

Q1 2019 | Interim report January-March 2019



Transformation measures reflected in higher profitability despite lower revenue – continued strong order book

JANUARY–MARCH 2019

- Order intake decreased 9.3% to EUR 61.6 million (67.9)
- Order book increased 12.4% to EUR 113.2 million (100.8)
- Revenues decreased 8.0% to EUR 48.5 million (52.7)
- EBIT excluding non-recurring items amounted to EUR 2.7 million (2.4), corresponding to a margin of 5.6% (4.6%)
- Net result for the period was EUR 0.8 million (0.8)
- Earnings per share basic and diluted amounted to EUR 0.008 (0.011)
- Operating cash flow amounted to EUR 8.2 million (4.9)
- Net debt decreased to EUR 6.7 million (FY2018: 32.1)



Strong order intake for MoorMaster™ including a EUR 10.3M order announced in March 2019

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

TRANSFORMATION PLAN – IMPORTANT EVENTS

Q2 2018	Q3 2018	Q4 2018	Q1 2019
<ul style="list-style-type: none"> • New production facility opened in Milan • 40% of Transformation Projects completed • Implementation of sales management and CRM tool • Production planning and inventory planning tools implemented 	<ul style="list-style-type: none"> • 65% of Transformation Projects completed • Commercial excellence initiative launched 	<ul style="list-style-type: none"> • Restructuring programme initiated in order to achieve annual savings of approximately EUR 10 million by 2021 • Cavotec announced a fully underwritten rights issue of SEK 204 million • 76% of Transformation Projects completed 	<ul style="list-style-type: none"> • The rights issue amounting to 204 MSEK was completed 4 January • Glenn Withers was appointed new CFO of Cavotec and Patrick Mares was appointed President of Ports & Maritime Division • 100% of Transformation Projects completed

FINANCIAL SUMMARY

EUR 000's	Quarter			LTM Rolling	Full Year	
	Q119	Q118	Delta	Q119-Q118	FY18	Delta
Order intake	61,621	67,926	-9.3%	205,168	211,473	-3.0%
Order book	113,249	100,758	12.4%	113,249 ⁽⁴⁾	100,090	13.1%
Revenues	48,479	52,707	-8.0%	192,733	196,961	-2.1%
EBITDA excluding non - recurring items ⁽¹⁾	4,988	3,166	57.5%	13,952	8,559	63.0%
EBITDA excluding non - recurring items %	10.3%	6.0%	4.3 pp	7.2%	4.3%	-2.9 pp
EBITDA ⁽¹⁾	3,687	2,995	23.1%	(8,367)	(9,059)	7.6%
EBITDA, %	7.6%	5.7%	1.9 pp	-4.3%	-4.6%	0.3 pp
EBIT excluding non - recurring items	2,722	2,401	13.4%	5,373	3,887	38.2%
EBIT excluding non - recurring items %	5.6%	4.6%	1.0 pp	2.8%	2.0%	0.8 pp
EBIT	1,421	2,230	-36.3%	(14,696)	(13,887)	-5.8%
EBIT, %	2.9%	4.2%	-1.3 pp	-7.6%	-7.1%	-0.5 pp
Result for the period	759	836	-9.2%	(18,527)	(18,450)	-0.4%
Basic and diluted earnings per share, EUR	0.008	0.011 ⁽³⁾	-27.3%	(0.074)	(0.233)	-68.3%
Operating cash flow	8,164	4,938	65.3%	4,468	1,241	260.0%
Net debt	(6,666)	(21,774)	-69.4%	(6,666) ⁽⁴⁾	(32,050)	-79.2%
Equity/assets ratio ⁽²⁾	46.8%	48.0%	-1.2 pp	46.8% ⁽⁴⁾	43.5%	-3.3 pp
Leverage ratio ⁽²⁾	0.73x	1.77x	-1.0x	0.73x ⁽⁴⁾	3.75x	-3.0x
Full time equivalent employees	817	937	-120	817 ⁽⁴⁾	896	-79

⁽¹⁾ Including IFRS 16 impact

⁽²⁾ Calculated excluding IFRS 16 impact according to the loan agreement definition

⁽³⁾ Based on number of shares before the rights issue

⁽⁴⁾ Balances per Q119

Comment from the CEO

Higher profitability as transformation pays off

It has now been 18 months since we launched the transformation of Cavotec. A transformation built on preserving the strengths of the company - a very strong sales culture, a strong customer focus and great products that are well positioned in terms of market trends such as automation, sustainability and safety - while addressing our weaknesses, a fragmented structure with weak internal processes which caused inefficiencies and higher costs.

We are now a few months into 2019. The major steps of the transformation are now behind us. Through the massive efforts we have put into addressing our weaknesses we have created a strong and steady base to build on and now our focus is on improved profitability.

It is with that background encouraging to start to see the return of all the efforts we have made. I'm proud to conclude that all the 50 projects under the A New Day plan designed to streamline processes and transform Cavotec into a more efficient organisation were finalized at the end of the quarter. We have also reduced our headcount by 100 employees compared to a year ago, as part of our restructuring program.

These efforts had a positive impact on our profitability already in the first quarter. Adjusted EBIT increased to EUR 2.7 million, corresponding to a margin of 5.6% (4.6% for the same period last year) although revenues decreased 8.0% to EUR 48.5 million. The decrease is mainly due to lower revenues in Airports & Industry, which was not fully compensated by increasing revenues from Ports & Maritime. Airports & Industry performed well in their day-to-day business, but less big projects compared to the first quarter 2018 and several delayed larger projects resulted in lower order intake and revenues for the division compared to the same period previous year.

Operating cash flow increased 65.3% to EUR 8.2 million (4.9) as a result of continued improvement in working capital management. In addition, we completed the rights issue in January, which means that we are well positioned to complete our turnaround and be able to invest in growth initiatives. In the first quarter, the Group also adopted the new accounting treatment for Leases, IFRS 16. In summary, the EBITDA for the

quarter increased approximately 25% as a consequence, while the impact on the EBIT is not material.

We also maintained a good momentum in our sales activities in the quarter, especially within Ports & Maritime. An important order in the quarter was a EUR 10.3 million agreement with a major port operator for a MoorMaster™ automated mooring system, further proof that our technology is gaining traction with ports around the world. While the order intake compared to the same quarter last year was lower, the order book at the end of the quarter stood at EUR 113.2 million, an increase of more than 12%, both compared to the end of 2018 and the first quarter last year.

The turnaround of Cavotec is by no means finalized, but we see clear signs of improvements and clearly the transformation is taking hold across the organization. For example, I'm pleased to report that we faced fewer production challenges in Italy than previous quarters thanks to all the efforts that have gone into reconfiguring the facility by the new local management. Late deliveries in Italy have decreased significantly and we expect to see a continued positive development in the second quarter of 2019.

During, 2019, our efforts across the group will be centred around two themes, Operational Excellence and Commercial Excellence while we continue to control our costs. We will focus on further improving our operational systems, growing Services as well as meeting our customers' needs better in order to sell and deliver more, as well as produce an attractive return for our shareholders.

By focusing on profitability in 2019 we will ensure that we deeply embed the competitiveness needed to support our growth journey in 2020 and beyond. The market is there, and we will be in a position to capitalize on our customer relationships and the offerings we have.

To learn more about our long-term strategy and financial goals we hope to see you at our Investor Information Meeting in Stockholm on 7 May.



Lugano, May 3, 2019

Mikael Norin
Chief Executive Officer

ORDER INTAKE AND REVENUES

Order Intake		
EUR 000's	Q119	Q118
Order Intake	61,621	67,926
Increase/decrease	(6,305)	5,930
Percentage change	-9.3%	9.6%
Of which		
- Volumes and prices	-12.3%	15.8%
- Currency effects	3.0%	-6.2%

Revenues		
EUR 000's	Q119	Q118
Revenues	48,479	52,707
Increase/decrease	(4,227)	(522)
Percentage change	-8.0%	-1.0%
Of which		
- Volumes and prices	-9.4%	7.6%
- Currency effects	1.4%	-8.6%

DIVISIONS

Order Intake						
EUR 000's	Q119	Q118	Change %	LTM Rolling	FY18	Change %
Ports & Maritime	32,391	25,159	28.7%	88,895	81,664	8.9%
Airports & Industry	29,230	42,766	-31.7%	116,273	129,809	-10.4%
Total	61,621	67,926	-9.3%	205,168	211,473	-3.0%

Revenues						
EUR 000's	Q119	Q118	Change %	LTM Rolling	FY18	Change %
Ports & Maritime	20,329	16,327	24.5%	72,398	68,396	5.9%
Airports & Industry	28,150	36,380	-22.6%	120,335	128,565	-6.4%
Total	48,479	52,707	-8.0%	192,733	196,961	-2.1%

EUR 000's	Book/Bill ratio		Book/Bill ratio		Order Book		
	Q119	Q118	LTM Rolling	FY18	Q119	Q118	Change %
Ports & Maritime	1.59	1.54	1.23	1.19	61,116	44,616	37.0%
Airports & Industry	1.04	1.18	0.97	1.01	52,133	56,142	-7.1%
Total	1.27	1.29	1.06	1.07	113,249	100,758	12.4%

Financial Review

JANUARY–MARCH 2019

Order intake and Revenues

Order intake decreased 9.3% to EUR 61.6 million (67.9). The order book amounted at the end of the period to EUR 113.2 million (100.8).

Revenues decreased 8.0% to EUR 48.5 million (52.7) compared to the same period 2018. The decrease is mainly explained by high revenues from one-off projects within Airports and Industry in the first quarter 2018, while the first quarter 2019 was dominated by day-to-day business.

Ports & Maritime

Order intake increased 28.7% compared to the same period in 2018, including a EUR 10.3 million MoorMaster™ order. The demand continued to be strong in North America and especially in the USA driven by the automation trend for ports and the growing shipbuilding industry.

Revenues increased 24.5% to EUR 20.3 million (16.3). The increase is largely explained by strong performance in the APAC region and USA. The majority of the previous internal production challenges in Italy were solved in the quarter.

Airports & Industry

Order intake decreased 31.7% compared to the same period 2018. The order activity remained strong in the EU and APAC markets within Airports, including several fueling and aircraft ground service orders. The markets in the Middle East, however, remained slow, with no major orders, in contrast to the same period 2018. Within Industry, the surface and underground mining segments were stable, including orders in Australia and by long-term customers such as Sandvik and Epiroc.

Revenues decreased 22.6% to EUR 28.1 million (36.4). Airports & Industry performed well in their day-to-day business, but less big projects compared to the first quarter 2018 and several delayed larger projects resulted in lower order intake and revenues for the division compared to the same period previous year.

Adjusted EBIT

Adjusted EBIT, excluding non-recurring items, increased to EUR 2.7 million (2.4), corresponding to a margin of 5.6% (4.6%). The higher EBIT is explained by increased efficiency and lower SG&A as a result of the transformation programme, mainly in employee costs and travelling expenses.

EBIT

EBIT amounted to EUR 1.4 million (2.2), corresponding to a margin of 2.9% (4.2%). Non-recurring items related to the restructuring programme, amounted to EUR 1.3 million.

Profit for the period and earnings per share

Finance costs amounted to EUR 0.6 million (0.5).

Income tax expense for the first quarter of 2019 amounted to EUR 0.2 million (0.5), with an effective tax rate of 20.3%.

The net result for the period is stable at 0.8 million despite the lower revenues.

Earnings per share, basic and diluted, decreased to EUR 0.008 (0.011). The comparative figure was calculated on the number of shares before the rights issue.

Cash flow

The operating cash flow amounted to EUR 8.2 million (4.9). The strong cash flow is explained by continuing focus in working capital management.

Investing activities include CAPEX of EUR 0.1 million (6.4). Last year's amount included the investment for Cavotec Italy's new production facility.

Cash flow from financing activities was EUR 0.8 million (-1.2). The cash injection of EUR 18.5 million received in January 2018 as a result of the capital increase, was used for a partial repayment of the revolving credit facility.

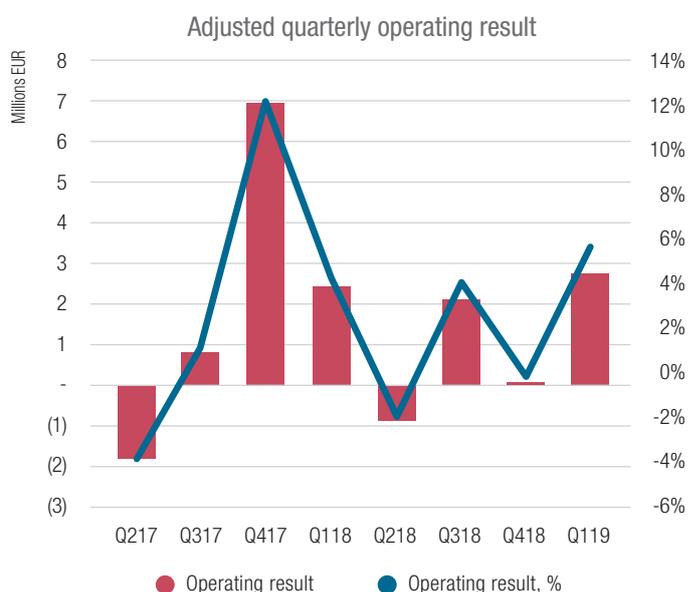
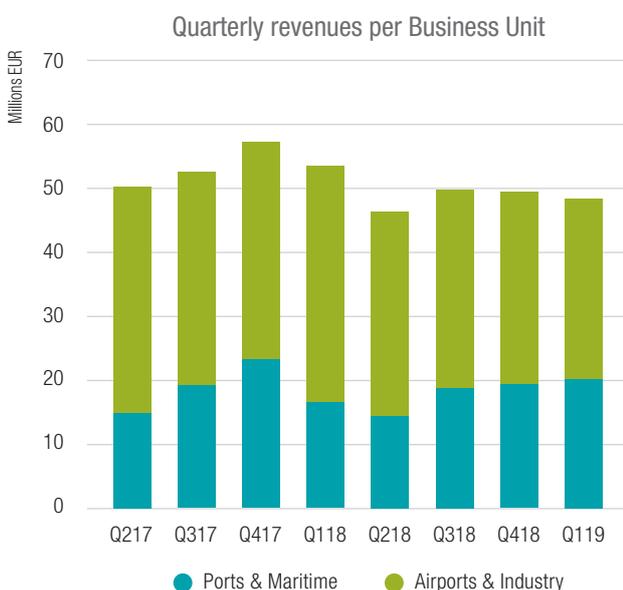
Cash and cash equivalents amounted to EUR 29.8 million as of 31 March 2019 (25.6).

Financial Position

Cavotec's total assets amounted to EUR 239.1 million (216.4) as of 31 March 2019. Including the impact of new accounting standards for leases, IFRS 16, the equity to assets ratio was 42.5% (48%) and the net debt amounted to EUR 6.7 million as of 31 March 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 11.

Employees

The number of full time equivalent employees in Cavotec Group was 817 as of 31 March 2019 (937). The decrease is mainly a result of the restructuring measures that were announced in October 2018.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 000's	Unaudited three months 31 Mar, 2019	Unaudited three months 31 Mar, 2018	Audited year 31 Dec, 2018
Revenue from sales of goods and services	48,479	52,707	196,961
Other income	649	955	3,076
Cost of materials	(24,221)	(25,068)	(96,601)
Employee benefit costs	(14,845)	(16,778)	(64,482)
Operating expenses	(6,375)	(8,821)	(48,012)
Gross Operating Result	3,687	2,995	(9,058)
Depreciation and amortisation	(1,226)	(765)	(4,673)
Depreciation of right-of-use of leased asset	(1,040)	-	-
Impairment losses	-	-	(156)
Operating Result	1,421	2,230	(13,887)
Interest income	-	19	82
Interest expenses	(585)	(475)	(1,957)
Currency exchange differences - net	141	(482)	1,588
Other financial item	(24)	-	(1,157)
Profit/(loss) before income tax	953	1,291	(15,331)
Income taxes	(194)	(456)	(3,119)
Profit/(Loss) for the period	759	836	(18,450)
Other comprehensive income:			
Remeasurements of post employment benefit obligations	(4)	4	31
Items that will not be reclassified to profit or loss	(4)	4	31
Currency translation differences	791	(450)	(2,313)
Items that may be subsequently reclassified to profit/(loss)	791	(450)	(2,313)
Other comprehensive income for the period, net of tax	787	(446)	(2,282)
Total comprehensive income for the period	1,546	390	(20,732)
Total comprehensive income attributable to:			
Equity holders of the Group	1,545	391	(20,733)
Non-controlling interest	1	(1)	1
Total	1,546	390	(20,732)
Profit/(loss) attributed to:			
Equity holders of the Group	759	836	(18,450)
Total	759	836	(18,450)
Basic and diluted earnings per share attributed to the equity holders of the Group	0.008	0.011	(0.233)
Average number of shares	94,015,721	78,448,415	79,078,713
Basic EPS for 2018 (as restated)			
Basic and diluted earnings per share attributed to the equity holders of the Group		0.011	
Average number of shares		78,647,240	

CONSOLIDATED BALANCE SHEET

EUR 000's	Unaudited 31 Mar, 2019	Unaudited 31 Mar, 2018	Audited 31 Dec, 2018
Assets			
Current assets			
Cash and cash equivalents	29,802	25,573	21,257
Trade receivables	41,184	48,853	42,798
Tax assets	2,314	1,474	1,671
Other current receivables	3,912	6,421	26,435
Contract assets	3,720	1,471	1,144
Inventories	39,094	35,670	39,458
Assets held for sale	5,628	3,141	5,512
Total current assets	125,654	122,603	138,275
Non-current assets			
Property, plant and equipment	19,418	23,784	20,082
Right-of-use of leased assets	21,913	-	-
Intangible assets	53,681	52,775	53,436
Non-current financial assets	280	259	275
Deferred tax assets	9,741	10,012	9,297
Other non-current receivables	8,419	6,997	8,775
Total non-current assets	113,452	93,826	91,865
Total assets	239,106	216,430	230,140
Equity and Liabilities			
Current liabilities			
Current financial liabilities	(4,133)	(2,232)	(4,271)
Current lease liabilities	(2,493)	-	-
Trade payables	(38,729)	(39,250)	(27,081)
Contract liabilities	(4,561)	-	(10,558)
Tax liabilities	(2,070)	(1,365)	(1,678)
Provision for risk and charges, current	(13,580)	(5,396)	(13,186)
Other current liabilities	(9,862)	(11,343)	(13,015)
Total current liabilities	(75,428)	(59,586)	(69,789)
Non-current liabilities			
Non-current financial liabilities	(31,977)	(44,536)	(48,663)
Non-current lease liabilities	(18,485)	-	-
Deferred tax liabilities	(2,420)	(2,597)	(2,468)
Other non-current liabilities	(412)	(790)	(407)
Provision for risk and charges, non-current	(8,794)	(5,117)	(8,769)
Total non-current liabilities	(62,088)	(53,040)	(60,307)
Total liabilities	(137,516)	(112,626)	(130,096)
Equity			
Equity attributable to owners of the parent	(101,561)	(103,777)	(100,015)
Non-controlling interests	(29)	(26)	(29)
Total equity	(101,590)	(103,803)	(100,044)
Total equity and liabilities	(239,106)	(216,430)	(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
Unaudited						
Balance as at 1 January 2018	(83,626)	(6,111)	(13,650)	(103,387)	(27)	(103,414)
(Profit) / Loss for the period	-	-	(836)	(836)	-	(836)
Currency translation differences	-	449	-	449	1	450
Remeasurements of post employment benefit obligations	-	(4)	-	(4)	-	(4)
Total comprehensive income and expenses	-	445	(836)	(391)	1	(390)
Balance as at 31 March 2018	(83,626)	(5,666)	(14,486)	(103,778)	(26)	(103,804)
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	-	-	(759)	(759)	-	(759)
Currency translation differences	-	(790)	-	(790)	(1)	(791)
Remeasurements of post employment benefit obligations	-	4	-	4	-	4
Total comprehensive income and expenses	-	(786)	(759)	(1,545)	(1)	(1,546)
Balance as at 31 March 2019	(100,169)	(5,432)	4,041	(101,560)	(30)	(101,590)

CONSOLIDATED STATEMENT OF CASH FLOWS - INDIRECT METHOD

EUR 000's	Unaudited three months 31 Mar, 2019	Unaudited three months 31 Mar, 2018	Audited year 31 Dec, 2018
Profit /(loss) for the period	759	836	(18,450)
Adjustments for:			
Net interest expenses	333	376	1,456
Current taxes	561	1,363	2,997
Depreciation and amortisation	1,226	765	4,673
Depreciation of right -of-use of leased assets	1,040	-	-
Impairment losses	-	-	156
Deferred tax	(368)	(907)	122
Provision for risks and charges	385	337	11,813
Capital gain or loss on assets	(43)	(227)	(279)
Other items not involving cash flows	404	642	(38)
Interest paid	266	(404)	(1,463)
Taxes paid / received	(812)	(1,666)	(3,184)
	2,992	279	16,253
Cash flow before changes in working capital	3,751	1,115	(2,197)
Impact of changes in working capital:			
Inventories	(40)	1,143	(1,546)
Trade receivables	1,613	(7,561)	(2,155)
Other current receivables	(38)	2,746	1,557
Trade payables	5,659	5,661	4,028
Other current liabilities	(3,138)	1,686	3,506
Long term receivables and liabilities	357	148	(1,951)
Impact of changes involving working capital	4,413	3,823	3,439
Net cash inflow / (outflow) from operating activities	8,164	4,938	1,242
Financial activities:			
Net changes in loans and borrowings	(16,989)	(1,237)	2,512
Repayment of lease liabilities	(566)	-	-
Interests paid on lease liabilities	(154)	-	-
Capital increase	18,511	-	-
Capital reduction	-	-	(1,357)
Net cash inflow / (outflow) from financial activities	802	(1,237)	1,155
Investing activities:			
Investments in property, plant and equipment	(111)	(6,455)	(7,866)
Investments in intangible assets	(110)	(689)	(1,384)
Increase in other assets	(5)	-	(4)
Disposal of assets	89	757	2,038
Net cash inflow / (outflow) from investing activities	(137)	(6,387)	(7,216)
Cash and cash equivalent at the beginning of the period	21,257	28,718	28,718
Cash flow for the period	8,828	(2,686)	(4,820)
Currency exchange differences	(283)	(459)	(2,641)
Cash and cash equivalent at the end of the period	29,802	25,573	21,257

SEGMENT INFORMATION

EUR 000's	Ports & Maritime	Airports & Industry	Other reconciling items	Total
Unaudited				
Three months ended 31 March 2019				
Revenue from sales of goods and services	20,329	28,150	-	48,479
Other income	182	467	-	649
Cost of materials and operating expenses before depreciation and amortisation	(18,066)	(26,143)	(1,232)	(45,441)
Gross Operating Result	2,445	2,474	(1,232)	3,687
Unaudited				
Three months ended 31 March 2018				
Revenue from sales of goods and services	16,327	36,380	-	52,707
Other income	343	612	-	955
Cost of materials and operating expenses before depreciation and amortisation	(17,273)	(31,690)	(1,704)	(50,667)
Gross Operating Result	(603)	5,302	(1,704)	2,995
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 amortisation	(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 Mar, 2019	Unaudited three months 31 Mar, 2018	Audited year 31 Dec, 2018
Dividend	-	-	441
Other income	857	839	3,009
Employee benefit costs	(306)	(266)	(1,685)
Operating expenses	(263)	(253)	(1,099)
Operating Result	288	320	666
Interest expenses - net	(12)	(6)	(28)
Currency exchange differences - net	(119)	(2)	(72)
Profit / (Loss) before income tax	157	311	566
Income taxes	(2)	(5)	(198)
Profit / (Loss) for the period	155	306	368
Other comprehensive income:			
Actuarial gain (loss)	-	-	19
Total comprehensive income for the period	155	306	387

PARENT COMPANY - CONDENSED BALANCE SHEET

CAVOTEC SA EUR 000's	Unaudited year 31 Mar, 2019	Unaudited year 31 Mar, 2018	Audited year 31 Dec, 2018
Assets			
Current assets			
Cash and cash equivalents	214	136	94
Trade receivable	533	551	2,441
Tax assets	13	28	10
Other current receivables	446	604	18,524
Total current assets	1,206	1,320	21,069
Non-current assets:			
Investment in subsidiary companies	137,306	137,303	137,306
Deferred tax assets	22	43	8
Total non-current assets	137,328	137,346	137,314
Total assets	138,534	138,666	158,383
Equity and Liabilities			
Current liabilities			
Bank overdrafts	(42,439)	(62,101)	(63,079)
Current financial liabilities	(2,955)	(1,955)	(2,955)
Trade payables	(1,105)	(103)	(203)
Provision for risks and charges - current	(219)	-	-
Other current liabilities	(431)	(361)	(918)
Total current liabilities	(47,149)	(64,520)	(67,155)
Non-current liabilities:			
Provision for risks and charges - non current	(64)	(63)	(64)
Other non-current liabilities	(273)	(632)	(271)
Total non-current liabilities	(337)	(696)	(335)
Total liabilities	(47,486)	(65,216)	(67,490)
Total equity	(91,048)	(73,451)	(90,893)
Total equity and liabilities	(138,534)	(138,666)	(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, located in some 25 countries around the world, represent a large number of cultures and provide customers with local support, backed by the Group's global network of engineering expertise.

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

These unaudited Financial Statements have been approved by the Board of Directors for publication on 3 May 2019.

Basis of preparation of Financial Statements

This quarterly report was prepared in accordance with IFRS, applying IAS 34 Interim Financial Reporting. The same accounting and valuation policies were applied in the most recent annual report with the exception of the amendments effective from 1 January 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 recognized in the balance sheet immediately before the date of initial application and will not restate prior years. Since the Group recognized 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 recognize 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 first quarter 2019 amounted to 2.77%.

As of January 1, 2019, the Group recognized EUR 23.0 million of right-of-use of leased assets and EUR 21.4 million of lease liabilities. The Group income statement in the first three months period ended March 31, 2019 was impacted by a reclassification from operating expenses (EUR 1.1 million) to depreciation of right-of-use of leased assets (EUR 1.0 million) and interest expenses (EUR 0.1 million). During the same period, the Group cash flow statement was impacted by a reclassification from the cash generated from operations (EUR 1.0 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

In January 2017 the Group introduced a new organizational structure based on two Divisions: "Ports & Maritime" and "Airports & Industry", that represented also the new reporting segments. Towards the end of the year, the creation of the new "Services Division" has been announced, to be effective since 1 January 2018. As of Q119 there's no indication that total revenues for Services Division will exceed 10% of total Group revenues, therefore the new division won't be reported as a separate reporting segment yet.

Legal disputes

On the lawsuit in California with Mr Colaco, Cavotec is waiting for the decision of the Supreme Court of California on the final amounts owed by both parties. The Group's view that the provision earlier made will cover most eventualities of the process has not changed.

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, commercialization and technological difficulties, interruptions in supply, and major customer credit losses.

Financial calendar

7 May 2019	Investor Information Meeting
10 May 2019	AGM
31 July 2019	Q219

Q119 Conference call

A conference call for shareholders, analysts and media will be held on 3 May 2019 at 10:00 CEST. Participating on the conference call from Cavotec will be Mikael Norin, CEO, and Glenn Withers, CFO.

Conference call Dial-in numbers:

UK: +443333009262

SE: +46856642705

US: +18446251570

Analysts & Media

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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 CEST on 3 May 2019.

Cavotec SA

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