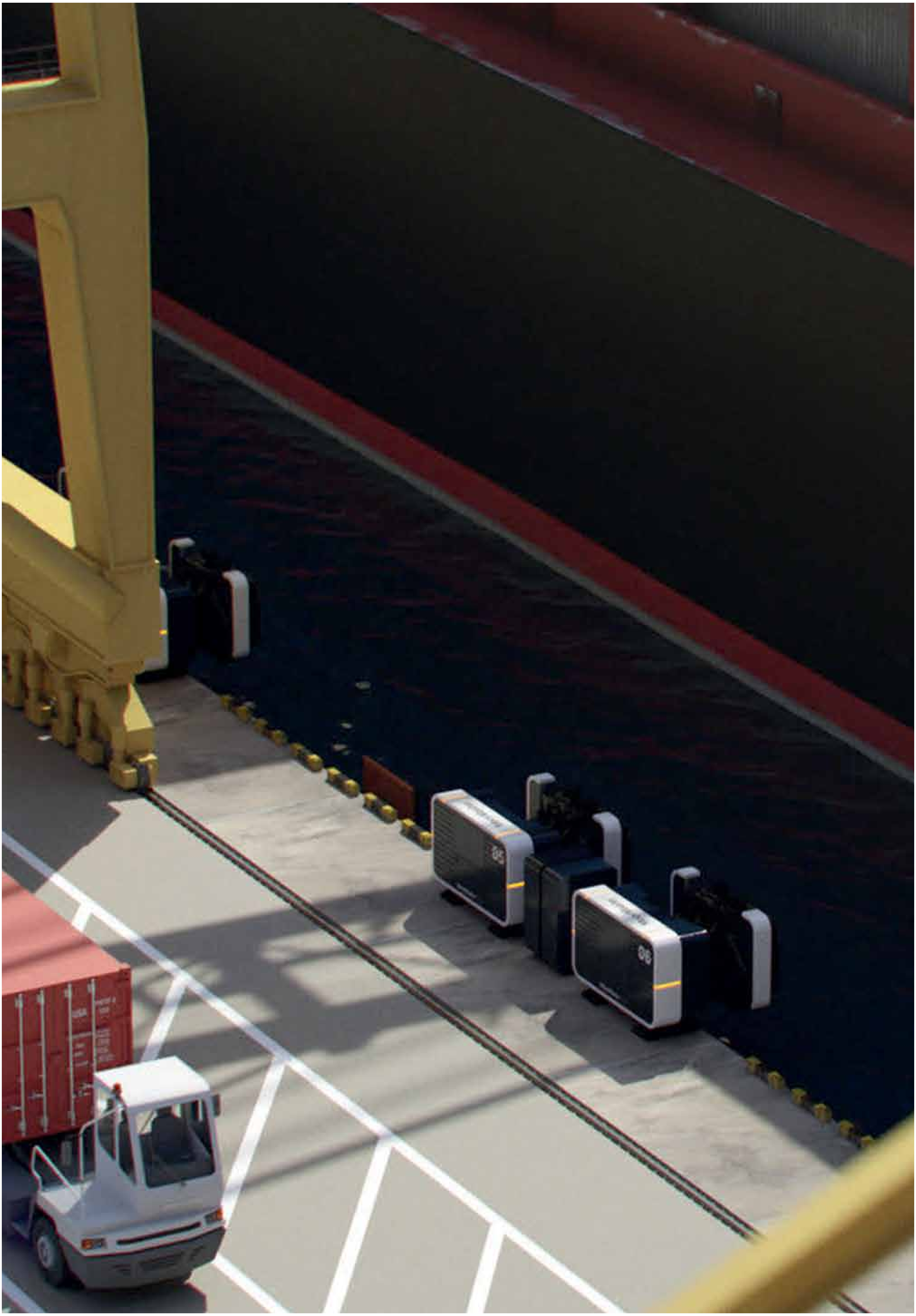
As a global engineering group that draws together our unique technologies and expertise, we are in the process of creating a future world that is cleaner, safer, and more efficient today.

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.



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HIGHLIGHTS OF 2020

Our powerful e-ferry charging systems enters service

In March, our next generation e-ferry charging system – one of the most powerful ever built – entered service in Oslo. We have a further 20 such systems on order in Norway alone.

Cavotec extends leadership in e-charging market

We received a repeat order for our e-ferry charging system for two berths in Norway, expanding our share of the Norwegian market estimated to be worth EUR 60M over the next five years.

Cavotec port e-truck charging solution wins top engineering award

Our high-power e-truck charging solution won the 2020 AAPA Facilities Engineering Award, highlighting its potential to convert the 30,000 diesel-powered trucks at ports worldwide.

Aircraft fuelling orders worth EUR 5M

First quarter order highlights for the Airports division included two fuelling projects for applications in the US and Europe with a combined value of more than EUR 5M.

Total CavotecCare service agreement renewed

In February, the Port of Salalah in Oman renewed a Total CavotecCare service agreement that ensures year-round availability of 32 MoorMaster™ vacuum mooring units at four container berths.

EUR 3M GSE orders in Asia

Two major ground support equipment orders, with a total value of EUR 3M, confirmed our position as a leading supplier of advanced airports systems in the Asian market.

EUR 6.2M turn-key Airports project in India

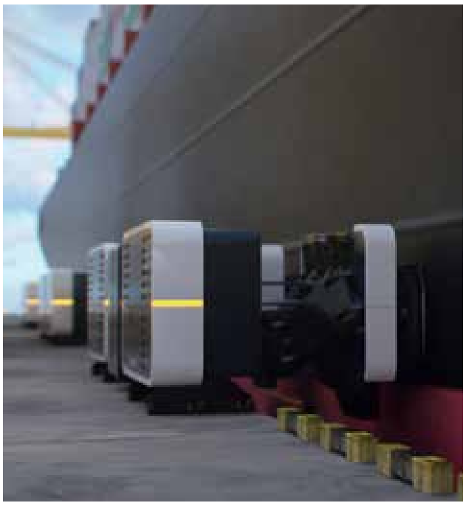
One of Airports' largest orders in 2020 was a EUR 6.2M deal for PCA and 400Hz systems at Rajiv Gandhi International Airport, highlighting our position in the Indian aviation market.

Next generation of automated vacuum mooring launched

October saw the launch of MoorMaster™ NxG, a ground-up redesign that enables faster installation, improved performance, and continuous monitoring to transform mooring, all in an attractive design with a smaller footprint.

EX-rated equipment order for thermal power plant

We supplied a customer in Bangladesh with a package of EX-rated, (explosion proof), cable reels and junction boxes worth more than EUR 1M for eight stacker machines at a thermal power plant.



Vacuum mooring orders in Australia and New Zealand

In November, we won orders for two vacuum mooring systems: one for our next generation MoorMaster™ for SeaRoad in Australia, and one from the Port of Napier in New Zealand.

New innovation centre to focus on profitable sustainability

In October, we announced plans to open an innovation centre that will bring together our capabilities in AI, remote connectivity, high-speed charging, and battery technology, focusing on profitable sustainability solutions for the maritime sector.

Vacuum mooring, charging systems enables zero-emission supply chain

Norway's largest grocery distributor ASKO ordered our next generation MoorMaster™ vacuum mooring system and APS e-charging system for use with their new zero-emission autonomous ships.

One eye on the present and another on the future

Like most companies, we were heavily impacted by the pandemic in 2020. As soon as the severity of the Covid-19 crisis became clear, we implemented measures to keep a close eye on our costs. This helped us mitigate the most severe effects and remain profitable despite lower revenue levels. Initially, we felt the effects of the pandemic primarily in terms of deliveries hit by logistics restrictions and the mandated shutdown of our production facility outside Milan in the first two weeks of April. Later in the year, general uncertainty impacted customer decision making, with delays to the delivery of existing projects and approval of new projects taking longer than normal.

As a consequence, revenues in 2020 were -19.2% lower than in 2019, amounting to EUR 158.4M (196.0). At the end of the year, our order backlog stood at EUR 85.0M (100.0). Adjusted EBIT for the year decreased to EUR 5.4M (15.7), corresponding to a margin of 3.4% (8.0%).

Financially, our situation was greatly helped by the hard work in previous years to establish consistency and resilience across the business. We reported operating cash flow of EUR 15.7M (13.8M) for the year, the strongest cash flow since we were listed on the Stockholm OMX in 2011 particularly in the midst of a global pandemic. Another testament to the strength of our financial standing, due to the transformation of the company in recent years, is that we signed a new long term credit facility after receiving competing bids from several bank consortia. In fact, our balance sheet today is even stronger than it was a year ago.

Despite the widespread disruption caused by Covid-19, we continued to keep an eye on the future by investing in our core mission - to make profitable sustainability a reality for customers worldwide. We are committed to developing solutions that contribute to improvements in efficiency and productivity and that at the same time contribute to a reduced environmental impact. We see the pandemic making key trends of efficiency, safety and sustainability, that our solutions address, more relevant than ever.

Take our automated vacuum mooring system for ships, MoorMaster™, as an example. With conventional mooring, it takes on average about an hour to moor a container ship. With MoorMaster™, it takes 30 seconds. For port operators that need to load and unload ships as fast as possible, this frees up time to handle more ships and results in increased revenue. From an environmental perspective, it results in an hour less of heavy diesel emissions for every ship, every mooring sequence.

To make this technology available to even more customer segments, October saw the launch of our next generation mooring system, MoorMaster™ NxG, after several years of hard work by a dedicated cross company team. The NxG enables faster, smarter installation, improved performance, continuous monitoring, and easier maintenance – all in a unit with a streamlined footprint and an aesthetically pleasing design.

Shortly after its launch, we signed the first order for the NxG with ASKO Maritime in Norway for use with the world's first fully autonomous, zero emissions vessels. We received a second order for NxG not long after from Australia-based transport and logistics provider SeaRoad. MoorMaster NxG opens up considerable, untapped market segments and is an example of how we are investing in areas where we expect to see rapid growth and be the number one player.

To underpin these ambitions, in October we announced plans to open a new innovation center in the

Netherlands in 2021 focusing on profitable sustainability solutions for the maritime sector. The center will direct Cavotec's research and development activities to bring breakthrough solutions to maturity and bring together our capabilities in areas such as artificial intelligence, remote connectivity, high-power, high-speed electrical charging, and battery technology.

Speaking of expectations for future growth; interest in our Shore Power and electrical charging solutions remained strong throughout the year. Early in the year, we received a repeat order in Norway to equip two new berths with our next generation Automated Shore Power for charging e-ferries. This is a market that is estimated to be worth around EUR 60M over the next five years in Norway alone, while further large opportunities exist in Canada, Denmark, Finland, Sweden, and the US.

In the first quarter, (before the coronavirus had taken widespread hold), we also received major orders for airport fueling and ground support equipment in the US, Europe, and China. Although Services was affected by travel restrictions impacting our ability to provide maintenance and repair services, we again used the opportunity to develop the business by investing in training and new remote product support offerings. The value of maximizing uptime and availability of mission critical equipment has not been lost on our customers and as a result Services achieved a 36% growth in their portfolio of long-term service contracts.

Despite greater uncertainty in the short term due to Covid-19, the underlying dynamics of our markets are unchanged. Indeed, the pandemic is expected to drive even more interest in our solutions as ports and airports move towards safer and more efficient operations with a smaller environmental footprint. This helps us to have positive discussions with customers about how they can achieve their financial targets while simultaneously reducing their environmental impact. Although we have seen market challenges affecting revenue in the short term, we continue to improve our operational efficiency and investing in our market position to be prepared for the expected recovery and growth in our markets.

Lugano, February 2021

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 that enable profitable sustainability. 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 2020, Cavotec had 764 employees.

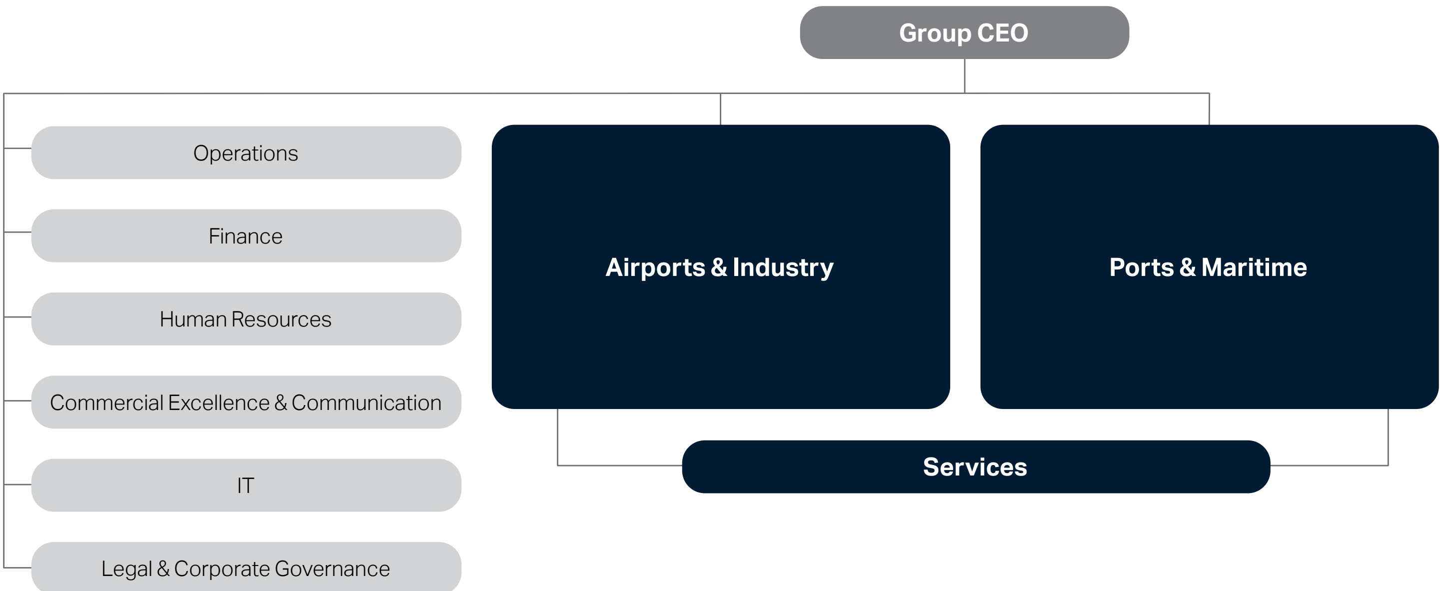
An attractive offering
Our automation and electrification systems ensure safe, efficient, and sustainable operations at a wide variety of applications all over the world. For example, our solutions:

- moor and power ships
- electrify and automate port equipment
- power, cool, and fuel aircraft
- 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, what we call profitable sustainability. 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.

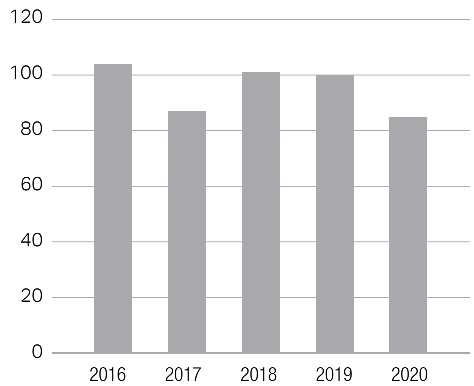
Customer-centric approach
We work closely with clients to develop systems and technologies to address their specific requirements and challenges. Building on many years' experience and strong customer relationships, our Services function ensures we stay close to the customer throughout the operational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



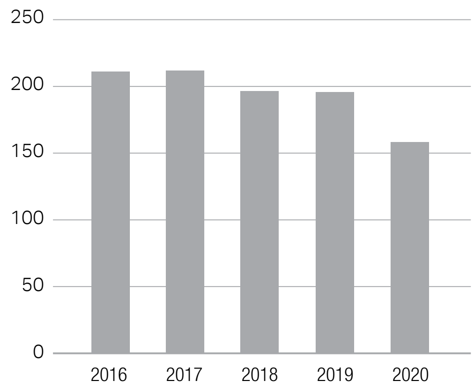
FIVE-YEAR FINANCIAL SUMMARY

EUR 000s	2020	2019	2018	2017	2016
Order backlog	84,956	100,030	100,090	85,577	103,325
Revenues	158,437	196,017	196,961	212,360	211,518
EBITDA excluding non-recurring items	15,377	24,840	8,559	13,925	16,945
EBITDA excluding non-recurring items %	9.7%	12.7%	4.3%	6.6%	8.0%
EBITDA	13,524	21,465	(9,059)	6,322	17,375
EBITDA, %	8.5%	11.0%	-4.6%	3.0%	8.2%
EBIT excluding non-recurring items	5,359	15,688	3,887	9,587	12,078
EBIT excluding non-recurring items %	3.4%	8.0%	2.0%	4.5%	5.7%
EBIT	3,506	12,312	(13,887)	(17,997)	12,281
EBIT, %	2.2%	6.3%	-7.1%	-8.5%	5.8%
Net profit/(loss) for the period	(3,992)	7,514	(18,450)	(31,771)	6,484
Basic and diluted Earnings per Share, EUR	(0.042)	0.080	(0.233)	(0.404)	0.083
Operating cash flow	15,708	13,774	1,241	12,861	10,130
Net debt	(15,264)	(24,113)	(32,050)	(20,441)	(22,713)
Equity/assets ratio	52.8%	51.4%	43.5%	49.6%	59.7%
Leverage ratio	0.98x	0.98x	3.75x	1.47x	1.3x

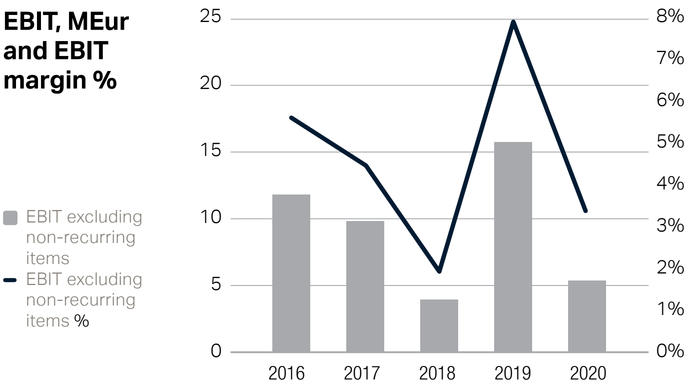
Order backlog, MEur



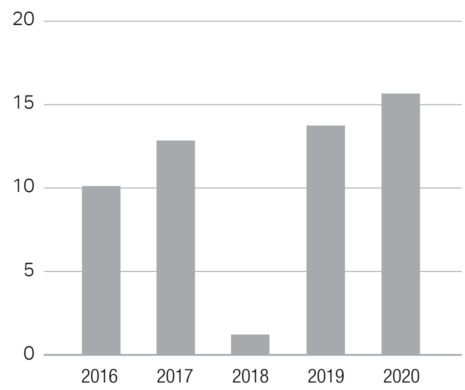
Revenues, MEur



EBIT, MEur and EBIT margin %



Operating cash flow, MEur



Revenues

€68.9M
43.5%*

Order backlog

€44.3M
52.2%*

** Percentage of Group total.*

Cavotec Ports & Maritime develops automation and electrification technologies that drive profitable sustainability at ports, terminals, and other marine applications. Our systems – including truck, crane, and ship electrification, e-vessel charging, ship propulsion, and automated mooring systems – enable customers to optimize operational efficiency, improve safety, and, at the same time, reduce environmental impact.

Despite challenges created by the pandemic, we continued to invest in future growth in Ports & Maritime in 2020. We remain focused on ensuring that we fulfil our substantial future potential in segments such as vacuum mooring, automated e-vessel charging, and Shore Power – all areas where we continue to be the global leader. In October, we launched our next generation MoorMaster™ automated mooring system – MoorMaster™ NxG – for which we received two orders before the end of the year.

Year in brief

With the pandemic impacting investment throughout the sector, order backlog decreased 26 per cent in the year, while revenue decreased 18.6 per cent. However, underlying market trends, such as automation and electrification, and the desire for more sustainable operations, remain unchanged. At the end of 2020, the Ports & Maritime division's order backlog stood at EUR 44.3M. Cavotec continues to grow as the global leader in vacuum automated mooring, Shore Power, port electrification, and automated connection and charging systems; and in October, we launched our next generation MoorMaster™ automated mooring system – the MoorMaster™ NxG.

Order highlights

The division won multiple orders for its automated mooring, Shore Power, and motorised cable reel technologies. Highlights included two orders for MoorMaster™ NxG – one for an automated ferry application in Norway, (see case study at the end of this section), and the other for an application in Australia, where MoorMaster™ NxG will be

"We are the global leader in automated mooring, Shore Power, port electrification, and automated connection and charging systems."

Patrick Mares,
Ports & Maritime Division President

integrated with an existing MoorMaster™ system. We also received an order for MoorMaster™ for Napier Port in New Zealand.

Our Shore Power systems continued to register high levels of interest, with orders for our innovative Automatic Plug-in System (APS) connection technology for applications in Norway. With APS already in use throughout Norway, the technology is set to become the standard platform for e-ferry charging in the Nordic region. We also received orders for our Alternative Maritime Power

(AMP) systems for applications as far apart as China, France, and Norway. The division won several large orders for its motorised cable systems for terminal and quay cranes, including a project in Canada valued at more than EUR 1.4M. We also won a series of orders from engineering group ABB for a total of 27 sliprings for applications in China and Finland amounting to EUR 2.2M. China was again a key market with orders for some 25 motorised cable reels for automated stacking cranes and ship-to-shore cranes for leading OEMs such as Sany and ZPMC. We also won motorised cable reel orders for ports in Lithuania, Portugal, Qatar, and the US.

Highlights

The launch of MoorMaster™ NxG was a stand-out moment of 2020 for the division. The new, system – which has a radically slimmer footprint that is some 40 per cent smaller than previous designs – is set to allow more ports to benefit from the game-changing MoorMaster™ technology. In an indication of the considerable potential that the system offers, we received two orders for MoorMaster™ NxG before the end of the year following its launch at the end of October. The first customer was Norway's ASKO Maritime, which will use the system to moor the world's first autonomous, zero-mission, Ro/Ro vessels (see case study).

Australian company SeaRoad was the second MoorMaster™ NxG customer. SeaRoad will integrate the new systems with its existing MoorMaster™ systems that have been in operation for 17 years.

When we have commissioned all the MoorMaster™ systems that are currently

on order, the number of operational systems will exceed 100 and these will perform more than 1,000 moorings every day.

In September we announced plans to open a new innovation centre in the Netherlands in 2021, bringing together our capabilities in areas such as artificial intelligence, remote connectivity, high-power and high-speed electrical technology, and battery technology. The center will focus on profitable sustainability solutions for the maritime sector.

Also in September, an innovative high-power e-truck smart charging solution developed by Cavotec in partnership with the Port of Long Beach (POLB) won the American Association of Port Authorities 2020 Facilities Engineering Award. Our e-truck charging solution enables the rapid, safe, and efficient high-power charging of battery-powered heavy-duty port trucks. The pilot phase of this project involved retrofitting one out of a total of 650 conventionally powered port trucks that are currently in use at the POLB. There are currently thousands of similar vehicles at ports and terminals all over the world.

Looking ahead

MoorMaster™ represents a huge opportunity for Cavotec as ports increasingly pursue solutions that improve the safety, efficiency, and sustainability of their operations. With MoorMaster™, ships can moor and depart up to one hour faster saving fuel and improving productivity. Mooring no longer requires heavy manual handling minimizing the risks of accidents. While Covid-19 has slowed market adoption and investment in innovative technologies, the underlying market trends have not changed. Key opportunities for Cavotec include shipping hub terminals, greenfield terminals, highly automated terminals, and terminals that seek to reduce their environmental impact. MoorMaster™ NxG can be expected to contribute to the growth in the years ahead, and Cavotec will continue to invest in new innovations.

In terms of Shore Power, the market is driven by a global ambition to reduce pollution underpinned by government regulation forcing fleets and ports to introduce measure to reduce emissions. The maritime sector is undergoing a fundamental shift towards sustainability and regulatory pressure is growing. Demand for Shore Power systems alone is expected to grow at 22 per cent per annum, driven largely by new regulations as well as sustainability initiatives taken by ports. We estimate that some 7,000 vessels and 400 ports could be equipped with Shore Power by 2025. We expect the Shore Power market to grow substantially in the coming five years.

Another of our key technology areas, automated connection and charging systems for e-vessels, is also set for substantial growth. We calculate that approximately 4,000 ferries worldwide are likely to transition to zero-emissions technologies over time. In Norway alone – where our charging systems are already well-established – some 300 ferry berths will be equipped with automated charging by 2025.

More broadly, as competition between ports intensifies, electrification and automation are increasingly seen as vital to productivity. Virtually all ports see automation as the key to their future success. We anticipate increasing demand for automated container handling equipment as the market recovers from uncertainty related to Covid-19. Cavotec is well-positioned to grow its business in automated crane and RTG electrification solutions as terminals increasingly replace manned equipment with remotely controlled operations.

We see zero-emission ports as a reality in the relatively near future – where all container handling cranes and equipment are fully electrified and automated. Battery-powered port trucks with automated charging systems will replace traditional diesel engines.

Overall, although orders slowed or were postponed in 2020, with broad market trends unchanged and our strong order pipeline, we are ideally positioned to achieve organic growth as ports and terminals return to accelerating their investment in electrification and automation in the years ahead.

ASKO Maritime's fully electric, autonomous Ro/Ro fleet to benefit from Cavotec vacuum mooring and e-vessel charging

In a vital step towards the creation of an autonomous, zero-emission supply chain, ASKO Maritime, the shipping arm of the largest grocery distributor in Norway, ordered our next generation vacuum mooring system, MoorMaster™ NxG, and our innovative e-charging system, APS, in October 2020.

ASKO is introducing two fully autonomous, electrically-powered Ro/Ro ships on its Oslo fjord service. Use of the vessels – the first of their kind in the world – will replace two million kilometres of truck transport and reduce CO_2 emissions by 5,000 tonnes a year. The initiative is at the heart of ASKO's twin goals of achieving fully autonomous operations by 2024 and emission-free operations by 2026.

A key component in ASKO's plan was that the vessels could be moored and charged automatically in port. Conventional mooring and manual charging requires personnel on the ship and ashore. MoorMaster™ moors ships with no human involvement on the quay. It replaces mooring lines with remotely controlled vacuum pads and APS automatically makes a safe charging connection between ship and shore.

"MoorMaster™ will save us huge amounts of energy and is a key enabler of autonomous operations. Since we won't need to use powerful bow and side thrusters in port, our electric vessels will use less energy and also extend battery lifetime. The MoorMaster™ technology is a perfect complement to our new ships – using modern technology for a futuristic fleet," says Kai Just Olsen, ASKO Maritime CEO.

In line with the innovative nature of the project, ASKO has selected Cavotec's next generation MoorMaster™ technology, the NxG. The new product is redesigned from the ground up based on 20 years of experience and data from existing MoorMaster™ units. The new system enables faster, smarter installation, improved performance, continuous monitoring, and easier maintenance.

Market demand for innovative automation and electrification is growing, spearheaded by the Nordics. Norway alone is expected to equip about 200 more berths with automated charging systems for e-vessels before 2025 – a market estimated to be worth some EUR 60M.

With MoorMaster™ NxG and our extensive range of charging technologies, we are a key enabler of the evolution towards the future of shipping and being a partner of ASKO is a first major step in that journey. As we see interest in efficient, sustainable, and safe technology proliferate across the maritime industry, we are in pole position to support the transition at thousands of ports worldwide.

Revenues

€89.5M
56.5%*

Order backlog

€40.6M
47.8%*

** Percentage of Group total.*

Airports & Industry designs and manufactures advanced ground support equipment (GSE) for commercial and military aircraft applications, and automation and electrification systems for a wide range of industrial segments. All our Airports & Industry technologies help our customers achieve profitable sustainability.

Our integrated GSE systems service aircraft at gates, remote aprons and hangars at airports and defence installations all over the world. Via service tunnels and pop-up and hatch pits built into the tarmac, our innovative in-ground systems provide aircraft with 400Hz electrical power, pre-conditioned air (PCA), wet services, and fuel. This improves safety and efficiency and reduces pollution by eliminating the use of diesel-powered mobile GSE and reducing the use of aircraft auxiliary power units.

Airports & Industry also manufactures advanced electrification and automation systems – including motorised and spring driven cable reels, human operator interface (HOI) systems, radio remote controls (RRC), power connectors, and slip rings – that make operations safe, efficient, and sustainable. We are active in a large number of sectors such as underground and surface mining, cranes and tunnelling, energy, processing, and transportation. We work closely with leading OEMs such as Epiroc, Sandvik, Manitowoc, Liebherr, and ThyssenKrupp.

Year in brief

Heavily impacted by Covid-19, revenues for the division decreased 19.6 per cent in 2020 to EUR 89.5 million. Order backlog increased 1.4 per cent to EUR 40.6 million.

Despite the pandemic's impact on the division's top line, the Airports segment won several major orders and significantly improved its profitability on the previous year – a stand-out achievement given the exceptionally challenging year the aviation sector faced in 2020.

The pandemic affected the Industry segment to a similar extent with demand softening in a number of sectors. However, the segment continued to win system sales projects and


TURKISH AIRL

"Airports & Industry is leaner and more flexible than ever before, and is ready to grow profitably as demand returns."

Juergen Strommer, Airports & Industry Division President

receive important orders from leading OEMs. We also finalised a key product development with a major OEM integrator for Radio Remote Controls to whom we started deliveries in 2020 and expect to receive more orders from over the coming years.

Due to organisational improvements made in 2019 and 2020 to improve efficiency and reduce costs and by refocusing sales resources in line with the market opportunities, we were able to respond quickly and effectively to new and dynamic situations created by the pandemic. Our focus on innovative technologies also drove value growth.

Order highlights: Airports
Airports won a number of large orders in 2020, with projects in the Americas, Asia, Europe, and the Middle East. In March, we received two orders in China, for Chengdu Tianfu International Airport and Beijing Capital International Airport, to supply 400Hz cable management systems. In the same month, we announced two orders worth more than EUR 5 million for advanced fuelling systems for applications in the US and Europe in civil and military segments.

In Europe we won a contract to supply in-ground fuelling systems to Turkey's Sabiha Gokcen International Airport, where we will install approximately 180 fuelling pits following a similar project for Istanbul International Airport in 2016. In the Middle East we secured a major turnkey order for PCA and 400Hz PowerPack systems with deliveries scheduled throughout 2021.

The division made substantial progress in the rapidly-growing India market with an important order for PCA and 400Hz PowerPack systems for installation at Rajiv Ghandi International Airport. We won this order in the face of fierce competition from rival suppliers, and this project will be a key reference for Cavotec systems in India, supporting our growth ambitions in the region. Our engineers have significantly developed the 400Hz PowerPack system in recent years – an investment that is now delivering success in, for example, the Rajiv Ghandi project and a first order for the system in Europe.

In the US we won a major order from Thyssenkrupp for EUR 1.8M for the supply of 400Hz converters and PCA systems to replace existing systems at Miami International Airport; an order that demonstrates the continued trust customers place in our systems. We were also awarded another project for

“We preferred Cavotec not only because of their systems’ superior technical features that make operations safer and more efficient, but also because of their direct local presence that closely supports us at every stage of the project.”

Halil Dokuz, Managing Director, MEP Endustriyel, and our customer for the Istanbul Sabiha Gokcen Airport project.

Memphis International Airport for the FedEx hub there, to relocate existing fuelling pits and supply additional fuelling systems for B777 transport aircraft. This will support the growth of FedEx and the expansion of the airport’s operations. And for Pittsburgh Airport we won an order for our next generation PCA DX system – the largest order to date in the US for this system and an encouraging result for our strengthened sales team and refocused strategy in the Americas.

Order highlights: Industry

Order highlights for Industry included a EUR 0.6M order from construction equipment manufacturer Zoomlion as it expands its manufacturing capacity in China and extends its global market reach.

We recorded a significant success in the US market with one of the largest OEM integrators in North America, GS Global, for the supply of an innovative Radio Remote Control solution for truck-mounted cranes. Lastly, in close co-operation with leading crane manufacturer Liebherr, we developed an innovative Plug & Play cable reel solution for a mobile crane application that will improve efficiency and reduce downtime for the end-user.

Operations

We optimised our sales resources in both segments to better serve regions where we had previously been under-represented.

Furthermore, we implemented a product management structure with experienced product managers at division level to ensure that we remain at the forefront of market developments.

In addition to taking necessary steps to stop the spread of Covid-19, operational safety improvements remained a priority in 2020, with safety training programmes conducted at our sales and manufacturing centres which lead to an outstanding safety record for the year.

Looking ahead

We have positioned ourselves flexibly to address any eventuality we are likely to face or trends our industries might adopt. We will continue to focus on innovation and product development – as in 2020 with our 400Hz and automated Radio Remote Control systems – which is driving our competitiveness.

Airports & Industry is leaner and more flexible than ever before and is ready to grow as demand picks up.

Value added engineering

Our Industry division works closely with leading OEMs and equipment suppliers in a wide variety of sectors including cranes, energy, processing, mining, tunnelling, and transportation. Our innovative systems and technologies enable customers to improve safety and efficiency and reduce environmental impact.

Global industrial equipment and services provider, Liebherr, develops, produces, and distributes an extensive range of large hydraulic excavators and mining trucks for the extraction industry and a wide variety of cranes for material handling in the maritime sector.

Cavotec's Industry division has supplied crane cable reel systems to Liebherr for a number of years, a relationship that grew in 2020. During the year, we provided universal spring cable reels for a variety of crane types, including the new LTM 1150-5.3 mobile crane.

Liebherr's goal is to set benchmarks in terms of safety, innovation, quality, and functionality as well as to play a pivotal role in shaping industry trends over the long term. In recent years, Cavotec and Liebherr have deepened their collaboration in the mobile crane segment, driving innovation, and focusing on what we refer to as "value added engineering".

Working closely with Liebherr, and applying Cavotec engineering expertise, we have worked with Liebherr to develop existing technologies and introduce new technologies that enable their customers to meet operational efficiency, safety, and environmental targets.

For example, Cavotec delivers "Plug & Play" solutions to Liebherr, (and other customers). This enable tool-free quick and easy assembly and installation of cable systems, which in turn simplifies replacing cables for servicing and reduces downtime.

85
Service experts

80+
Countries served

24,000
Installations worldwide

20%
Of group revenues

36%
Growth in annualized portfolio value of long term service agreements

Cavotec Services plays a key role in our overall strategy to drive profitable sustainability. The division 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. The Services offering includes installation, commissioning, training, inspection and repairs, one-off preventive maintenance, long-term service agreements, remanufacturing, and upgrades.

Year in brief
Throughout 2020, we continued to develop our product support offerings. We also increased the amount and quality of data we obtain from our customers' equipment through our cloud base data acquisition platform CavotecConnect. Customer assets are monitored on a regular basis which allows us to develop predictive tools for maintenance. We were also proud to be involved in the design of safety and maintainability features of the new generation of MoorMaster™, the MoorMaster™ NxG.

Due to coronavirus, the health and wellbeing of our customers, suppliers, and employees were especially in focus throughout 2020. Where possible, we worked and trained remotely while maintaining our commitments toward customers.

In terms of operations, we took steps to improve our spare parts service and put in place a number of performance targets to improve service and drive revenue growth. In targeted areas, we also strengthened our local presence – getting closer to our customers – with the opening of new service centres that employ trained experts with tools, documentation, and spare parts to act quickly in case of breakdowns.

Services registered a 36% jump in annualised portfolio value of long term service agreements on the previous year. We currently have service agreements with airports and ports in the Middle East, Europe, US and Australia. (See case study at the end of this section).


fjord1
CAVOTEC

"We witnessed an historical deployment of remote support and digital access to services in 2020 and we took the full benefits of it with speed and agility. We remain committed to cementing our position as a leader in predictive maintenance and ensuring that we capture the right data to bring value to our customers."

Patrick Baudin,
Services President.

Safety focus

In 2020, we worked actively to ensure the safety of our employees, suppliers, and customers in the face of the coronavirus pandemic by, for example, encouraging employees to work from home where possible, by providing relevant training and instruction, and by providing appropriate personal protection equipment.

We continued to develop a raft of tools to enable remote inspection work and training. This process was launched

prior to the pandemic, but one that we accelerated as a result of it. One flagship tool is our "digital helmet", a standard hard hat equipped with voice-activated controls, high-quality video and audio feeds, noise cancellation, and a rechargeable battery. This highly innovative headgear allows us to perform factory acceptance tests and commissioning work remotely. In 2020, we shipped digital helmets to local subcontractors in Norway to conduct commissioning of our Automatic Plug-in System (APS) for e-ferries – ensuring the process was quick, efficient, and covid-safe.

Customer focus

We conducted a full review of our spare parts service and implemented a range of measures to reinforce the Cavotec brand and professionalize our service levels for customers. Our teams identified specific spare parts that we supply most frequently to ensure availability and established targets for response and delivery times. For example, we set the goal of

providing quotes for any spare parts within 48 hours of receipt of requests, and to ship spare parts within 24 hours if a part is in stock. These two targets are vital, and by meeting them we are surpassing customer expectations. We also want to ensure that Cavotec spare parts are securely and uniformly packaged, labelled, and shipped and recognised as genuine Cavotec spare parts. We introduced these changes in the US in 2020 and will continue with rollout at our Centres of Excellence in Germany and Italy in 2021.

CavotecConnect

Our CavotecConnect platform is a key component in our work to improve customer service levels. At the time of writing, 65 Cavotec customer systems are connected. These provide continuous data flows that enable us to improve our level and quality of support and generate algorithm to develop predictive tools for maintenance

Looking ahead

Going forward, we are set to leverage our expertise in digitalisation and remote technologies. These tools will become increasingly common place in our operations and will continue to give us a competitive edge in the market, both in terms of improving customer service and within the division in terms of improving our technical expertise.

Ensuring complete availability of multiple vacuum mooring systems at Port of Salalah

In February 2020, the Port of Salalah in Oman renewed their Total CavotecCare service agreement. This provides a comprehensive service package to the customer and ensures year-round availability of 32 MoorMaster™ vacuum mooring units at four separate container handling berths.

The Port of Salalah first introduced MoorMaster™ in the early 2000s and has gradually expanded its use of the technology ever since. The MoorMaster™ systems at the port moor container vessels up to 400 metres in length two to three times a day.

The port is subject to extreme long wave action during the Khareef period, which runs from June to September every year. During this period, with conventional mooring the loading and unloading of container vessels – the box rate – is hampered by wave action that results in excessive vessel movement.

MoorMaster™ prevents this vessel movement automatically, ensuring loading and unloading is uninterrupted, thereby enhancing berth productivity. The agreement signed in 2020 ensures that MoorMaster™ systems meet this vital performance target – guaranteeing availability of the systems, especially during the challenging sea conditions of the Khareef period – and thereby keeping containers flowing.

Salalah's far-reaching service agreement includes provision of four dedicated Cavotec engineers, who form an expert on-site team that handles all maintenance work. The team also receives remote support from our global technical experts.

The scope of the agreement covers spare part management, routine and preventive maintenance that include exhaustive regular checklists, monthly reports, and weekly meetings with the

customer to ensure optimal system operation. Also included is 24/7 corrective maintenance in the unlikely event of faults.

Total CavotecCare – the most comprehensive of our service packages – includes continuous monitoring of the status of the MoorMaster™ systems, that makes it possible to carry out preventative maintenance, which in turn ensures systems meet service lifetime expectations.

MoorMaster™ replaces hazardous conventional mooring lines with automated vacuum pads that moor and release vessels in seconds at the push of a button. The technology has performed more than 750,000 moorings at ferry, bulk, and container handling ports, as well as lock and ship-to-ship applications worldwide. More than 20 years after the first system entered service, MoorMaster™ is still the only proven and widely used automated mooring technology on the market.

Cavotec strives to operate sustainably, safely, and responsibly in all its markets and activities.

Cavotec strives to operate sustainably, safely, and responsibly in all its markets and activities. In addition to reducing the environmental impact of our operations, this commitment includes being an ethical employer and supplier and creating safe, efficient, and rewarding workplaces.

Environment
We comply with applicable environmental laws, standards and regulations, and plan to anticipate future changes in national and international legislation. The Cavotec Environmental Policy defines our responsibilities and obligations to minimize the environmental impact of our operations. We prioritize management of environmental risk associated with our business activities and those of our suppliers and seek to prevent and mitigate environmental impacts across the supply chain by:

- improving production planning and logistics use
- increasing the use of recyclable materials
- careful use and control of hazardous substances
- incorporating full lifecycle impact when designing systems

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

Safety
We have established a robust set of procedures and standards to reinforce a strong health and safety culture across the organization. We review 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 2020, we took a raft of measures to keep our people safe and healthy in response to Covid-19. We encouraged people to work from home where possible and for those unable to work from home, we introduced staggered shift patterns to limit the risk of infection and made face masks and hand sanitizer widely available. We conducted exercises to ensure we had the necessary procedures in place in the event of an employee testing positive for covid. As part of our 2020 Safety

Roadmap, we held regular local and global meetings to share best practice on mitigation and sustaining actions.

More broadly, throughout the year we expanded our work with suppliers on safety procedures relating to safety and the environment, (for example, the handling of hazardous materials), to ensure our suppliers know what we expect from them in these areas.

We continued to make year-on-year improvements on key indicators, including reducing Lost Time Accidents (LTA) from 11 in 2019 to just two in 2020.

Our Safety Community met regularly to share best practice on covid and health and safety procedures more generally and align actions.

Operational excellence
We continued our focus on alignment, trust, and empowerment in 2020, with, for example, our Operations Academy strengthening leadership behaviours at our sites.

As part of our focus on making continuous improvements at our production facilities in quality, cost, delivery, people, and safety, we continued to build our capabilities and improve performance.

The international standard for management systems of occupational health and safety, ISO 45001, is now implemented at our sites in Australia, Italy, and the UK. This is an area in which we continue to work, and we aim to achieve this certification for all our Centres of Excellence.

The 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.

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.

Human rights
Respecting human rights is a fundamental aspect of our responsibility as a business, and vital for us to operate sustainably. We recognise that although states are responsible for the protection, promotion, and fulfilment of human rights, Cavotec as a business enterprise is committed to respecting fundamental human rights in our operations, our supply chain, and in the communities where we operate. Underlining the Group's commitment to corporate social responsibility, we have also incorporated the principles of the UN Global Compact into our corporate Code of Conduct.

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, 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 established 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. Employees receive Anti-Bribery trainings regularly.

It is the responsibility of all those working for us to prevent, detect and report bribery. Furthermore, it is 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.

Lastly, our Whistle-Blower policy enables employees to anonymously report concerns outside normal reporting channels, (typically immediate managers).

REMUNERATION GOVERNANCE AND PRINCIPLES

Shareholder engagement

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 incorporated company but listed on the NASDAQ in Stockholm, Sweden. The corporate governance of Cavotec is therefore based on both 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 certain Swiss Exchange ("SIX") rules regarding good corporate governance. The Compensation Report describes our compensation system and philosophy. It provides details of the compensation to the Board of Directors and to the Chief Executive Officer in 2020.

Under the Ordinance mentioned above, shareholders have significant influence on the remuneration of governing bodies and annually approve the maximum aggregate remuneration for the members of such governing bodies. In addition, the principles governing remuneration must be defined in a company's articles of association, which are also subject to shareholder approval. Cavotec's Articles of Association include the principles governing remuneration (specifically Articles 16) and can be viewed online at: http://ir.cavotec.com → Corporate Governance → Articles of Association.

The key provisions are summarized below:
- Votes on remuneration (Article 16b): Every year the Annual General Meeting ("AGM") votes separately and bindingly on the maximum aggregate remuneration of the Board for the term of office until the next AGM and on the maximum aggregate remuneration of the CEO (fixed and variable components) for the subsequent financial year.
- Loans and credits (Article 16j): Loans and credits may not be granted to members of the Board or the CEO
- Additional amount for a newly appointed CEO (Article 16c): If the maximum aggregate remuneration already approved by the AGM is not sufficient to cover the remuneration for a newly appointed CEO, the Company may pay an additional amount up to 100% of the last maximum aggregate remuneration amount approved.
- In line with the Company's Articles of Association, the Board will submit three separate remuneration related resolutions for shareholder approval at the 2021 AGM as illustrated in Table 1:
  - This Remuneration Report (consultative vote).
  - The maximum aggregate remuneration amount for the Board for the term of office from 2021 AGM to 2022 AGM (binding vote).
  - The maximum aggregate remuneration amount for the CEO for the financial year starting Jan 1, 2022 and ending December 31, 2022 (binding vote).

At the 2020 AGM held on May 13, 2020, shareholders approved a maximum aggregate remuneration amount for the Board for FY 2021 of EUR 0.5 million.

At the 2019 AGM held on May 10, 2019, shareholders approved the maximum amount of fixed and variable remuneration for the CEO for FY 2020 of EUR 2.5 million.

Governance on remuneration matters

The decision authority on remuneration matters is summarized in Table 2.

TABLE 1: REMUNERATION-RELATED SHAREHOLDER APPROVALS

Object	Action at 2021 AGM	2021	2022	2023
Remuneration report 2020	approval of the 2020 remuneration report	☑		
Board remuneration 2021	approval Board remuneration for AGM 2021 to AGM 2022 (term of office)	☑		
CEO remuneration 2022	approval CEO FY 2022	☑		
		Beginning of the FY Jan 01 / AGM May	Beginning of the FY Jan 01 / AGM May	Beginning of the FY Jan 01 / AGM May

The current members of the Remuneration Committee of Cavotec SA are Fabio Cannavale, Patrik Tigerschiöld and Erik Lautmann (Chairman).

Members of the Remuneration Committee are elected annually and individually by the shareholders at the respective Annual General Meeting. The Chairman of the Remuneration Committee reports to the full Board after each meeting. The minutes of the meetings are made available to the members of the Board. The CEO and the CHRO attend the Remuneration Committee meetings in an advisory function but are excluded from certain discussions. The Remuneration Committee may decide to consult an external advisor on specific remuneration matters.

Activities of the Remuneration Committee during FY 2020

The Remuneration Committee meets as often as business requires but at least three times a year.

The Remuneration Committee of Cavotec SA held three meetings in 2020 (Feb 20, Sep 15, Dec 14).

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.

Details on Remuneration Committee members and their meeting attendance are provided in the Corporate Governance Report on page 38.

Remuneration principles

Cavotec's remuneration programs are designed to recognize and reward performance, enabling the organization to attract, motivate and retain talented employees who drive 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 to ensure continued alignment with the Group's strategy and market practice.

Determination of Board and EMT (Executive Management Team) remuneration

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 active in similar industrie and markets. The last review for the entire EMT was carried out in 2018.

REMUNERATION SYSTEM

Remuneration system of the Board

To ensure its independence in fulfilling its supervisory duties, the remuneration of the Board is fixed and does not contain any variable component.

TABLE 2: GOVERNANCE ON REMUNERATION MATTERS

	CEO	Remuneration Committee	Board	AGM
Remuneration principles (Articles of Association)		Proposes	Review	Approves
Remuneration report		Proposes	Review	Approves
Remuneration principles and system for the Board and the CEO		Proposes	Review	Approves
Remuneration principles and system for the Executive Management Team (EMT)	Proposes	Review	Approves	
Maximum aggregate amount of the remuneration for the Board		Proposes	Review	Approves
Maximum aggregate amount of the remuneration of the CEO		Proposes	Review	Approves
Maximum aggregate amount of the remuneration of the EMT members	Proposes	Review	Approves	

The Chairman of the Board receives a fixed annual base fee of EUR 95,000. The Chairman is not entitled to being compensated for assuming additional committee responsibilities.

Other members of the Board receive a fixed annual base fee and fixed fees for membership in Board committees.

The amounts of the base fee and committee membership fees, as illustrated in Table 3, reflect the responsibility and time requirement inherent to the respective function and remained the same in FY 2020 compared to FY 2019.

The base fee and committee membership fees are paid 100% in cash.

Remuneration system of the Executive Management Team
The remuneration elements for the Executive Management Team is summarized in Table 4.

The remuneration elements for the Executive Management Team consist of four components:

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

Base salary
Base salary is the fixed remuneration paid to employees for carrying out their role. It is designed to be attractive and market competitive and is established considering the following factors:

- scope and responsibilities of the role, as well as qualifications and experience required to perform the role, market value of the role in the location in which Cavotec competes for talent
- skills and expertise of the individual in the role

The base salary is paid out to EMT members in twelve equal monthly cash instalments.

Pension benefits
The purpose of pension benefits is to provide security for employees and their dependents in the event of retirement, sickness, inability to work and death. The EMT members participate in the social insurance and pension plans in

TABLE 3: REMUNERATION SYSTEM OF THE BOARD, IN EUR (GROSS AMOUNT)

Base fee	
Chairman of the Board	95,000
Member	35,000

Committee fee	Chair	Member
Audit Committee	10,000	5,000
Remuneration Committee	10,000	5,000

TABLE 4: REMUNERATION SYSTEM OF THE EMT

	Fixed Pay		Variable Pay	
	Base Salary	Pension & other benefits	Short-term incentive plan (STIP)	Long-term incentive plan (LTIP)
Purpose	Attract and retain	Risk protection, Market competitiveness	Focus on the delivery of the year's commitments	Focus on the long term success of the Group and align with shareholders' interests
Performance period	-	-	1 year	3 years
Key drivers	Role, responsibility, experience	Legal requirements & market practice	Group, Division and personal performance (if relevant)	Group long-term performance
Reward instrument	Cash	Pension, insurance plans and cash	Cash	Performance shares
KPIs	-	-	Revenues, EBIT, Cash flow	EPS (65%), Relative TSR (35%)
Target incentive	-	-	80% of base salary for the CEO, 20-40% of base salary for EMT members	80% of base salary for the CEO, 20-40% of base salary for EMT members
Payout range	-	-	0-120% of target amount for each KPI	0-200% of number of granted PS for each KPI
Impact of share price on payout value	-	-	-	Yes

the countries where their employment contracts were entered into. The plans vary according to local market practice and legislation; at a minimum they reflect the statutory requirements of the respective countries. In line with local employment practice for Swiss employees, EMT members under Swiss employment contracts are covered by the Company's compulsory occupational pension scheme.

Other benefits
In addition, Cavotec aims to provide competitive employee benefits. Benefits are considered from a global perspective, while appropriately reflecting differing local market practice and employment conditions. For the EMT members, benefits may include local market benefits such as transportation allowances, health cover, etc. and, where relevant, international benefits such as tax advisory services, etc. The monetary value of these remuneration elements as disclosed in the remuneration tables is based on the amount paid as well as the best estimate for the one yet to be paid.

Short-Term Incentive Plan ("STIP")
The short-term incentive plan (STIP) is the cash-based element of the variable pay 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 current STIP framework was introduced in 2018 to provide a simple, fair and transparent approach.

Plan participants at Group and division level are incentivized based on the achievement of financial performance targets, which are determined by the Board at the beginning of each financial year. The performance targets are defined in line with the year's commitments to contribute to the long-term strategy. They are aligned with business priorities, with the aim of achieving sustainable profitability.

These targets represent commercially sensitive information and are therefore not disclosed.

Payouts under the STIP are calculated

based on the achievement level of the respective performance targets, with 100% achievement resulting in 100% payout. For each financial performance target, minimum threshold performance levels, below which there is no payout, as well as maximum performance levels, at which payout is capped at 120%, apply.Linear interpolation is used to calculate the payout between threshold, target and maximum. Total payout under the STIP can range from 0% to 120% of the target incentive amount.

Long-Term Incentive Plan ("LTIP")
In 2019 a new equity based long term incentive plan (LTIP) framework was approved by the AGM.

The LTIP is a three-year performance share-based incentive plan. The current plan, called 2019-2021 LTIP, rewards the long-term performance between Jan 1, 2019 and Dec 31 2021 (performance period). Its purpose is to foster long-term value creation for the Group by providing the members of the EMT and other eligible key managers with the possibility:

- to become shareholders or to increase their shareholding in the Company,
- to participate in the future long-term success of Cavotec, and
- to further align the long-term interests of the plan participants with those of the shareholders.

The CEO, EMT members and a selected number of Senior Managers 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. The individual grants under the LTIP are determined based on the role and responsibilities, taking into account external market levels.

Awards under the LTIP are a contingent entitlement to receive Cavotec shares at the end of the three-year performance period (vesting), provided certain performance targets are achieved and subject to continuous employment.

The number of shares that will vest at the end of the performance period depends on the performance of two indicators:

- 35 % of the award is linked to the Total Shareholder Return ("TSR") measured over three years relative to the OMX Nordic Industry – Industrial Index and
- 65% of the award is linked to the Earnings per Share ("EPS").

In case the performance does not reach certain pre-determined thresholds, no Performance Shares will vest under the LTIP.

EPS targets represent commercially sensitive information and are therefore not disclosed.

In December 2019, the Board approved to renew the plan for the period 2020-2022 to reward long-term performance between January 1, 2020 and December 31, 2022 (performance period) with the same terms and condition as the 2019-2021 LTIP.

In December 2020, the Board approved to renew the plan for the period 2021-2023 to reward long-term performance between January 1, 2021 and December 31, 2023 (performance period) with the same terms and condition as the 2019-2021 LTIP.

Previous LTIP
The previous LTIP 2017-2019 Co-investment shares plan and 2018-2019 Cash Bridge Plan were discontinued after the end of the performance period in 2020.

Employment conditions
The members of the EMT are employed under contracts of unlimited duration with a notice period up to a maximum of twelve months. EMT members are not contractually entitled to termination payments. Employment contracts for EMT members include non-competition agreements not exceeding a period of twelve months following the end of employment.

REMUNERATION AWARDED TO MEMBERS OF GOVERNING BODIES
The section below is in line with Swiss law and specifically with Arts. 14 to 16 of the Ordinance which requires disclosure of remuneration granted to members of the Board and CEO. Remuneration paid to members of the Board and to the CEO is shown separately.

REMUNERATION AWARDED TO THE BOARD FOR FY 2020 (AUDITED)
The remuneration awarded to the Board is summarized in Table 5.

REMUNERATION AWARDED TO THE CEO FOR FY 2020 (AUDITED)
For FY 2020, the CEO has been awarded base salary, variable remuneration, pension and other benefits, in line with the remuneration system, as detailed in Table 4.

The remuneration of the CEO is summarized in Table 6.

LOANS GRANTED TO MEMBERS OF THE BOARD OR THE CEO
In accordance with Article 16J of the Articles of Association, The Company does not grant loans or extend credit to the members of the Board of Directors and to the CEO.

REMUNERATION TO FORMER MEMBERS OF GOVERNING BODIES
During FY 2020 no payments were made to former members of the Board or the CEO or related parties.

TABLE 5: REMUNERATION AWARDED TO THE BOARD

Amounts paid in 2020 in EUR	Board fees	Social Security Contributions	Pension	Consultancy	Total 2020	Total 2019
Fabio Cannavale	40,000	-	-	-	40,000	36,250
Niklas Edling	35,000	1,238	1,912	-	38,150	28,541
Roberto Italia	40,000	1,407	2,173	-	43,580	31,346
Annette Kumlien	45,000	1,583	2,445	-	49,028	36,696
Erik Lautmann	45,000	709	1,594	-	47,303	47,299
Heléne Mellquist	-	-	-	-	-	12,260
Helena Thrap-Olsen	-	-	-	-	-	10,495
Patrik Tigerschiöld (Chairman)	95,000	3,344	5,165	-	103,509	103,351
Total remuneration	**300,000**	**8,281**	**13,288**	**-**	**321,569**	**306,237**

Amounts paid in 2020 in CHF	Board fees	Social Security Contributions	Pension	Consultancy	Total 2020	Total 2019
Fabio Cannavale	42,821	-	-	-	42,821	40,324
Niklas Edling	37,468	1,325	2,047	-	40,840	31,749
Roberto Italia	42,821	1,506	2,326	-	46,653	34,868
Annette Kumlien	48,174	1,695	2,617	-	52,486	40,820
Erik Lautmann	48,174	759	1,706	-	50,639	52,614
Heléne Mellquist	-	-	-	-	-	13,638
Helena Thrap-Olsen	-	-	-	-	-	11,674
Patrik Tigerschiöld (Chairman)	101,700	3,580	5,529	-	110,808	114,966
Total remuneration	**321,157**	**8,865**	**14,225**	**-**	**344,247**	**340,653**

TABLE 6: REMUNERATION OF THE CEO

Amounts paid in 2020 in EUR	Base Salary	Short-term Incentive Plan(1)	Long-term Incentive Plan(2)	Benefits in kind(3)	Social Security, Insurance and Pension Contributions(4)	Total 2020	Total 2019
Mikael Norin	711,200	122,895	-	81,021	214,229	1,129,345	2,227,850

Amounts paid in 2020 in CHF	Base Salary	Short-term Incentive Plan(1)	Long-term Incentive Plan(2)	Benefits in kind(3)	Social Security, Insurance and Pension Contributions(4)	Total 2020	Total 2019
Mikael Norin	761,356	131,562	-	86,735	229,337	1,208,990	2,478,214

CHF/EUR exchange rate 1.070522957
(1) *Paid in 2021 for FY 2020.*
(2) *No LTIP plan is maturing in FY 2020.*
(3) *Allowances (Child, school fees, health insurance and transportation).*
(4) *Pension contribution to the CEO has been made both in form of cash and defined contribution payments.*

RECONCILIATION OF AGM REMUNERATION RESOLUTIONS

For the term to the 2020 AGM, the 2019 AGM approved a maximum aggregate remuneration amount for the Board of EUR 1.0 million (covering all pay, pension contribution, social charges, etc.) Table 7 shows the reconciliation between the remuneration that has been/will be paid/granted for the respective term of office and the maximum aggregate amount approved by the shareholders.

The CEO's maximum aggregate remuneration amount for FY 2020 approved by the 2019 AGM, is EUR 2.5 million (covering fixed and variable pay, pension contribution, social charges, etc.). Table 8 shows the reconciliation between the remuneration that has been/will be paid to the CEO for FY 2020 and the maximum aggregate amount approved by the shareholders.

TABLE 7: REMUNERATION APPROVED AND PAID/GRANTED FOR THE MEMBERS OF THE BOARD

	Total remuneration granted (paid/payable) in EUR	Maximum aggregate amount approved in EUR	Status
FY 2020	306,237	1,000,000	Approved (2019 AGM)
FY 2021	321,569	500,000	Approved (2020 AGM)
FY 2022	-	500,000	Proposed (2021 AGM)

TABLE 8: REMUNERATION APPROVED AND PAID/GRANTED FOR THE CEO

	Total remuneration granted (paid/payable) in EUR	Maximum aggregate amount approved in EUR	Status
FY 2019	2,227,850	2,250,000	Approved (2019 AGM)(1)
FY 2020	1,129,345	2,500,000	Approved (2019 AGM)
FY 2021	-	2,900,000	Approved (2020 AGM)
FY 2022	-	2,900,000	Proposed (2021 AGM)

(1) 1.5MEUR initially approved 2018 AGM, increased to 2.25MEUR at the 2020 AGM.

Report of the statutory auditor

to the General Meeting of Cavotec SA

Lugano

We have audited the remuneration report of Cavotec SA on page 35 for the year ended 31 December 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration 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 remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration 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 remuneration 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 remuneration 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 remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration 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 remuneration report of Cavotec SA for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Efrem Dell'Era	Luigi Voulgarelis
Audit expert Auditor in charge	

Lugano, 26 February 2021

PricewaterhouseCoopers SA, Piazza Indipendenza 1, casella postale, CH-6901 Lugano, Switzerland
Telefono: +41 58 792 65 00, Fax: +41 58 792 65 10, www.pwc.ch

PricewaterhouseCoopers SA is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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

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.

convening letter, shall be entitled to attend the shareholders' meeting and vote according to the number of shares they hold. Shareholders may attend shareholders' meetings in person or through a proxy. Shareholders may usually register for shareholders' meetings in several different ways, which are described in the Notice of Meeting.

Notice of shareholders' meetings and shareholder initiatives

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

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.

In September 2020 the Committee began preparing a proposal for the Board of Directors to be submitted to the Annual General Meeting 2021.

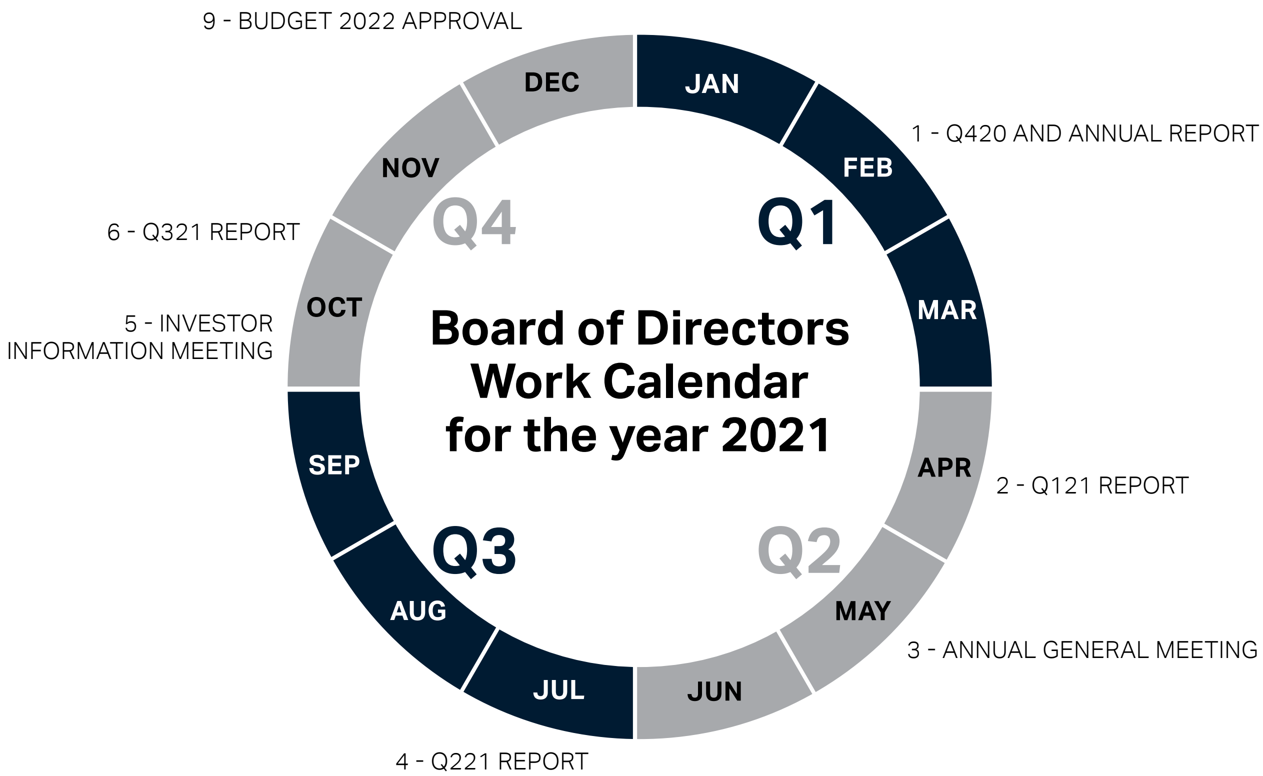
The proposal of the Nomination Committee will be published in the invitation to the Annual General Meeting.

External auditor

At the Annual General Meeting 2021 the Nomination Committee will propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Annual General Meeting 2022. Efrem Dell'Era is the auditor in charge.

THE BOARD OF DIRECTORS

The members of the Board are elected



by the shareholders' meeting for the period until the end of the next ordinary shareholders' meeting. The Board of Directors constitutes itself, as set out in the Articles of Association, but by law the Chairman of the Board of Directors is elected by the shareholders' meeting.

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

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

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

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

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

The Board of Directors held eight ordinary Board meetings for Cavotec SA in 2020.

BOARD AND COMMITTEE MEETINGS IN CAVOTEC SA IN 2020

	Board		Audit		Remuneration		Nomination	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Henrik Blomquist							4	4
Fabio Cannavale	8	7			3	1	4	2
Nicklas Edling	8	8						
Thomas Ehlin							4	4
Roberto Italia[1]	8	8	8	7				
Annette Kumlien	8	8	8	8				
Erik Lautmann	8	8			3	3		
Claes Murander[2]							4	4
Patrik Tigerschiöld	8	8	8	7	3	3		

[1] *Left the Board in December 2020.*
[2] *Joined the Nomination Committee in FY2020*

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).

From September 25, 2020 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), Claes Murander (representing Lannebo Fonder) 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 eight times in 2020.

The current members of Audit Committee are Annette Kumlien (Chairwoman) and Patrik Tigerschiöld. Roberto Italia resigned from the Board of Directors and its Committees in December 2020.

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 2021/2022: Erik Lautmann, Fabio Cannavale and Patrik Tigerschiöld.

The Remuneration Committee of Cavotec SA met three times in 2020.

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

Please refer to the Remuneration report on page 30.

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.


CAVOTEC
Power Pack i-CONNECT

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 HMS Networks AB.

Niklas Edling holds 75,000 shares in Cavotec.

Roberto Italia
Member of the Board

Born 1966

Member since 2018[(2)]

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 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. She is also a board member at Cary Group AB.

Annette Kumlien does not hold any shares 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 143,562 shares in Cavotec.

[(1)] *Please note that the year refers to membership in the Board of Directors of Cavotec MSL and Cavotec SA.*
[(2)] *Until 31 December 2020.*

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 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 holds 7,000 shares 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 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 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 20,000 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 in Cavotec.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Consolidated Financial Statements 2020

This report is dated 26 February 2021 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	2020	2019
Revenue from sales of goods and services	5	158,437	196,017
Other income	6	3,312	2,549
Cost of materials		(76,072)	(90,814)
Employee benefit costs	7	(52,469)	(60,249)
Operating expenses	8	(19,684)	(26,038)
Gross Operating Result		**13,524**	**21,465**
Depreciation and amortisation	16,17	(4,731)	(4,684)
Depreciation of right-of-use of leased asset	16	(4,364)	(4,266)
Impairment losses	16,17	(923)	(203)
Operating Result		**3,506**	**12,312**
Interest income	10	27	26
Interest expenses	10	(1,610)	(1,919)
Currency exchange differences - net	10	(5,495)	318
Other financial item		395	(28)
Profit /(Loss) before income tax		**(3,177)**	**10,709**
Income taxes	11,19	(815)	(3,195)
Profit /(Loss) for the period		**(3,992)**	**7,514**
Other comprehensive income:			
Remeasurements of post employment benefit obligations	27	(175)	(344)
Items that will not be reclassified to profit or loss		**(175)**	**(344)**
Currency translation differences		1,544	758
Items that may be subsequently reclassified to profit/(loss)		**1,544**	**758**
Other comprehensive income for the year, net of tax		**1,369**	**414**
Total comprehensive income for the year		**(2,623)**	**7,928**
Total comprehensive income attributable to:			
Equity holders of the Group		(2,623)	7, 928
Non-controlling interest		(3)	1
Total		**(2,626)**	**7,928**
Profit attributed to:			
Equity holders of the Group		(3,992)	7,514
Total		**(3,992)**	**7,514**
Basic and diluted earnings per share attributed to the equity holders of the Group (EUR/Share)	30	(0.042)	0.080
Average number of shares		94,235,531	94,206,242

The notes on pages 55 to 75 are an integral part of these Consolidated Financial Statements.

Balance Sheet
Cavotec SA & Subsidiaries

Assets EUR 000s	Notes	2020	2019
Current assets			
Cash and cash equivalents		19,151	13,254
Trade receivables	12	27,891	36,500
Tax assets	13	4,203	3,683
Other current receivables	14	3,970	2,797
Contract assets	5,12	1,199	2,200
Inventories	15	37,997	38,801
Assets held for sale	16	3,408	5,363
Total current assets		**97,819**	**102,598**
Non-current assets			
Property, plant and equipment	16	15,289	18,270
Right-of-use of leased assets	16	18,815	19,425
Intangible assets	17	51,768	52,844
Non-current financial assets	18	129	280
Deferred tax assets	19	9,673	9,217
Other non-current receivables	20	7,171	8,004
Total non-current assets		**102,845**	**108,040**
Total assets		**200,664**	**210,639**

Equity and Liabilities EUR 000s	Notes	2020	2019
Current liabilities			
Current financial liabilities	21	(4,144)	(14,462)
Current lease liabilities	16	(3,440)	(4,081)
Trade payables	22	(24,279)	(25,483)
Contract liabilities	5,22	(10,765)	(7,534)
Tax liabilities	23	(1,108)	(1,531)
Provision for risk and charges, current	26	(3,439)	(6,772)
Other current liabilities	24	(9,637)	(12,125)
Total current liabilities		**(56,812)**	**(71,988)**
Non-current liabilities			
Non-current financial liabilities	21	(10,085)	(2,644)
Non-current lease liabilities	16	(15,385)	(16,140)
Deferred tax liabilities	25	(2,123)	(2,405)
Other non-current liabilities		(98)	(103)
Provision for risk and charges, non-current	26	(7,753)	(6,990)
Employee benefit obligation	27	(2,416)	(2,198)
Total non-current liabilities		**(37,860)**	**(30,482)**
Total liabilities		**(94,672)**	**(102,469)**
Equity			
Share Capital		(100,169)	(100,169)
Reserves		(7,074)	(5,257)
Retained earnings		1,278	(2,714)
Equity attributable to owners of the parent	**28**	**(105,965)**	**(108,140)**
Non-controlling interests		(27)	(29)
Total equity		**(105,992)**	**(108,169)**
Total equity and liabilities		**(200,664)**	**(210,639)**

The notes on pages 55 to 75 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 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)**
Balance as at 1 January 2020		(100,169)	(5,257)	(2,714)	**(108,140)**	(30)	**(108,170)**
(Profit) / Loss for the period		-	-	3,992	**3,992**	-	**3,992**
Currency translation differences		-	(1,544)	-	**(1,544)**	3	**(1,541)**
Remeasurements of post employment benefit obligations	27	-	175	-	**175**	-	**175**
Total comprehensive income and expenses		**-**	**(1,369)**	**3,992**	**2,623**	**3**	**2,626**
Employees share scheme		-	(445)	-	**(445)**	-	**(445)**
Issue of Treasury shares to employees		-	(3)	-	**(3)**	-	**(3)**
Transactions with shareholders		**-**	**(448)**	**-**	**(448)**	**-**	**(448)**
Balance as at 31 December 2020		**(100,169)**	**(7,074)**	**1,278**	**(105,965)**	**(27)**	**(105,992)**

The line related to Employees share scheme shows the accrual for LTIP plans.

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

The notes on pages 55 to 75 are an integral part of these Consolidated Financial Statements.

Statement of Cash Flows
Cavotec SA & Subsidiaries

EUR 000s	Notes	2020	2019*
Profit /(Loss) for the year		**(3,992)**	**7,514**
Adjustments for:			
Net interest expenses		1,583	1,437
Current taxes	11	1,525	3,169
Depreciation and amortisation	16,17	4,731	4,684
Depreciation of right -of-use of leased assets		4,364	4,266
Impairment losses	16	923	203
Deferred tax		(710)	26
Provision for risks and charges		(1,479)	(8,185)
Capital gain or loss on assets		(787)	(144)
Other items not involving cash flows	10	6,170	(130)
Interest paid		(1,638)	(2,118)
Taxes paid		(2,468)	(5,327)
		12,214	(2,120)
Cash flow before change in working capital		8,222	5,395
Impact of changes in working capital			
Inventories		(5)	2,647
Trade receivables and contract assets		8,574	6,173
Other current receivables		2,023	4,068
Trade payables and contract liabilities		(479)	(4,597)
Other current liabilities		(2,627)	88
Impact of changes involving working capital		7,486	8,379
Net cash inflow /(outflow) from operating activities		**15,708**	**13,774**
Financial activities			
Net changes loans and borrowings	21	(3,220)	(35,584)
Repayment of lease liabilities	10,16	(4,105)	(3,604)
Capital increase	28	-	18,527
Net cash inflow /(outflow) from financial activities		**(7,325)**	**(20,661)**
Investing activities			
Investments in property, plant and equipment		(1,373)	(1,384)
Investments in intangible assets		(1,936)	(341)
Decrease of non current financial asset		151	-
Disposal of assets		2,459	433
Net cash outflow from investing activities		**(699)**	**(1,292)**
Cash at the beginning of the year		13,254	21,257
Cash flow for the year		7,684	(8,179)
Currency exchange differences		(1,787)	176
Cash at the end of the year		19,151	13,254

* *Re-presented: the comparative charges for interest paid on lease liabilities have been reclassified from financial activities to operating activities (Interest paid) to enhance comparability (2019: -608).*

The notes on pages 55 to 75 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 25 February 2021. The report is subject to approval by the Annual General Meeting on 27 May 2021.

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 2020, with no significant impact on the Group Financial Statements:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

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 2020 and 2019.

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 in other comprehensive income and accumulated as a separate component of equity
- The Consolidated Statements of Cash Flow are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period

Exchange differences arising from the translation of any net investment in foreign operations and borrowings 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 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 that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners.

(iii) Scope of Consolidation

The consolidated Financial Statements include the statements at 31 December 2020 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 (In liquidation)	Sweden	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Danmark AS (In liquidation)	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 (In liquidation)	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 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 (In liquidation)	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%

During FY2020 Cavotec Realty USA LLC has been liquidated.

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:

	Years
Industrial buildings	25
Building improvements	5
Plant and machinery	5 to 10
Laboratory equipment and miscellaneous tools	5
Furniture and office machines	5
Motor vehicles	5
Computer hardware	3

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

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

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.

INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value 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.

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 76.

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 within Group cash pool.

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 total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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 31/12/2019	Translation differences and other	Acquisitions and dispositions	Impairment	Net book value as of 31/12/2020
Ports & Maritime	**23,297**	(34)	-	-	**23,263**
Airports, AGC & Fuelling	**15,554**	(786)	-	-	**14,768**
Industry	**6,933**	9	-	-	**6,942**
Total	**45,784**	**(811)**	**-**	**-**	**44,973**

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 taking into consideration the effects of the global pandemic, the Group has updated the five-year strategic Plan that defines the roadmap for the Company up to 2025. The impairment model has been prepared based on this Strategic Plan. The value in use is mainly driven by the terminal value, which is influenced by the terminal 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	
	2020	2019	2020	2019
Ports & Maritime	2.00%	2.00%	9.61%	9.24%
Airports, AGC & Fuellling	2.30%	2.30%	9.93%	9.56%
Industry	1.50%	1.50%	8.97%	8.60%

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 6.2% (30.1% instead of 36.3%) would remove the available headroom. Prior year sensitivity on gross margin was 6.9%. As per previous year, the CGU is not sensitive to other key assumptions; reasonably possible changes 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 2020 EUR 000s	Airports & Industry	Ports & Maritime	Total
Revenue from external customer			
Timing of revenue recognition			
At a point in time	85,461	64,657	150,118
Over time	4,083	4,236	8,319
Total	**89,544**	**68,893**	**158,437**

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 2020 EUR 000s	AMER	EMEA	APAC	Total
Ports & Maritime	13,762	35,452	19,679	68,893
Airports & Industry	20,022	47,564	21,958	89,544
Total	**33,784**	**83,016**	**41,637**	**158,437**

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**

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, 2020	31 Dec, 2019
Current Assets/Liabilities		
Contract Assets	1,199	2,200
Contract Liabilities	(10,765)	(7,534)
Total	**(9,566)**	**(5,334)**

The movement in contract liabilities year over year of EUR 3,231 thousands is due to the following drivers:

- Decrease of EUR 2,827 thousands: Contract liabilities included in the balance at the beginning of the period, have been recognised as revenue during the year.
- Increase of EUR 6,058 thousands: Received consideration from customers (prepayments) on new or ongoing contracts.

NOTE 6. OTHER INCOME

EUR 000s	2020	2019
Carriage, insurance and freight	1,668	1,495
Exchange gains and losses	(618)	(226)
Other miscellaneous income	2,262	1,280
Total	**3,312**	**2,549**

Other miscellaneous income includes EUR 697 thousands related to capital gain from sale of a company owned building located in Mooresville (NC, USA).

NOTE 7. EMPLOYEE BENEFIT COSTS

EUR 000s	2020	2019
Salaries and wages	(42,977)	(43,385)
Social security contributions	(5,851)	(6,740)
Other employee benefits	(3,641)	(10,123)
Total	**(52,469)**	**(60,249)**

The number of full time equivalent employees was 747[1] (2019: 769). 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 2 Long-Term Incentive Plan ("LTIP") for selected employees of the Group running in parallel. More information on the plans can be found in the Remuneration report (page 30). The cost for the Group for all plans (excluding social security payments) was EUR 445 thousands (2019: 1,142). The group has no outstanding shares to be issued (2019: 114,968). A maximum amount of 1,947,536 of shares for LTIP plan 2019-2021 and 1,617,990 for LTIP plan 2020-2021 could be issued in 2022 and 2023 respectively.

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

NOTE 8. OPERATING EXPENSES

EUR 000s	2020	2019
Transportation expenses	(1,236)	(1,618)
External services	(9,775)	(9,629)
Travelling expenses	(2,015)	(3,429)
General expenses	(6,243)	(6,199)
Utility expenses	(1,135)	(1,519)
Credit losses	(324)	(719)
Warranty costs	1,044	(2,926)
Total	**(19,684)**	**(26,038)**

NOTE 9. NON-RECURRING ITEMS

Non-recurring items are presented in order to give a better view of the operational result.

EUR 000s	2020	2019
Restructuring costs	-	(3,218)
Litigation costs	-	(158)
Total	**-**	**(3,376)**

In the second half of 2020 the Board approved a plan to accelerate the development of products and business development in the Ports and Maritime sector. This was implemented and resulted in significant one-off operating expenditures in the fourth quarter.

EUR 000s	2020	2019
Investments related to future growth	(1,853)	-
Total	**(1,853)**	**-**

NOTE 10. NET FINANCIAL COSTS

EUR 000s	2020	2019
Interest income	27	26
Interest expense	(1,256)	(1,528)
Amortisation of issuance costs	(354)	(392)
Interest expenses – net	**(1,583)**	**(1,894)**
Currency exchange difference – net	**(5,495)**	**290**
Total	**(7,078)**	**(1,604)**

Interest expense include EUR 552 thousands (2019: 608) of interest expense recognise under IFRS16.
Currency exchange difference relates mainly to financial assets and liabilities held in foreign currencies. The main impact is coming from the appreciation of Euro against US Dollar. The amount is classified in the statement of Cash Flow under the caption of the Other items not involving cash flows.

NOTE 11. INCOME TAXES

EUR 000s	2020	2019
Current tax	(1,880)	(2,633)
Deferred tax	710	(26)
Other taxes	355	(536)
Total	**(815)**	**(3,195)**

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		2020		2019
Tax on consolidated pre-tax income at group rate	**22.9%**	**726**	**23.1%**	**(2,473)**
Tax effect of loss-making subsidiaries		(2,944)		(2,306)
Tax effect of non-taxable income included in profit before tax		1,446		1,179
Tax on non-deductible expenses		(48)		(366)
Effects of tax losses/credits utilized		-		255
Utilisation of previously unrecognised DTA		5		517
Total	**25.6%**	**(815)**	**29.8%**	**(3,194)**

The Group operates in many jurisdictions where statutory tax rates vary from 0% to 35%. The weighted average applicable tax rate was 22.9% (2019: 23.1%).

NOTE 12. TRADE RECEIVABLES AND CONTRACT ASSETS

EUR 000s	2020	2019
Trade receivables	33,510	42,085
Contract assets	1,199	2,200
Provision for doubtful debts	(5,620)	(5,584)
Net Trade receivables and Contract assets	**29,089**	**38,701**
The movement of the provision for doubtful debts is summarised below:		
Opening balance	**(5,584)**	**(5,460)**
Provision recorded in the year	(1,464)	(2,325)
Provision used in the year	46	837
Provision reversed not used in the year	1,138	1,431
Currency exchange difference	244	(67)
Closing balance	**(5,620)**	**(5,584)**

Contract assets include EUR 1,199 thousands (2019: 2,200) 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	2020	2019
Tax assets	527	470
VAT recoverable	3,676	3,213
Total	**4,203**	**3,683**

NOTE 14. OTHER CURRENT RECEIVABLES

EUR 000s	2020	2019
Short term investments at fair value through PL	16	31
Deposits	316	491
Prepayments	2,696	1,837
Other receivables	942	438
Total	**3,970**	**2,797**

NOTE 15. INVENTORIES

EUR 000s	2020	2019
Raw materials	26,394	21,753
Finished goods	15,755	20,536
Provision for slow moving inventories	(4,152)	(3,488)
Total	**37,997**	**38,801**

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

EUR 000s	2020	2019
Opening balance	**(3,488)**	**(5,459)**
Provision used during the year	8	1,273
Provision recorded in the year	(814)	(289)
Provision reversed not used in the year	23	1,031
Currency exchange difference	119	(45)
Closing balance	**(4,152)**	**(3,488)**

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

EUR 000s	Land & buildings	Plant & equipment	Fixtures & fittings	Total
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**
Year ended 31 December 2020				
Opening net book value	7,697	7,151	3,421	18,270
Additions	13	1,060	292	1,365
Disposals	-	(281)	-	(281)
Reclassification	-	-	-	-
Impairment	-	-	-	-
Reclassification, asset held for sale	(59)	-	-	(59)
Depreciation	(298)	(2,121)	(958)	(3,377)
Currency exchange differences	(62)	(439)	(127)	(628)
Closing net book value	**7,291**	**5,370**	**2,628**	**15,289**
At 31 December 2020				
Cost	11,220	22,223	9,624	43,067
Accumulated depreciation	(3,929)	(16,853)	(6,996)	(27,778)
Net book amount	**7,291**	**5,370**	**2,628**	**15,289**

The buildings reclassified as assets held for sales are Trondheim building (Norway), Cavotec Italy former building in Nova Milanese (Italy). In 2020 Cavotec Realty France building in Saint Ouen L'aumone (France) has been reclassified as asset held for sale. Management expects to sell the building in the next 12 months. In the current year, the building in Norway has been written down EUR 233 thousands to EUR 2,330 thousands, the remaining difference with previous year is due to exchange difference. The building in Italy has been written down EUR 55 thousands to EUR 1,019 thousands. Total amount of asset held for sale is EUR 3,408 thousands. In February 2020 Cavotec USA building located in Mooresville (NC) has been sold for EUR 2.4 million. As the building was accounted as Asset held for Sale with a book value of EUR 1.7 million, the Company recognized in the same month a capital gain of EUR 0.7 million recognized in Other income.

LEASES

Amounts recognised in the balance sheet

The Balance Sheet shows the following amounts relating to leases:

EUR 000s	31 Dec, 2020	31 Dec, 2019
Right of use		
Land & building	18,280	19,064
Plant & equipment	234	156
Fixtures & fittings	301	205
Total right of use	**18,815**	**19,425**

EUR 000s	31 Dec, 2020	31 Dec, 2019
Lease liabilities		
Current	3,440	4,081
Non current	15,385	16,140
Total lease liabilities	**18,825**	**20,221**

Amounts recognised in the income statement

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

EUR 000s	31 Dec, 2020	31 Dec, 2019
Depreciation charge of Right of Use assets		
Land & building	(4,051)	(3,955)
Plant & equipment	(182)	(200)
Fixtures & fittings	(131)	(111)
Total depreciation charge of right of use assets	**(4,364)**	**(4,266)**
Interest expenses	**(552)**	**(608)**

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

	2020	2019
Right of use assets at January 1	**19,425**	**23,247**
Additions	4,123	628
Lease contract terminations	-	(120)
Depreciation charge	(4,364)	(4,266)
Currency translation effects	(369)	(64)
Total right of use assets at December 31	**18,815**	**19,425**

NOTE 17. INTANGIBLE ASSETS

EUR 000s	Goodwill	Patents & trademarks	R&D and other	Total
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**
Year ended 31 December 2020				
Opening net book value	45,784	817	6,243	52,844
Additions	-	11	1,932	1,943
Disposals	-	(48)	(28)	(76)
Impairment	-	-	(635)	(635)
Amortisation	-	(431)	(924)	(1,355)
Currency exchange differences	(811)	(8)	(134)	(953)
Closing net book value	**44,973**	**341**	**6,454**	**51,768**
At 31 December 2020				
Cost	44,973	6,655	13,574	65,202
Accumulated amortisation	-	(6,314)	(7,120)	(13,434)
Net book amount	**44,973**	**341**	**6,454**	**51,768**

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

NOTE 18. NON-CURRENT FINANCIAL ASSETS

EUR 000s	2020	2019
Financial receivables	92	243
Financial assets at fair value through PL	37	38
Total	**129**	**280**

NOTE 19. DEFERRED TAX ASSETS

EUR 000s	2020	2019
Deferred tax assets to be recovered within 12 months	4,234	3,884
Deferred tax assets to be recovered after more than 12 months	5,439	5,333
Total	**9,673**	**9,217**

EUR 000s	2020	2019
Provisions for warranty, doubtful accounts and others	1,077	1,130
Losses carried forward	3,946	3,464
Inventory	1,858	2,008
PPE and intangible assets	355	417
Accrued expenses not currently deductible	1,368	1,228
Others temporary differences	1,069	970
Total	**9,673**	**9,217**

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 Group did not recognise deferred income tax assets on losses carried forward of EUR 103,417 thousands (2019: 94,527) of which EUR 1,218 thousands expire within one year and EUR 21,838 thousands expire within two to five years. The losses carried forward never expire in France, Norway and Singapore, and expire after 7 years in Switzerland. 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 offsetable up to 80%.

NOTE 20. OTHER NON-CURRENT RECEIVABLES

Other non-current receivables include, in accordance with US Legislation, advance payments of opponent's legal costs related to the Mike Colaco litigation EUR 5,496 thousands (2019: 6,003) and deposits for Cavotec Italy building and machinery EUR 1,328 thousands (2019: 1,678).

NOTE 21. LOANS AND BORROWINGS

EUR 000s	2020	2019
Credit facility current portion	-	(10,479)
Other current financial liabilities	(4,144)	(4,220)
Credit facility non-current portion	(10,000)	-
Other non-current financial liabilities	(1,446)	(2,644)
Unamortised issuance costs	1,361	237
Total	**(14,229)**	**(17,106)**

In June 2020, Cavotec secured long-term financing by signing a five years agreement with Credit Suisse and others to provide a EUR 40M single currency term and multicurrency revolving credit facility. As a consequence, the old credit facility, classified as current liabilities, has been repaid and the new credit facility has been recognized as non-current financial liabilities. Syndication costs and upfront fees of EUR 1,437 thousands were paid during FY 2020 and will be amortised over the extended duration of the facility.

EUR 000s	2020	2019
Bank overdrafts	1.00%	1.00%
Short term debt	1.52%	3.40%
Long term debt	2.62%	2.03%
Interest bearing liabilities	**2.35%**	**3.19%**

The average cost of the interest bearing liabilities for FY 2020 was lower compared to the previous year mainly due to the lower rates paid on loans denominated in USD, the lower margin paid in the first half of the year and the lower portion of USD denominated loan compared to 2019.

NOTE 22. TRADE PAYABLES

EUR 000s	2020	2019
Trade payables	(24,279)	(25,483)
Contract liabilities	(10,765)	(7,534)
Total	**(35,044)**	**(33,017)**

For more details on contract liabilities refer to note 5.

NOTE 23. TAX LIABILITIES

EUR 000s	2020	2019
Tax liabilities	(213)	(728)
VAT payable	(895)	(804)
Total	**(1,108)**	**(1,532)**

NOTE 24. OTHER CURRENT LIABILITIES

EUR 000s	2020	2019
Employee entitlements	(4,402)	(5,791)
Accrued expenses and other	(5,235)	(6,335)
Total	**(9,637)**	**(12,126)**

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

NOTE 25. DEFERRED TAX LIABILITIES

EUR 000s	2020	2019
Deferred tax liabilities to be released within 12 months	(111)	(118)
Deferred tax liabilities to be released after more than 12 months	(2,012)	(2,287)
Total	**(2,123)**	**(2,405)**

EUR 000s	2020	2019
PPE and intangible assets	(1,374)	(1,602)
Unrealised exchange differences	-	(13)
Untaxed reserves	(638)	(685)
Other	(111)	(105)
Total	**(2,123)**	**(2,405)**

For more details, please refer to note 19.

NOTE 26. PROVISION FOR RISKS AND CHARGES

EUR 000s	2020	2019
Provision for risk and charges, current	(3,439)	(6,772)
Provision for risk and charges, non-current	(7,753)	(6,990)
Total	**(11,192)**	**(13,762)**

The presentations of Employee benefit obligation, this year, has been presented separately from Provision for risk and charges non-current. The comparative has been restated to enhance comparability.

EUR 000s	Dec 31, 2019	Recorded	Used	Reversed not used	Exchange diff	Dec 31, 2020
Provision for warranty	(7,009)	(269)	1,461	300	568	(4,949)
Provision for litigation	(472)	(2,512)	-	-	214	(2,770)
Provision for restructuring	(420)	(100)	426	-	(1)	(95)
Other provisions	(5,861)	(45)	43	2,223	262	(3,378)
Total	**(13,762)**	**(2,926)**	**1,930**	**2,523**	**1,043**	**(11,192)**

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. The recorded provision for litigation is linked to the Colaco case. In August 2020, Cavotec received a payment including awards of attorney fees and costs of suit. Appeals are still ongoing and as a consequence of the uncertainty of the outcome, the Company booked a provision for the same amount. Other provisions mainly relate to provisions on legal and penalty costs. The release of the provision amounting to EUR 2,223 thousands, relates mainly to an agreement reached during 2020 with subcontractors. For details about the provision for litigation and others, please refer to note 34.

An amount of EUR 3,439 thousands is expected to be used within twelve months.

NOTE 27. PENSION PLAN

The presentations of Employee benefit obligation, this year, has been presented separately from Provision for risk and charges non-current. The comparative has been restated to enhance comparability.

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	2020				2019
	Switzerland	Italy	U.A.E.	Total	Total
Present value of defined benefit obligation (DBO)	(3,767)	-	-	**(3,767)**	**(3,135)**
Fair value of plan assets	2,658	-	-	**2,658**	**2,233**
Deficit of funded plans	**(1,109)**	**-**	**-**	**(1,109)**	**(902)**
Present value of unfunded obligations	-	(486)	(821)	**(1,307)**	**(1,296)**
Liability in the Balance Sheet	**(1,109)**	**(486)**	**(821)**	**(2,416)**	**(2,198)**

In addition the Group has liabilities from defined contribution plan for an amount of EUR 199 thousands.

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

EUR 000s	2020				2019
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**(3,135)**	**(550)**	**(746)**	**(4,432)**	**(3,741)**
Reclassification of pension scheme	-	-	-	**-**	**-**
Service cost:					
- Current service cost	(272)	-	(94)	**(366)**	**(280)**
Interest expenses	(6)	(4)	(21)	**(31)**	**(57)**
Cash flow:					
- Benefit payments from plan assets	73	-	-	**73**	**(270)**
- Benefit payments from employer	-	73	63	**136**	**633**
- Participant contributions	(205)	-	-	**(205)**	**(226)**
- Insurance premium for risk benefits	25	-	-	**25**	**32**
Remeasurements:					
- Effect of changes in demographic assumptions	-	-	(6)	**(6)**	**-**
- Effect of changes in financial assumptions	(110)	(8)	(76)	**(194)**	**(310)**
- Effect of experience adjustments	(127)	4	(8)	**(131)**	**(88)**
Exchange differences	(10)	-	67	**57**	**(125)**
At 31 December	**(3,767)**	**(487)**	**(821)**	**(5,074)**	**(4,432)**

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

EUR 000s	2020				2019
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**2,233**	**-**	**-**	**2,233**	**1,465**
Interest Income	5	-	-	**5**	**16**
Cash flow:					
- Employer contributions	205	73	63	**341**	**859**
- Participant contributions	205	-	-	**205**	**226**
- Benefit payments to plan	(73)	-	-	**(73)**	**270**
- Benefit payments from employer	-	(73)	(63)	**(136)**	**(633)**
- Administrative expenses paid from plan assets	(17)	-	-	**(17)**	**(16)**
- Insurance premium for risk benefits	(25)	-	-	**(25)**	**(32)**
Remeasurements:					
- Return on plan assets (excluding interest income)	119	-	-	**119**	**5**
Exchange differences	6	-	-	**6**	**73**
At 31 December	**2,658**	**-**	**-**	**2,658**	**2,233**

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

EUR 000s	2020				2019
	Switzerland	Italy	U.A.E.	Total	Total
Service cost:					
- Current service cost	272	-	94	**366**	**280**
Total Service cost	**272**	**-**	**94**	**366**	**280**
Net interest cost:					
- Interest expense on DBO	6	4	21	**31**	**57**
- Interest (income) on plan assets	(5)	-	-	**(5)**	**(16)**
Total net interest cost	**1**	**4**	**21**	**26**	**41**
Administrative expenses and/or taxes (not reserved within DBO)	17	-	-	17	15
Defined benefit cost included in the Income Statement	**290**	**4**	**115**	**409**	**337**
Effect of changes in demographic assumptions	-	-	6	**6**	**-**
Effect of changes in financial assumptions	110	8	76	**194**	**310**
Effect of experience adjustments	127	(4)	8	**131**	**88**
Return on plan assets (excluding interest income)	(118)	-	-	**(118)**	**(4)**
Exchange Differences	(6)	-	(13)	**(19)**	**22**
Effect of deferred taxes	(19)	-	-	**(19)**	**(72)**
Total remeasurements included in Other Comprehensive Income	**94**	**4**	**77**	**175**	**344**

The Group expects to pay EUR 249 thousands in contribution to defined benefit plans in 2021 (EUR 279 thousands was the expectation in 2019 concerning the amount to be paid in 2020).

The principal actuarial assumptions were as follows:

	2020			2019		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate	0.10%	0.50%	2.10%	0.20%	0.80%	3.00%
Salary increases	0.20%	n/a	3.00%	1.00%	n/a	3.00%
Inflation	0.00%	0.80%	n/a	0.00%	1.00%	n/a

The principal demographic assumptions were as follows:

	2020			2019		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Life expectancy	BVG 2015GT	n/a	n/a	BVG 2015GT	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	-	-	4.00%	-	-	6.00%
Involuntary turnover (including death and disability)	-	-	0.00%	-	-	0.00%

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.

	2020			2019		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate +0.50%	(3,546)	(454)	(831)	(2,880)	(515)	(714)
Discount rate -0.50%	(4,023)	(519)	(922)	(3,429)	(587)	(782)

NOTE 28. SHARE CAPITAL

The table below set forth the changes occurred in the Share capital of the Group.

EUR 000s	No of ordinary shares (Fully paid)	Share capital
Balance at 31 December 2019	**94,243,200**	**(100,169)**
Balance at 31 December 2020	**94,243,200**	**(100,169)**

NOTE 29. OTHER RESERVES

EUR 000s	2020	2019
Currency translation reserves	6,774	8,319
Share premium reserve	(14,251)	(14,251)
Own shares reserve	-	3
Actuarial reserve	994	819
Reserve for LTIP	(581)	(136)
Revaluation reserve	(10)	(11)
Total	**(7,074)**	**(5,257)**

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 2017.

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	2020	2019
Profit /(Loss) for the year	(3,992)	7,514
Attributable to:		
Equity holders of the Group	(3,992)	7,514
Total	**(3,992)**	**7,514**
Weighted-average number of shares outstanding	94,235,531	94,206,242
Basic and diluted earnings per share attributed to the equity holders of the Group	(0.042)	0.080

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, 2020 for each operating segment is summarised below:

Year ended 31 December, 2020 EUR 000s	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Revenue from sales of goods and services	68,893	89,544	-	158,437
Other income	680	2,632	-	3,312
Operating expenses before depreciation and amortization	(65,349)	(79,513)	(3,363)	(148,225)
Gross Operating Result	**4,224**	**12,663**	**(3,363)**	**13,524**

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**

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	2020	2019
Gross operating result for operating segments	13,524	21,465
Goodwill impairment & other operational write - downs	(923)	(203)
Depreciation	(7,740)	(7,627)
Amortisation	(1,355)	(1,322)
Financial costs - net	(7,078)	(1,575)
Other financial items	395	(28)
Profit before income tax	**(3,177)**	**10,709**

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

Year ended 31 December 2020 EUR 000s	AMER	EMEA	APAC	Total
Ports & Maritime	13,762	35,452	19,679	**68,893**
Airports & Industry	20,022	47,564	21,958	**89,544**
Total	**33,784**	**83,016**	**41,637**	**158,437**

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**

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

NOTE 32. RELATED PARTY DISCLOSURE

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

The Group's key management personnel comprises the Chief Executive Officer and the members of Executive Management Team (EMT). Their total remuneration, including salary and other short term benefits, amounted to a total of EUR 4,724 thousands (2019: 4,909). The total compensation also includes compensation to EMT members' related parties.

Please refer to the Remuneration Report on page 35 for the remuneration of the Board Members and page 34 for the description of the long-term incentive plan.

Year ended 31 December 2020					
EUR 000s	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Share-based payment	Total
Chief Executive Officer	921	237	-	181	1,339
Executive Management Team	2,662	521	-	202	3,385
Total remuneration	**3,583**	**758**	**-**	**383**	**4,724**

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**

For more details of CEO remuneration, please see the Remuneration Report on page 35.
In FY2020 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	2020	2019
Audit services		
PricewaterhouseCoopers	568	649
Other audit firms	120	105
Total	**688**	**754**
Other assurance services:		
Taxation		
PricewaterhouseCoopers	7	54
Other audit firms	16	14
Total	**23**	**68**
Other assurance services		
PricewaterhouseCoopers	2	1
Other audit firms	2	7
Total	**4**	**8**
Total	**27**	**76**

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

In the long running litigation matter in California the Group's accounting position is unchanged during the year and our view remains that we have accounted for the most likely eventualities of the process. The latest development in the case supports this position.

NOTE 35. CONTINGENCIES

EUR 000s	2020	2019
Advance payment and Performance bonds	7,397	16,096
Financial guarantees	109	109
Other guarantees	1,113	2,579
Total	**8,619**	**18,784**

The items listed under Contingencies are mainly performance and advance payment bonds to customers in the Middle East region, Finland, India. On the total of contingencies EUR 5,803 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 table details the commitments associated with Cavotec SA & Subsidiaries.

EUR 000s	2020	2019
Capital commitments		
Within one year	9	57
Later than one, not later than two years	1	30
Later than two, not later than five years	2	-
Total	**12**	**87**

NOTE 37. SECURITIES AND COLLATERALS

Real estate related loans amounting to EUR 178 thousands at 31 December, 2020 (2019: 367) are secured by mortgages on land and buildings in Germany. The decrease of the year is due to the repayment of the current portion of the loans and the extinction of the mortgage in Italy.

NOTE 38. SUBSEQUENT EVENTS

COVID-19 UPDATE

The COVID-19 pandemic has had a significant effect on the global economy. The impact on Cavotec is mainly delays in decisions from customers on new orders as well as delays in taking deliveries of product or services. At the date of this report all Cavotec facilities are open.

With the high uncertainty surrounding the situation and potential initiatives by authorities and customers, it is very difficult to predict the full financial impact that the situation may have on the Group for the coming quarters. As of December 31, 2020, there is no significant impact on any balance sheet items. The Group benefited by government assistance funds in different Countries, mainly related to employee costs, but the impact on the financials was not material.

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	0.2383	0.2236
ARS	0.0123	0.0098
AUD	0.6043	0.6291
BRL	0.1697	0.1569
BHD	2.3205	2.1781
CAD	0.6536	0.6397
CHF	0.9341	0.9258
DKK	0.1342	0.1344
EUR	1.0000	1.0000
GBP	1.1240	1.1123
HKD	0.1129	0.1051
INR	0.0118	0.0112
KRW	0.0007	0.0007
NOK	0.0933	0.0955
NZD	0.5694	0.5888
QAR	0.2404	0.2255
RMB	0.1270	0.1246
RUB	0.0121	0.0109
SEK	0.0954	0.0997
SGD	0.6352	0.6166
USD	0.8755	0.8149
ZAR	0.0533	0.0555

At 31 December 2020, 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 2,235 thousands higher/lower (2019: 1,476 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.

	2020		2019	
EUR 000s	**EUR -10%**	**EUR +10%**	**EUR -10%**	**EUR +10%**
Receivables	162	(162)	81	(81)
Payables	(220)	220	(199)	199
Financial assets	2,293	(2,293)	2,573	(2,573)
Financial liabilities	-	-	(979)	979
Total increase / (decrease)	**2,235**	**(2,235)**	**1,476**	**(1,476)**

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

	2020		2019	
EUR 000s	Receivables	Trade payables and contract liabilities	Receivables	Trade payables and contract liabilities
EUR	10,183	(22,987)	12,529	(22,768)
USD	6,004	(3,231)	12,072	(1,706)
RMB	5,617	(3,524)	3,502	(2,952)
AED	1,596	(214)	1,934	(427)
GBP	183	(528)	1,436	(1,067)
SEK	346	(761)	496	(234)
NOK	372	(371)	370	(298)
AUD	1,749	(1,350)	1,751	(1,066)
CHF	-	(155)	-	(255)
HKD	308	(32)	41	(270)
CAD	-	(22)	-	(88)
INR	579	(314)	1,549	(387)
RUB	-	(10)	35	(13)
Other	954	(1,545)	785	(1,486)
Total	**27,891**	**(35,044)**	**36,500**	**(33,017)**

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

	2020		2019	
EUR 000s	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
EUR	7,792	(27,072)	6,905	(20,163)
USD	6,731	(3,512)	2,763	(14,632)
RMB	1,142	(811)	382	(397)
AED	157	-	351	-
GBP	102	(729)	277	(910)
SEK	145	(9)	63	(349)
NOK	144	(22)	46	(107)
AUD	944	(81)	871	(146)
CHF	252	(401)	143	(526)
HKD	99	(10)	72	(32)
INR	494	(15)	203	(26)
RUB	531	-	674	-
Other	618	(392)	504	(39)
Total	**19,151**	**(33,054)**	**13,254**	**(37,327)**

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, 2020 83% of the debt was floating rate (2019: 77%). In 2020, the Euribor rates were stable below zero with very low volatility during the year. The USD Libor rates experienced a sustained decline until it reached levels close to zero 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 130 thousands (2019: 134 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 assets and liabilities measured at fair value by valuation method at 31 December 2020 and at 31 December 2019:

	2020			
EUR 000s	Level 1	Level 2	Level 3	Total
Assets				
Current financial assets	16	-	-	16
Non-current financial assets	-	-	38	38
Assets held for sale	-	-	3,408	3,408
Total assets	**16**	**-**	**3,446**	**3,462**
Liabilities				
Non-current trading derivatives	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

	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)**

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 2020. A discounted cash flow method was used to calculate market value assuming a perpetual annual rent net of expenses and capex of about NOK 2,490 thousands with an estimated yield of 10.0%. The valuation as at 31 December 2020 is equal to EUR 2,330 thousands (2019: EUR 2,726 thousands).

For the building in Nova Milanese (Italy) an independent updated valuation of the assets held for sale was performed by Restart Studio Tecnico, as at 30 September 2020. A comparable method was used to calculate market value considering the price of similar building in the same area of about EUR 1,019 thousands (2019: 1,074).

In February 2020 Cavotec USA building located in Mooresville (NC) has been sold for USD 2.6 million (EUR 2.4 million). As the building was accounted as Asset held for Sale with a book value of USD 1.8 million (EUR 1.6 million), the Company recognized in the same month a capital gain of USD 0.8 million (EUR 0.7 million) recognized in Other income. In 2020 Cavotec Realty France building (EUR 59 thousands) has been classified as asset held for sales.

Please refer to note 16 for more disclosure on the reclassification of assets held for sale that are measured at the lower of carrying value and fair value less cost to sell.

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 many 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 are authorised by the Presidents of the Divisions, the CFO or the CEO, and require customers to pay a deposit or pay in advance. The Group has a credit policy which is used to manage this credit exposure.

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	2020	Expected Credit Loss	% Expected Credit Loss
Not yet due	21,138	(228)	1.08%
Overdue up to 30 days	5,365	(112)	2.10%
Overdue up to 30 and 60 days	1,543	(456)	29.56%
Overdue up to 60 and 90 days	705	(368)	52.27%
Overdue up to 90 and 120 days	287	(162)	56.28%
Overdue up to 120 and 150 days	191	(143)	74.87%
Overdue more than 150 days	4,281	(4,151)	96.96%
Total	**33,510**	**(5,620)**	

In the category "Not yet due", EUR 1,199 thousands are under contract assets. At 31 December, 2020 EUR 5,620 thousands (2019: 5,584) have been provisioned according to the percentages of expected credit loss shown in the table.

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)**	

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	2020	2019
Cash and cash equivalents	19,151	13,254
Current financial assets	16	31
Short-term debt	(4,144)	(14,699)
Long-term debt	(11,446)	(2,644)
Total	**3,577**	**(4,058)**

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

EUR 000's	Cash and cash equivalents	Current financial assets	Bank overdraft	Short-term debt	Long-term debt	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)**

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, 2020	**13,254**	**31**	**-**	**(14,699)**	**(2,644)**	**(20,221)**	**(24,279)**
Cash flows	7,684	-	-	76	1,707	4,105	
Currency exchange differences	(1,787)	-	-	-	(250)	250	
Other non-cash movements	-	(15)	-	10,479	(10,259)	(2,959)	
Closing balance Dec 31, 2020	**19,151**	**16**	**-**	**(4,144)**	**(11,446)**	**(18,825)**	**(15,248)**

In the Long-term debt cash flow refinancing costs of EUR 1,437 thousands, paid in 2020, are not included.

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 and divisions 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 2020, Cavotec secured long-term financing by signing a five years agreement with Credit Suisse and others to provide a EUR 40M single currency term and multicurrency revolving credit facility. As a consequence, the old credit facility, classified as current liabilities, has been repaid and the new credit facility has been recognized as non-current financial liabilities.

The syndicated loan facility bears interest for each interest period at a rate per annum equal to EURIBOR plus a variable margin which will be adjusted every quarter to reflect any changes in the ratio of net debt (including lease liabilities) to consolidated adjusted EBITDA as determined on a rolling basis. 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, 2020.

As of December 31, 2020, 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 48.4 million, of which EUR 20.6 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, 2020, the Group has insurance guaranties facilities amount of EUR 13.7M of which EUR 1.8M was utilized.

	2020			
EUR 000s	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Bank overdrafts and short-term debt	(4,242)	-	-	-
Long-term debt	(269)	(1,984)	(10,470)	-
Lease liabilities	(3,440)	(6,320)	(3,392)	(5,673)
Total	**(7,951)**	**(8,304)**	**(13,862)**	**(5,673)**
Cash and cash equivalents	19,151	-	-	-

The long term debt includes the maturity analysis based on the contractual undiscounted cashflow. The interests are included using an average interest rate of 2.35%. Later than five years Lease liabilities include the lease agreement of 12 years signed in 2016 by Cavotec Specimas SpA for the lease of the warehouse located in Nova Milanese (Italy). Cavotec SA has provided to Cavotec Specimas SpA a parent guarantee to banks of EUR 7,832 thousands regarding this leasing agreement.

	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	-	-	-

		Credit facilities		
EUR 000s	**Total credit facilities**	**Total credit facilities utilisation**	**Syndicated facility utilization (loan)**	**Syndicated facility utilization (guarantees)**
Bank overdrafts	-	-	-	-
Current financial liabilities	(5,818)	(4,144)	-	-
Non-current financial liabilities	(42,538)	(16,421)	(10,000)	(4,975)
Total	**(48,356)**	**(20,565)**	**(10,000)**	**(4,975)**

In the syndicated facility utilization, EUR 10.0M are utilized as loans and EUR 5.0M are utilized as standby letter of credits and guarantees.

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 indebtedness, on-going attention is given by management to the level of net debt, leverage ratio and assets to equity ratio calculated in accordance to the Groups financing facility.

The ratios at 31 December 2020 and 31 December 2019 (both including the impact of IFRS 16) were as follows:

EUR 000s	**2020**	**2019**
Total interest bearing liabilities	(34,415)	(37,367)
Cash and cash equivalents	19,151	13,254
Current financial assets	16	31
Net debt	**(15,248)**	**(24,082)**
Senior net debt	**(15,264)**	**(24,113)**
Total equity	**(105,992)**	**(108,170)**
Senior net debt/equity ratio	14.4%	22.3%
Equity/asset ratio	52.8%	51.4%
Leverage ratio	0.98x	0.98x

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 statement of comprehensive income for the year ended 31 December 2020 and the balance sheet as at 31 December 2020, the statement of changes in equity, the 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 50 to 80) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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 1'600'000 We concluded full scope audit work at 16 reporting units in 14 countries. Our audit scope addressed over 91% of the Group's revenue and 96% of total assets. In addition, review procedures were performed on a further 8 reporting units in 6 countries, representing a further 8% of the Group's revenue and 3% of total assets.

PricewaterhouseCoopers SA, Piazza Indipendenza 1, casella postale, CH-6901 Lugano, Switzerland
Telefono: +41 58 792 65 00, Fax: +41 58 792 65 10, www.pwc.ch

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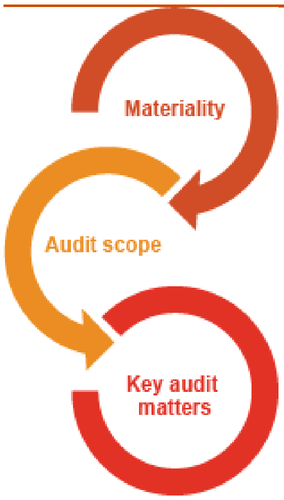


As key audit matters the following areas of focus have been identified:

Goodwill –impairment assessment

Litigation in the USA

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	EUR 1'600'000
How we determined it	1% of total revenues
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 80'000 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 16 reporting units in 14 countries. In addition, review procedures were performed on a further 8 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 conference calls with component auditors.

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 63 (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 45.0 million as of 31 December 2020; EUR 45.8 million as of 31 December 2019) 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 as described on page 63 (Note 4) of the financial statements and discussed these with the Audit Committee and responsible management. We evaluated Group management's assumptions and we challenged management on the inclusion of all appropriate assets and liabilities in the cash-generating units. We focused our analysis on the Ports & Maritime CGU as it is the most sensitive unit and has the highest 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 considering also the impact of Covid-19, 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. Based on our procedures we consider management's approach regarding the goodwill impairment assessment to be adequate.

Litigation in the USA

Key audit matter	How our audit addressed the key audit matter
Refer to page 63 Note 4: Critical accounting estimates and judgements) and note 20, 26 and 34. Following the legal case with the former owner of INET Airport Systems in the State of California, in August 2020, Cavotec received a payment for awards of attorney fees	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.

and costs of suit. Appeals are still ongoing in relation to these balances and as a consequence, the Company booked a provision. In accordance with the US legislation, advance payments of the opponent's legal costs related to the litigation have been made for a total amount of EUR 5.5 million (USD 6.8 million) as of 31 December 2020. The company has recorded a non-current asset in relation to these advances. However, in the procedure for determining right of indemnification both sides will have an opportunity to present their respective arguments and it is not guaranteed that Cavotec will be able to recoup the full amount. The legal assessment remains unchanged, consequently Cavotec has maintained the provision. 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 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. 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. Based on our procedures performed we consider management's approach regarding the accounting for the litigation in the USA to be adequate.

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, 26 February 2021

Statutory Financial Statements 2020

Please note that all reported amounts are in CHF.

Income statement

Cavotec SA

CHF	2020	2019
Net proceeds of services	1,687,538	2,784,526
Staff cost	(1,442,089)	(1,195,164)
External services	(962,754)	(1,090,885)
Travelling expenses	(10,024)	(29,306)
General expenses	(451,634)	(172,210)
Operating result	**(1,178,783)**	**296,961**
Finance costs - net	(59,515)	(47,023)
Foreign exchange - net	2,837	(131,559)
Profit / (Loss) before taxes	**(1,235,461)**	**118,379**
Income taxes	(8,359)	(60,002)
Profit / (Loss) for the year	**(1,243,820)**	**58,377**

Balance Sheet

Cavotec SA

Assets CHF		2020	2019
Current assets			
Cash and cash equivalents		239,915	105,088
Other short-term receivables		1,159,575	2,186,726
from third parties		*29,085*	*-*
from group companies		*1,130,490*	*2,186,726*
Accrued income and prepaid expenses		49,872	15,590
Prepaid exp. and accrued income		*33,905*	*9,129*
Tax assets		*3,604*	*6,461*
Other current receivables		*12,363*	*-*
Total current assets		**1,449,362**	**2,307,404**
Non-current assets			
Investments in subsidiary companies	3	148,317,575	149,031,462
Total non-current assets		**148,317,575**	**149,031,462**
Total assets		**149,766,937**	**151,338,866**

Liabilities CHF	Notes	2020	2019
Short-term liabilities			
Other short-term liabilities		(193,871)	(113,606)
to third parties		*(47,729)*	*(94,856)*
to group companies		*(146,142)*	*(18,750)*
Short-term interest-bearing liabilities	8	(40,044,789)	(51,437,170)
due to investments		*(40,044,789)*	*(51,437,170)*
Accruals and deferred income		(408,227)	(217,193)
Accruals and deferred income		*(406,648)*	*(202,416)*
Tax provision		*(1,579)*	*(14,776)*
Other liabilities		(67,206)	(85,492)
Translation provision		(2,034,317)	(2,521,161)
Total short-term liabilities		**(42,748,410)**	**(54,374,621)**
Long-term interest bearing liabilities	8	(10,802,000)	-
Other Long-term liabilities		(709,725)	(217,080)
to related parties		*(709,725)*	*(217,080)*
Total long-term liabilities		**(11,511,725)**	**(217,080)**
Total liabilities		**(54,260,135)**	**(54,591,701)**

Equity CHF	Notes	2020	2019
Share capital	4	(120,631,296)	(120,631,296)
Share premium reserve		(19,018,227)	(19,018,227)
Loss brought forward	4	42,898,901	42,957,278
Result for the period	4	1,243,820	(58,377)
Treasury shares	4,5	-	3,457
Total equity		**(95,506,802)**	**(96,747,165)**
Total equity and liabilities		**(149,766,937)**	**(151,338,866)**

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

NOTE 4. SHAREHOLDERS' EQUITY

The share capital as of 31 December 2020 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, 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**
Reduction 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**
Opening balance at January 1, 2020	**120,631,296**	**(3,457)**	**19,018,227**	**(42,957,278)**	**58,377**	**96,747,165**
Purchase of Treasury shares		(27,781)				**(27,781)**
Sales of Treasury shares		31,328				**31,328**
Result of the period					(1,243,820)	**(1,243,820)**
Allocation prior year result				58,377	(58,377)	**-**
Balance at December 31, 2020	**120,631,296**	**-**	**19,018,227**	**(42,898,901)**	**(1,243,820)**	**95,506,802**

During year 2020 the Board of Directors of Cavotec SA has resolved the implementation of a new Long Term Incentive Plan ("LTIP") program 2020-2022 in addition to the LTIP 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 Remuneration Report on page 30.

Share capital as of December 31, 2020	No of registered shares	Par value (CHF)	Total (CHF)
Issued shares	94,243,200	1.28	120,631,296
Contingent shares	942,430	1.28	1,206,310
Authorised shares	18,848,640	1.28	24,126,259

NOTE 5. TREASURY SHARES

No treasury shares held at 31 December 2020. During the year, according to the 2017 Long Term Incentive Plan, 15'703 shares were allocated to the employees of Cavotec Group. The average selling price was EUR 1.7087 each.

NOTE 6. SIGNIFICANT SHAREHOLDERS

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

Year ended 31 December 2020			
Bure Equity AB	Financial institution	34,071,619	36.2%
Fjärde AP-Fonder	Investment Fund	9,230,465	9.8%
Lannebo Fonder	Investment Fund	8,149,889	8.6%
Fabio Cannavale (Nomina SA)	Board member	7,901,857	8.4%
Nordea Fonder	Investment Fund	3,125,299	3.3%
Total		62,479,129	66.3%

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%

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 2020		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	143,562	0.2%
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	20,000	0.0%
Patrick Mares	EMT member	7,000	0.0%
Total		9,768,923	10.4%

NOTE 8. SHORT-TERM AND LONG-TERM INTEREST BEARING LIABILITIES

In June 2020 Cavotec SA secured long-term financing by signing an agreement with Credit Suisse, Banca dello Stato del Cantone Ticino and Privat Debt Fund SA to provide a EUR 40 Million single currency term and multicurrency revolving credit facility, and portion utilized as of 31 December 2020 has been classified as long term. The short-term portion is composed by CHF 36,853 thousands, related to the Group Cash Pooling balance, and CHF 3,192 thousands related to the utilization 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 2020	31 December 2019
Advance payment bonds	1,548,099	1,037,220
Performance bond	998,117	204,962
Parent guarantee	8,460,227	9,307,331
Other guarantees	489,765	518,837
Total	11,496,208	11,068,350

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 40 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 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.

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 2020, 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 page 75.

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

In the long running litigation matter in California the Group's accounting position is unchanged during the year and our view remains that we have accounted for the most likely eventualities of the process. The latest development in the case supports this position.

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 2020	31 December 2019
Profit/(Losses) brought forward	(42,898,901)	(42,957,278)
Profit/(Losses) for the year	(1,243,820)	58,377
Total earnings	**(44,142,720)**	**(42,898,901)**
Appropriation to general statutory reserves (retained earnings)	-	-
Appropriation to other reserves	-	-
Proposed balance to be carried forward	**(42,142,720)**	**(42,898,901)**

The Board of Directors' proposal to the Annual General Meeting is that no dividend is to be paid for the 2020 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 income statement, balance sheet and notes to statutory financial statements for the year then ended 31 December 2020, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 86 to 90) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

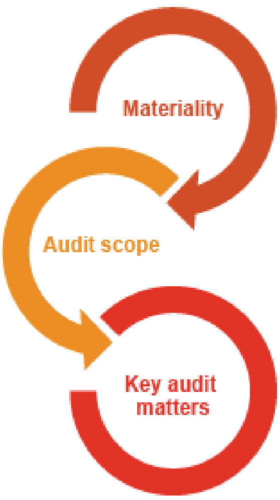
Basis for opinion

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 170'000

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

PricewaterhouseCoopers SA, Piazza Indipendenza 1, casella postale, CH-6901 Lugano, Switzerland
Telefono: +41 58 792 65 00, Fax: +41 58 792 65 10, www.pwc.ch

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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 170'000
How we determined it	Consistent with the level of materiality used as part of the group audit
Rationale for the materiality benchmark applied	We initially chose total assets as the benchmark because, in our view, it is the relevant benchmark for a holding company that mainly holds investments and it is a generally accepted benchmark. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards. This calculation resulted in an overall materiality of CHF 1’490’000 (rounded). However, because the materiality allocated as part of the group audit (CHF 170’000) 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 2020, the carrying value of the company’s investments amounts to CHF 148.3 million (2019: CHF 149 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.

- Based on our procedures we consider management's approach regarding the investments in subsidiaries impairment assessment to be adequate.

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, 26 February 2021

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.

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

Project co-ordination:
Cavotec Corporate Marketing & Communications
investor@cavotec.com
communications@cavotec.com

Copywriting:
Nick Chipperfield

For more information visit
cavotec.com

Cavotec SA is listed on Nasdaq Stockholm