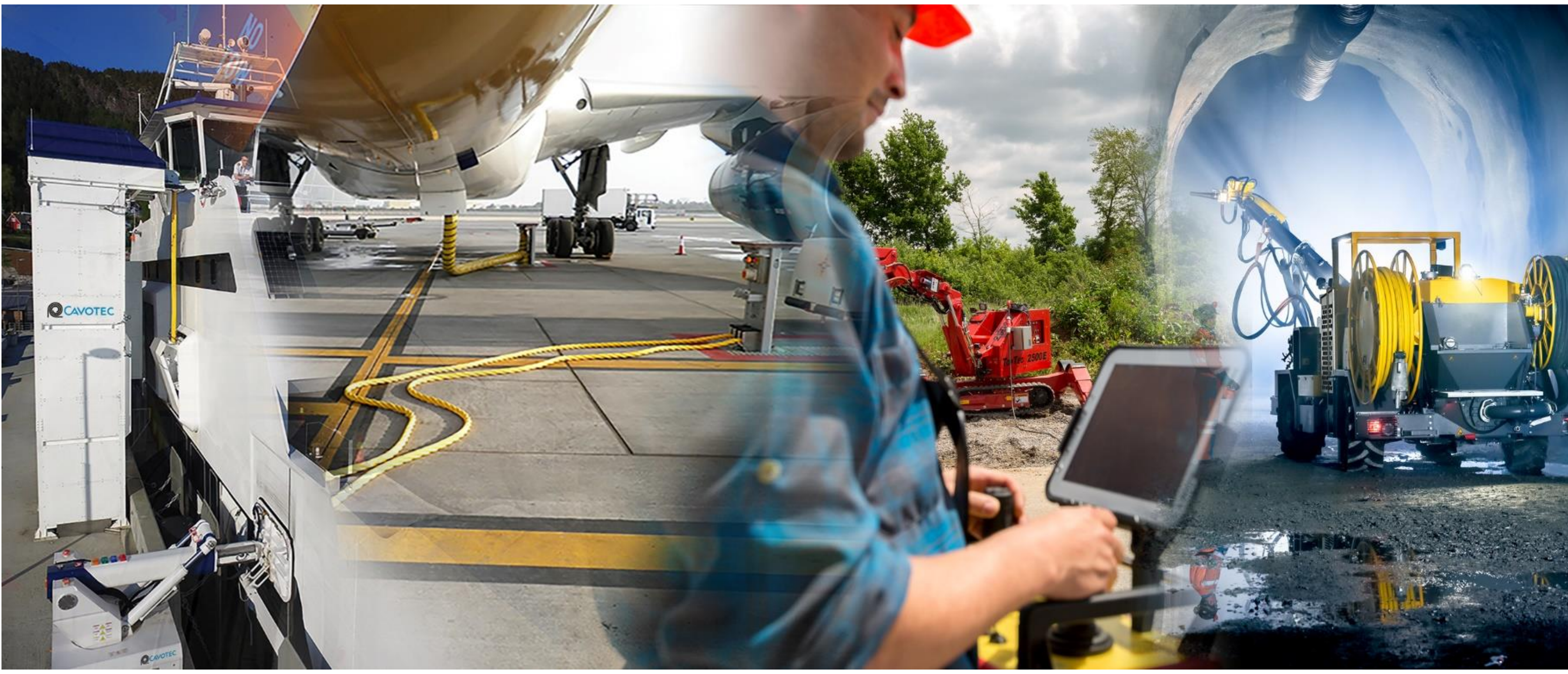
Q4 2019 | Interim report January-December 2019



WE CONNECT THE FUTURE

Stable revenue and order book – Significantly improved profitability and cash flow

OCTOBER–DECEMBER 2019

- Order book stable at EUR 100.0 million (100.1)
- Order intake decreased 13.7% to EUR 38.2 million (44.2)
- Revenues decreased 2.1% to EUR 47.8 million (48.8)
- EBIT excluding non-recurring items increased to EUR 5.6 million (0.1), corresponding to a margin of 11.8% (0.2%)
- Non-recurring items amounted to EUR 0.3 million (11.2)
- Net result for the period was EUR 1.8 million (-13.4)
- Earnings per share basic and diluted amounted to EUR 0.019 (-0.169)
- Operating cash flow amounted to EUR 9.1 million (1.8)

JANUARY–DECEMBER 2019

- Order book stable at EUR 100.0 million (100.1)
- Order intake decreased 7.3% to EUR 196.0 million (211.5)
- Revenues were stable at EUR 196.0 million (197.0)
- EBIT excluding non-recurring items amounted to EUR 15.7 million (3.9), corresponding to a margin of 8.0% (2.0%)
- Non-recurring items amounted to EUR 3.4 million (17.8) million
- Net result for the period was EUR 7.5 million (-18.5)
- Earnings per share basic and diluted amounted to EUR 0.080 (-0.233)
- Operating cash flow amounted to EUR 14.4 million (1.2), including the California case payment of EUR 8.1 million paid in June 2019
- Net debt decreased to EUR 3.9 million (FY2018: 32.1)
- The Board of Directors' proposal to the AGM is that no dividend is to be paid for the 2019 financial year

TRANSFORMATION PLAN – IMPORTANT EVENTS

Q1 2019	Q2 2019	Q3 2019	Q4 2019
• The rights issue amounting to 204 MSEK was completed 4 January • Glenn Withers appointed new CFO of Cavotec and Patrick Mares appointed President of Ports & Maritime Division • 100% of Transformation Projects completed	• New strategy presented with focus on profitability in 2019 and profitable growth from 2020 • Financial targets and dividend policy published • Restructuring programme progressing ahead of plan • Memed Üzel appointed Chief Commercial Officer	• Transformation winding down • Focus on Commercial and Operational excellence • Build up and roll out of Services on plan	• Transformation completed

FINANCIAL SUMMARY

	Quarter			YTD		
EUR 000's	**Q419**	**Q418**	**Delta**	**FY19**	**FY18**	**Delta**
Order intake	38,174	44,207	-13.7%	195,967	211,473	-7.3%
Order book	100,030	100,090	-0.1%	100,030	100,090	-0.1%
Revenue	47,773	48,816	-2.1%	196,017	196,961	-0.5%
EBITDA excluding non - recurring items	8,072	1,458	453.6%	24,840	8,559	190.2%
EBITDA excluding non - recurring items %	16.9%	3.0%	13.9 pp	12.7%	4.3%	8.4 pp
Gross Operating Result (EBITDA)	7,746	(9,611)	180.6%	21,465	(9,059)	336.9 %
Gross Operating Result (EBITDA), %	16.2%	-19.7%	35.9 pp	11.0%	-4.6%	15.6 pp
EBIT excluding non - recurring items	5,632	90	6157.8%	15,688	3,887	303.6%
EBIT excluding non - recurring items %	11.8%	0.2%	11.6 pp	8,0%	2.0%	6.0 pp
Operating Result (EBIT)	5,306	(11,135)	147.7%	12,312	(13,887)	188.7%
Operating Result (EBIT), %	11.1%	-22.8%	33.9 pp	6.3%	-7.1%	13.4 pp
Result for the period	1,795	(13,385)	113.4%	7,514	(18,450)	140.7%
Basic and diluted earnings per share, EUR	0.019	(0.169)	111.2%	0.080	(0.233)	134.3%
Operating cash flow	9,143	1,769	416.8%	14,382	1,241	1058.9%
Net debt(1)	(24,113)	(32,050)	24.8%	(24,113)	(32,050)	24.8%
Equity/assets ratio(1)	51.4%	43.5%	7.9 pp	51.4%	43.5%	7.9 pp
Leverage ratio(1)	0.98x	3.75x	-2.77x	0.98x	3.75x	-2.77x
Full time equivalent employees	769	896	-127	769	896	-127

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

CAVOTEC
WE CONNECT THE FUTURE

Comment from the CEO

Transformation completed - Accelerated target for higher profitability announced

The transformation we started in the fall of 2017 is now finalized. We have completed a thorough reorganisation and restructuring of our business, a strengthening of the management team, a rights issue and we have launched a new strategy. During 2019, we have focused on locking in the improvements from those initiatives and on further investing in our Commercial and Operational Excellence programs to underpin our growth ambitions for 2020 and beyond. We now have a good control of costs, a more reliable process from sales to delivery and we focus our sales efforts on the right geographies and segments. We have also added an attractive service offering to our portfolio, which provides stable and predictable income streams.

Revenues for the fourth quarter and for the whole year 2019 were in line with previous year. This is a reflection of fewer big projects in some of our markets during 2019 but it also shows that we are becoming increasingly better at delivering stable financial performance without the boost from any extraordinary contract. This trend is supported by our Services offering, which has developed very well since the launch and now represents 20% of our total revenues.

Revenues within Ports & Maritime increased again in the fourth quarter, mainly as a result of higher sales in the Shorepower, MoorMaster™ and Reels product categories and the growing service offering within the segment. Revenues within Airports & Industry decreased due to a lack of bigger projects and lower activity among industrial companies and our continued focus on high quality orders. We are, however, optimistic for 2020 as we expect high activity in Airports with projects in India and the Middle East and to acquire new Industry customers in previously underserved geographies.

In 2019 we reported not only significantly improved profitability but also the highest cash generation since Cavotec was listed 2011 in Stockholm – even after the extraordinary payment of EUR 8.1 million in June 2019. One reason for this improvement is our focus on high quality, lower risk business combined with the lower cost base resulting from the transformation. The adjusted EBIT increased to EUR 5.6 million (0.1), corresponding to a margin of 11.8% (0.2%) and for the whole year to EUR 15.7 million (3.9), corresponding to a margin of 8.0% (2.0%). The operating cash flow amounted to EUR 9.1 million (1.8) in the fourth quarter and to EUR 14.4 million (1.2) for the whole year. This all together led to that the net debt decreased to EUR 3.9 million, which combined with continued good cash generation provides us with ample room to further develop our business organically and to start contemplating strategic acquisitions.

Our order book at the end of the quarter is stable relative to a year ago at EUR 100.0 million on the back of a lower year over year order intake. We don't expect the lower order intake in the quarter to have an impact on our growth ambitions for 2020 as variations from one quarter to another is common for us.

Our strong financial performance in the quarter and the year means that we have met and exceeded our 7% annual EBIT margin target earlier than expected. We have therefore today announced a new accelerated financial target; we are now aiming to reach an annual adjusted EBIT margin of more than 10% within two years and more than 12% within five years. The remaining targets are unchanged.

I'm very happy to conclude that thanks to the hard work of our incredible people we have left a challenging period in the company's history behind us. We can now fully leverage our fantastic products, sustainable technologies and excellent customer relationships.

Lugano, February 21, 2020

Mikael Norin
Chief Executive Officer

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ORDER INTAKE AND REVENUE

Order Intake				
EUR 000's	**Q419**	**Q418**	**FY19**	**FY18**
Order intake	38,174	44,207	195,967	211,473
Increase/decrease	(6,033)	(306)	(15,506)	16,855
Percentage change	-13.7%	-0.7%	-7.3%	8.7%
Of which				
- Volumes and prices	-14.3%	-1.2%	-7.9%	7.6%
- Currency effects	0.7%	0.5%	0.6%	1.1%

Revenue				
EUR 000's	**Q419**	**Q418**	**FY19**	**FY18**
Revenue from sales of goods and services	47,773	48,816	196,017	196,961
Increase/decrease	(1,043)	(7,785)	(944)	(15,399)
Percentage change	-2.1%	-13.8%	-0.5%	-7.3%
Of which				
- Volumes and prices	-2.3%	-12.8%	-1.3%	-4.0%
- Currency effects	0.1%	-0.9%	0.8%	-3.3%

DIVISIONS

Order Intake						
EUR 000's	**Q419**	**Q418**	**Change %**	**FY19**	**FY18**	**Change %**
Ports & Maritime	16,990	17,901	-5.1%	95,505	81,664	16.9%
Airports & Industry	21,184	26,306	-19.5%	100,462	129,809	-22.6%
Total	**38,174**	**44,207**	**-13.7%**	195,967	211,473	**-7.3%**

Revenue						
EUR 000's	**Q419**	**Q418**	**Change %**	**FY19**	**FY18**	**Change %**
Ports & Maritime	22,433	19,300	16.2%	84,588	68,396	23.7%
Airports & Industry	25,340	29,516	-14.2%	111,429	128,565	-13.3%
Total	47,773	48,816	-2.1%	196,017	196,961	-0.5%

	Book/Bill ratio				Order Book		
EUR 000's	**Q419**	**Q418**	**FY19**	**FY18**	**FY19**	**FY18**	**Change %**
Ports & Maritime	0.76	0.93	1.13	1.19	59,953	49,046	22.2%
Airports & Industry	0.84	0.89	0.90	1.01	40,077	51,044	-21.5%
Total	0.80	**0.91**	0.99	**1.07**	100,030	**100,090**	**-0.1%**

CAVOTEC WE CONNECT THE FUTURE

Financial Review

OCTOBER–DECEMBER 2019

Order intake and Revenues

Order intake decreased 13.7% to EUR 38.2 million (44.2). The lower order intake compared to the same quarter 2018 is mainly explained by lower order activity in Europe within both divisions and delayed projects that are expected to materialize during the first quarter 2020. Overall activity within the Ports & Maritime segment was high, while the activity in the Airports & Industry segment is lower, especially within industry.

Revenues decreased 2.1% to EUR 47.8 million (48.8). Revenues within Ports & Maritime increased, mainly as a result of higher sales in the Shorepower, MoorMaster™ and Reels product categories and a growing service offering. Revenues within Airports & Industry decreased compared to the same period previous year due to lower project activity, lower activity among industrial companies and a continued focus on profitability rather than volume.

Ports & Maritime

Order intake decreased 5.1% to EUR 17.0 million (17.9). The decrease is mainly explained by delayed orders that are expected to materialize in the first quarter 2020. The order intake consisted of a broad mix of small orders, while the contribution of order intake from Services continued to grow.

Revenues increased 16.2% to EUR 22.4 million (19.3). The increase is mainly explained by higher sales in the Shore power, MoorMaster™ and Reels product categories and a growing service offering.

Airports & Industry

Order intake decreased 19.5% to EUR 21.2 million (26.3). The decrease within Airports is mainly explained by several delayed projects and low order activity in Europe while order activity in India, the Middle East and the USA remained stable. Investments by customers within Surface & Underground Mining were delayed due to market uncertainties but is expected to increase during the first quarter 2020. Services continued to perform well, mainly in spare parts orders and replacement projects for airports.

Revenues decreased 14.2% to EUR 25.3 million (29.5). The decrease is mainly due to delays in airport projects in Spain, the UK and the Middle East, among others, and a lower activity and within Industry, mainly in the underground mining segment in China, Finland and Sweden. The service offering continued its strong growth.

Adjusted EBIT

Adjusted EBIT, excluding non-recurring items, increased to EUR 5,6 million (0.1), corresponding to a margin of 11.8% (0.2%). The improved profitability is mainly explained by savings achieved through the restructuring programme, continued efficiency measures and the focus on quality in orders.

EBIT

EBIT for the quarter amounted to EUR 5.3 million (-11.1), corresponding to a margin of 11.1% (-22.8%). Non-recurring items, amounted to EUR 0.3 million (11.2), related to restructuring costs.

Profit for the period and earnings per share

The net result for the period amounted to EUR 1.8 million (-13.4).

Earnings per share for the period amounted to EUR 0.019 (-0.169).

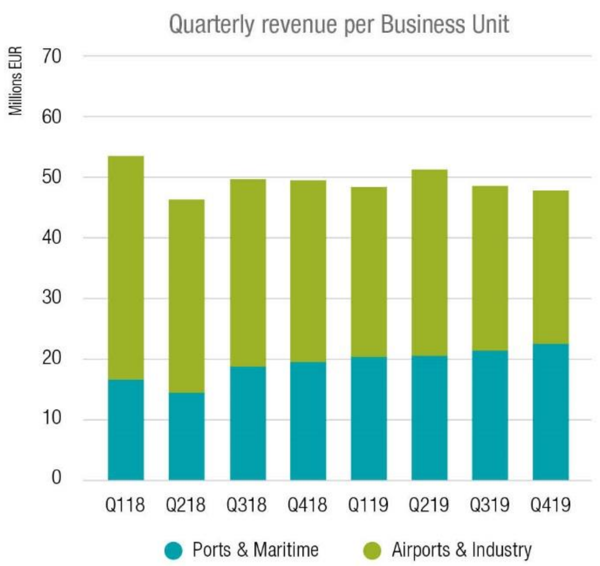
Cash flow

The operating cash flow amounted to EUR 9.1 million (1.8), mainly due to the positive result.

Investing activities include CAPEX of EUR -0.3 million.

Cash flow from financing activities was EUR -8.5 million, of which EUR -7.3 million used for repayment of the revolving credit facility.

Cash and cash equivalents amounted to EUR 13.3 million as of 31 December 2019 (21.3).



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Employees

The number of full-time equivalent employees in the Cavotec Group was 769 as of 31 December 2019 (896). The decrease is mainly a result of the restructuring measures that were announced in October 2018.

JANUARY–DECEMBER 2019

Order intake and Revenues

Order intake decreased 7.3% to EUR 196.0 million (211.5). The decrease is mainly explained by record high order intake in the first half of 2018 compared to 2019 and a focus during 2019 on high quality and profitable orders in line with the strategy.

Revenues for the period were stable at EUR 196.0 million (197.0).

Adjusted EBIT

Adjusted EBIT, excluding non-recurring items, increased to EUR 15.7 million (3.9), corresponding to a margin of 8.0% (2.0%)

The improved profitability is mainly explained by run–rate savings achieved through the restructuring programme, continued efficiency measures and the focus on quality in orders.

EBIT

EBIT amounted to EUR 12.3 million (-13.9), corresponding to a margin of 6.3% (-7.1%).

Profit for the period and earnings per share

Finance costs amounted to EUR 1.9 million (2.0).

Income tax expense for 2019 amounted to EUR 3.2 million (3.1), with an effective tax rate of 30%.

The net result for the period amounted to EUR 7.5 million (-18.5).

Earnings per share, basic and diluted, increased to EUR 0.080 (-0.233).

Financial Position

Cavotec's total assets amounted to EUR 210.6 million (230.1) as of 31 December 2019. Excluding the impact of new accounting standards for leases, IFRS 16, the equity to assets ratio was 56.6% (43.5%) and the net debt amounted to EUR 3.9 million as of 31 December 2019 (32.1 as of 31 December 2018). The new accounting treatment does not affect the covenant calculation according to the loan agreement definition. For further information on the IFRS 16 effect, see section "Changes in accounting policies" on page 12.

Cavotec's senior secured credit facility expires at the end of June 2020. The current value of borrowings drawn under the facility have been classified as current financial liabilities during Q319. Discussions are in progress to extend or replace the facility prior to its scheduled expiry.

Dividend

The Board of Directors' proposal to the Annual General Meeting is that no dividend is to be paid for the 2019 financial year.

Cavotec Hatch Pit in-ground system supplying 400Hz power to an aircraft at Hong Kong International Airport.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 000's	Unaudited three months 31 Dec, 2019	Unaudited three months 31 Dec, 2018	Unaudited year 31 Dec, 2019	Audited year 31 Dec, 2018
Revenue from sales of goods and services	47,773	48,816	196,017	196,961
Other income	843	603	2,549	3,076
Cost of materials	(20,820)	(26,083)	(90,814)	(96,601)
Employee benefit costs	(13,929)	(17,125)	(60,249)	(64,482)
Operating expenses	(6,121)	(15,821)	(26,038)	(48,012)
Gross Operating Result	**7,746**	**(9,610)**	**21,465**	**(9,058)**
Depreciation and amortisation	(1,201)	(1,368)	(4,684)	(4,673)
Depreciation of right-of-use of leased asset	(1,036)	-	(4,266)	-
Impairment losses	(203)	(156)	(203)	(156)
Operating Result	**5,306**	**(11,134)**	**12,312**	**(13,887)**
Interest income	8	20	26	82
Interest expenses	(423)	(446)	(1,919)	(1,957)
Currency exchange differences – net	(2,162)	58	318	1,588
Other financial item	111	(1,157)	(28)	(1,157)
Profit / (loss) before income tax	**2,840**	**(12,659)**	**10,709**	**(15,331)**
Income taxes	(1,045)	(726)	(3,195)	(3,119)
Profit / (loss) for the period	**1,795**	**(13,385)**	**7,514**	**(18,450)**
Other comprehensive income:				
Remeasurements of post employment benefit obligations	(338)	37	(344)	31
Items that will not be reclassified to profit or loss	**(338)**	**37**	**(344)**	**31**
Currency translation differences	2,637	(434)	758	(2,313)
Items that may be subsequently reclassified to profit / (loss)	**2,637**	**(434)**	**758**	**(2,313)**
Other comprehensive income for the period, net of tax	**2,299**	**(397)**	**414**	**(2,282)**
Total comprehensive income for the period	**4,094**	**(13,782)**	**7,928**	**(20,732)**
Total comprehensive income attributable to:				
Equity holders of the Group	4,092	(13,784)	7,928	(20,733)
Non-controlling interest	2	2	1	1
Total	**4,094**	**(13,782)**	**7,928**	**(20,732)**
Profit / (loss) attributed to:				
Equity holders of the Group	1,795	(13,385)	7,514	(18,450)
Total	**1,795**	**(13,385)**	**7,514**	**(18,450)**
Basic and diluted earnings per share attributed to the equity holders of the Group	0.019	(0.169)	0.080	(0.233)
Average number of shares	94,189,230	79,085,443	94,206,242	79,078,713

CONSOLIDATED BALANCE SHEET

EUR 000's	Unaudited 31 Dec, 2019	Audited 31 Dec, 2018
Assets		
Current assets		
Cash and cash equivalents	13,254	21,257
Trade receivables	36,500	42,798
Tax assets	3,683	1,671
Other current receivables	2,797	26,435
Contract assets	2,200	1,144
Inventories	38,801	39,458
Assets held for sale	5,363	5,512
Total current assets	**102,598**	**138,275**
Non-current assets		
Property, plant and equipment	18,270	20,082
Right-of-use of leased assets	19,425	-
Intangible assets	52,844	53,436
Non-current financial assets	280	275
Deferred tax assets	9,217	9,297
Other non-current receivables	8,004	8,775
Total non-current assets	**108,040**	**91,865**
Total assets	**210,639**	**230,140**
Equity and Liabilities		
Current liabilities		
Current financial liabilities	(14,462)	(4,271)
Current lease liabilities	(4,081)	-
Trade payables	(25,483)	(27,081)
Contract liabilities	(7,534)	(10,558)
Tax liabilities	(1,531)	(1,678)
Provision for risk and charges, current	(6,772)	(13,186)
Other current liabilities	(12,125)	(13,015)
Total current liabilities	**(71,988)**	**(69,789)**
Non-current liabilities		
Non-current financial liabilities	(2,644)	(48,663)
Non-current lease liabilities	(16,140)	-
Deferred tax liabilities	(2,405)	(2,468)
Other non-current liabilities	(103)	(407)
Provision for risk and charges, non-current	(9,188)	(8,769)
Total non-current liabilities	**(30,482)**	**(60,307)**
Total liabilities	**(102,469)**	**(130,096)**
Equity		
Equity attributable to owners of the parent	(108,140)	(100,015)
Non-controlling interests	(29)	(29)
Total equity	**(108,169)**	**(100,044)**
Total equity and liabilities	**(210,639)**	**(230,140)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CASH FLOWS – INDIRECT METHOD

EUR 000's	Unaudited three months 31 Dec, 2019	Unaudited three months 31 Dec, 2018	Unaudited year 31 Dec, 2019	Audited year 31 Dec, 2018
Profit / (loss) for the period	**1,795**	**(13,385)**	**7,514**	**(18,450)**
Adjustments for:				
Net interest expenses	256	285	1,437	1,456
Current taxes	454	(878)	3,169	2,997
Depreciation and amortization	1,201	1,368	4,684	4,673
Depreciation of right-of-use of leased assets	1,036	-	4,266	-
Impairment losses	203	156	203	156
Deferred tax	592	1,604	26	122
Provision for risks and charges	(3,896)	5,008	(8,185)	11,813
Capital gain or loss on assets	(22)	(20)	(144)	(279)
Other items not involving cash flows	1,753	1,170	(130)	(42)
Interest paid	(225)	(283)	(1,510)	(1,463)
Taxes paid / received	(2,583)	(365)	(5,327)	(3,184)
	(1,232)	**8,045**	**(1,512)**	**16,249**
Cash flow before changes in working capital	**563**	**(5,340)**	**6,003**	**(2,201)**
Impact of changes in working capital:				
Inventories	4,088	4,799	2,647	(1,546)
Trade receivables	6,426	1,968	6,173	(2,155)
Other current receivables	1,998	6,713	4,068	1,557
Trade payables	(3,714)	(5,858)	(4,597)	4,028
Other current liabilities	(218)	1,092	88	3,506
Long-term receivables and liabilities	-	(1,607)	-	(1,951)
Impact of changes involving working capital	**8,580**	**7,107**	**8,379**	**3,439**
Net cash inflow / (outflow) from operating activities	**9,143**	**1,767**	**14,382**	**1,237**
Financial activities:				
Net changes in loans and borrowings	(7,264)	5,870	(35,584)	2,512
Repayment of lease liabilities	(1,119)	-	(3,604)	-
Interests paid on lease liabilities	(156)	-	(608)	-
Capital increase	-	-	18,527	-
Capital reduction	-	-	-	(1,357)
Net cash inflow / (outflow) from financial activities	**(8,539)**	**5,870**	**(21,269)**	**1,155**
Investing activities:				
Investments in property, plant and equipment	(339)	(886)	(1,384)	(7,866)
Investments in intangible assets	(20)	(489)	(341)	(1,384)
Disposal of assets	97	1,809	433	2,038
Net cash inflow / (outflow) from investing activities	**(262)**	**435**	**(1,292)**	**(7,213)**
Cash and cash equivalent at the beginning of the period	13,550	14,786	21,257	28,718
Cash flow for the period	342	8,071	(8,179)	(4,820)
Currency exchange differences	(637)	(1,600)	176	(2,641)
Cash and cash equivalent at the end of the period	**13,254**	**21,257**	**13,254**	**21,256**

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SEGMENT INFORMATION

EUR 000's	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Unaudited				
Three months ended 31 December 2019				
Revenue from sales of goods and services	22,433	25,340	-	**47,773**
Other income	273	570	-	**843**
Cost of materials and operating expenses before depreciation and amortization	(16,463)	(23,157)	(1,250)	**(40,870)**
Gross Operating Result	**6,243**	**2,753**	**(1,250)**	**7,746**
Unaudited				
Three months ended 31 December 2018				
Revenue from sales of goods and services	19,305	29,511	-	**48,816**
Other income	157	446	-	**603**
Cost of materials and operating expenses before depreciation and amortization	(22,337)	(35,258)	(1,434)	**(59,029)**
Gross Operating Result	**(2,875)**	**(5,301)**	**(1,434)**	**(9,610)**
Unaudited				
Year ended 31 December 2019				
Revenue from sales of goods and services	84,588	111,429	-	**196,017**
Other income	567	1,981	-	**2,549**
Cost of materials and 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**
Audited				
Year ended 31 December 2018				
Revenue from sales of goods and services	68,396	128,565	-	**196,961**
Other income	964	2,112	-	**3,076**
Cost of materials and operating expenses before depreciation and amortization	(71,674)	(131,522)	(5,899)	**(209,095)**
Gross Operating Result	**(2,314)**	**(845)**	**(5,899)**	**(9,058)**

PARENT COMPANY – CONDENSED STATEMENT OF COMPREHENSIVE INCOME

CAVOTEC SA EUR 000's	Unaudited three months 31 Dec, 2019	Unaudited three months 31 Dec, 2018	Audited year 31 Dec, 2019	Audited year 31 Dec, 2018
Dividend	-	441	-	441
Other income	182	514	2,502	3,009
Employee benefit costs	(312)	(964)	(1,912)	(1,685)
Operating expenses	(235)	(293)	(1,161)	(1,099)
Operating Result	**(365)**	**(302)**	**(571)**	**666**
Interest expenses – net	(11)	(8)	(43)	(28)
Currency exchange differences – net	-	-	(119)	(72)
Profit / (Loss) for the period	**(376)**	**(310)**	**(733)**	**566**
Income taxes	(91)	(106)	293	(198)
Profit / (Loss) for the period	**(285)**	**(416)**	**(440)**	**368**
Other comprehensive income:				
Actuarial gain (loss)	42	19	42	19
Total comprehensive income for the period	**(243)**	**(397)**	**(398)**	**387**

PARENT COMPANY – CONDENSED BALANCE SHEET

CAVOTEC SA EUR 000's	Audited 31 Dec, 2019	Audited 31 Dec, 2018
Assets		
Current assets		
Cash and cash equivalents	97	94
Trade receivables	2,015	2,441
Tax assets	6	10
Other current receivables	8	18,524
Total current assets	**2,126**	**21,069**
Non-current assets:		
Investment in subsidiary companies	137,306	137,306
Deferred tax assets	355	8
Total non-current assets	**137,661**	**137,314**
Total assets	**139,787**	**158,383**
Equity and Liabilities		
Current liabilities		
Bank overdraft	(44,435)	(63,079)
Current financial liabilities	(2,955)	(2,955)
Trade payables	(121)	(203)
Other current liabilities	(1,495)	(918)
Total current liabilities	**(49,006)**	**(67,155)**
Non-current liabilities:		
Provision for risks and charges – non current	(25)	(64)
Other non-current liabilities	(64)	(271)
Total non-current liabilities	**(89)**	**(335)**
Total liabilities	**(49,095)**	**(67,490)**
Total equity	**(90,692)**	**(90,893)**
Total equity and liabilities	**(139,787)**	**(158,383)**

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 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.

These unaudited Financial Statements have been approved by the Board of Directors for publication on 21 February 2020.

Basis of preparation of Financial Statements

This quarterly report was prepared in accordance with IFRS, applying IAS 34 Interim Financial Reporting. The same accounting and valuation policies were applied in the most recent annual report with the exception of the amendments effective from 1 January 2019. These changes had an impact on Cavotec's financial statements as described below. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended in December 2018. The preparation of quarterly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements and also discloses the key aspects of the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods. Impact of adoptions IFRS 16 – the Group adopted IFRS 16 as of January 1, 2019 which substantially changes the Group's Consolidated Financial Statements. Under IFRS 16 the majority of these leases became on-balance sheet liabilities with underlying right-of-use assets. The Group applied the modified retrospective approach, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognised in the balance sheet immediately before the date of initial application and will not restate prior years. Since the Group recognised the right of-use assets at the amount equal to the lease liabilities (as per IFRS 16C8 (b) ii) there was no impact to the retained earnings.

The Group has also elected not to recognise right-of-use assets and lease liabilities for short-term leases (i.e. < 12 months) and leases of low-value assets. Options (extension / termination) on lease contracts are considered on a case by case basis following a regular management assessment. The borrowing rates used for IFRS 16 purposes have been defined based on the underlying countries and asset classes related risks. The Group's weighted average incremental borrowing rate for the Q419 amounted to 2.77%. As of January 1, 2019, the Group recognised EUR 23.0 million of right-of-use of leased assets and EUR 21.4 million of lease liabilities. The Group income statement for FY2019 was impacted by a reclassification from operating expenses (EUR 4.9 million) to depreciation of right-of-use of leased assets (EUR 4.3 million) and interest expenses (EUR 0.6 million). During the same period, the Group cash flow statement was impacted by a reclassification from the cash generated from operations (EUR 4.2 million) to the net cash used in financing activities.

When applying IFRS 16, the Group made the following changes in presentation:

- in the Consolidated Income Statement, one additional line related to the depreciation of the right-of-use of leased assets;
- in the Consolidated Statement of Financial Position, additional line items to reflect the right-of-use of leased assets, the non-current and the current lease liabilities;
- in the Consolidated Statement of Cash Flows, additional line items related to the depreciation of the right-of-use of leased assets, repayment of lease liabilities and the lease interest paid.

The new accounting treatment does not affect the covenant calculation according to the loan agreement definition.

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 Chief Operating Decision Maker (CODM) to make strategic decisions. Our two divisions are set out below and referred to collectively as the core businesses.

Ports & Maritime - development and manufacture of innovative automation and electrification technologies for the global ports and maritime sectors.
Airports & Industry - development and manufacture of fully integrated gate and remote apron solutions for Airports, and development and manufacture products for Industry, such as cranes, energy, processing and transportation, surface and underground mining, and tunnelling.

Customers of both divisions are supported by a Services organisation that was launched mid 2018.

Legal disputes

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

Credit facility refinancing

Cavotec's senior secured credit facility expires at the end of June 2020. The current value of borrowings drawn under the facility have been classified as current financial liabilities during Q319. Discussions are in progress to extend or replace the facility prior to its scheduled expiry.

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

Noteworthy risks and uncertainties
There have been no changes to what was stated by Cavotec in its Annual Report for 2018 under Risk management.

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

Financial calendar

April 3, 2020	Annual Report FY19
April 30, 2020	Q120 Report
May 13, 2020	Annual General Meeting, Stockholm
July 24, 2020	Q220 Report
October 30, 2020	Q320 Report
February 19, 2021	Q420 & FY20 Report

Q419 Conference call
A conference call for shareholders, analysts and media will be held on 21 February 2020 at 10:00 CET. Participating on the conference call from Cavotec will be Mikael Norin, CEO, and Glenn Withers, CFO.

Conference call Dial-in numbers:
SE: +46850558354
UK: +443333009266
US: +18335268397

Weblink: https://tv.streamfabriken.com/cavotec-q4-2019

Quarterly Reports on www.cavotec.com
The full report for the period January-December 2019 and previous quarterly and full year reports are available at: http://ir.cavotec.com/financial-reports

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This is information that Cavotec SA is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:00 CET on 21 February 2020.

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