# **Q2 2018** | Interim report April-June 2018

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# Continued strong order intake
# Stable profitability despite revenue impacted by plant start up issues

**APRIL–JUNE 2018**

- **Order intake increased 26.8% to EUR 62.1 million (49.0).**
- **Revenues decreased 8.0% to EUR 46.3 million (50.3).**
- **EBIT excluding non-recurring items amounted to EUR -0.7 million (-1.8), corresponding to a margin of -1.6% (-3.6%).**
- **Non-recurring items amounted to EUR 7.0 million, of which EUR 6.8 million is related to the US litigation provision.**
- **Net result for the period was EUR -7.1 million (-5.7).**
- **Earnings per share basic and diluted amounted to EUR -0.091 (-0.073).**
- **Operating cash flow amounted to EUR -9.8 million (-2.1).**

**JANUARY–JUNE 2018**

- **Order intake increased 17.2% to EUR 130.1 million (111.0).**
- **Order book increased 5.3% to EUR 116.6 million (111.0).**
- **Revenues decreased -4.4% to EUR 99.0 million (103.5).**
- **EBIT excluding non-recurring items amounted to EUR 1.7 million (1.9), corresponding to a margin of 1.7% (1.8%).**
- **Non-recurring items amounted to EUR 7.2 million, of which EUR 6.8 million is related to the provision of US litigation.**
- **Net result for the period was EUR -6.3 million (-3.8).**
- **Earnings per share basic and diluted amounted to EUR -0.080 (-0.048).**
- **Operating cash flow amounted to EUR -4.8 million (-2.3).**
- **Net debt increased to EUR 32.9 million (FY2017: 20.4).**

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

**TRANSFORMATION PLAN – IMPORTANT EVENTS**

| Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 |
|---|---|---|---|
| • Identification of operational strengths and weaknesses<br>• Development of Transformation plan<br>• 50 development projects defined<br>• Balance sheet review resulting in operational write-downs | • Introduction of new organization, consisting of three fully accountable Divisions: Ports & Maritime, Airports & Industry and Services<br>• Internal launch of transformation projects<br>• Continued balance sheet review resulting in impairment and tax write-downs | • Granular Market Assessment finalized<br>• One Cavotec identity launched: vision, mission and values<br>• Top team strengthened: four key management recruitments<br>• ¼ of transformation projects completed | • New production facility opened in Milan<br>• 40% of Transformation Projects completed<br>• Implementation of sales management and CRM tool<br>• Production planning and inventory planning tools implemented |

| FINANCIAL SUMMARY | Quarter | | | YTD | | | LTM Rolling | Full Year | |
|---|---|---|---|---|---|---|---|---|---|
| **EUR 000's** | **Q218** | **Q217** | **Delta** | **1H18** | **1H17** | **Delta** | **Q218-Q317** | **FY17** | **Delta** |
| Order intake | 62,143 | 48,999 | 26.8% | 130,069 | 110,995 | 17.2% | 213,692 | 194,618 | 9.8% |
| Order book | 116,615 | 110,766 | 5.3% | 116,615 | 110,766 | 5.3% | 116,615 | 85,577 | 36.3% |
| Revenues | 46,282 | 50,311 | -8.0% | 98,989 | 103,541 | -4.4% | 207,809 | 212,360 | -2.1% |
| EBITDA excluding non-recurring items | 453 | (692) | 165.5% | 3,619 | 4,069 | -11.1% | 13,475 | 13,925 | -3.2% |
| EBITDA excluding non-recurring items % | 1.0% | -1.4% | 2.4 pp | 3.7% | 3.9% | -0.2 pp | 6.3% | 6.6% | -0.3 pp |
| EBITDA | (6,586) | (1,203) | -447.7% | (3,591) | 3,387 | -206.0% | (656) | 6,322 | -110.4% |
| EBITDA, % | -14.2% | -2.4% | -11.8 pp | -3.6% | 3.3% | -6.9 pp | -0.3% | 3.0% | -3.3 pp |
| EBIT excluding non-recurring items | (745) | (1,812) | 58.9% | 1,656 | 1,861 | -11.0% | 9,382 | 9,587 | -2.1% |
| EBIT excluding non-recurring items % | -1.6% | -3.6% | 2.0 pp | 1.7% | 1.8% | -0.1 pp | 4.4% | 4.5% | -0.1 pp |
| EBIT | (7,785) | (2,323) | -235.1% | (5,556) | 1,179 | -571.1% | (24,732) | (17,997) | -37.4% |
| EBIT, % | -16.8% | -4.6% | -12.2 pp | -5.6% | 1.1% | -6.7 pp | -11.9% | -8.5% | -3.4 pp |
| Result for the period | (7,126) | (5,726) | -24.5% | (6,290) | (3,771) | -66.8% | (34,289) | (31,771) | -7.9% |
| Basic and diluted earnings per share, EUR | (0.091) | (0.073) | -24.7% | (0.080) | (0.048) | -66.8% | (0.146) | (0.405) | 64.0% |
| Operating cash flow | (9,768) | (2,067) | -372.7% | (4,830) | (2,284) | -111.4% | 10,316 | 12,861 | -19.8% |
| Net debt | (32,871) | (33,176) | 0.9% | (32,871) | (33,176) | 0.9% | (32,871)* | (20,441) | -60.8% |
| Equity/assets ratio | 43.9% | 53.6% | -9.7 pp | 43.9% | 53.6% | -9.7 pp | 43.9%* | 49.6% | -5.7 pp |
| Leverage ratio | 2.44x | 1.99x | 0.5x | 2.44x | 1.99x | 0.5x | 2.44x* | 1.47x | 1x |
| Full time equivalent employees | 938 | 1,002 | (64) | 938 | 1,002 | (64) | 938* | 970 | (32) |

** Balances per 1H18*



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*Comment from the CEO*

# Historically high order intake

Cavotec maintains a good position in growing markets. This was manifested by a continued robust order intake in the second quarter resulting in the strongest half year order intake in Cavotec's history. In the second quarter the order intake increased 26.8% year-over-year and for the first six months 17.2%. Notable orders include new orders of MoorMaster™ for the E-ferry market in Northern Europe as well as key orders from Bahrain International Airport, Lufthansa and Orlando Airport.

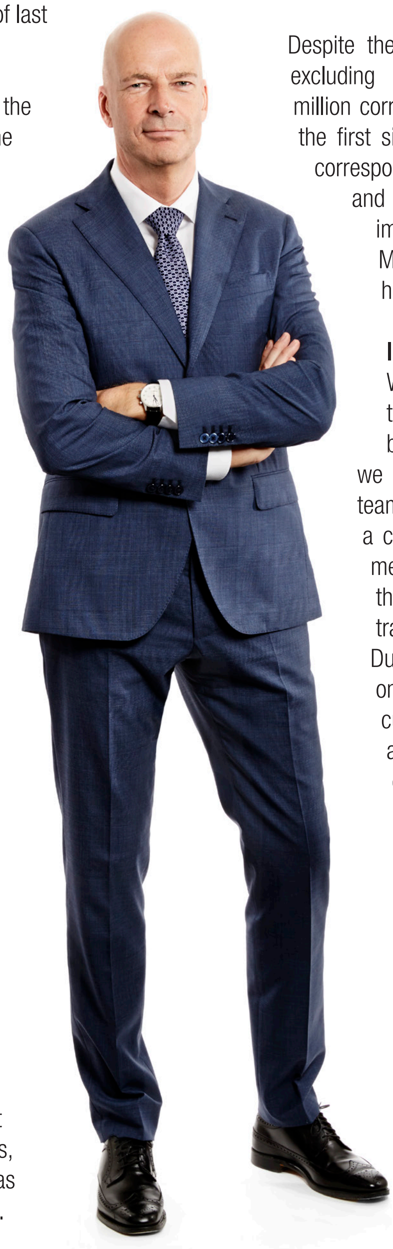
In total, we have a strong position, with an order book worth EUR 116.6 million, which is 5.3% higher than the same quarter 2017 and 36.3% higher than at the end of last year.

Revenues decreased 8.0% to EUR 46.3 million in the second quarter and 4.4% to EUR 99.0 million in the first six months, compared to the same periods last year. However in local currencies the decrease was minus 3.3% for the quarter and an increase of 2.0% for the half year. The revenue development was negatively impacted by the soft order book at the end of 2017, and by start up issues in our new production facility in Italy.

The second quarter saw continued high focus on the transformation of Cavotec and a determination to push ahead with the plans for 2018 as a transformation year for the group.

We have to date completed approx. 40% of the initial transformation projects. Some key achievements in the quarter include new processes for production planning and inventory control within operations and deployment of a new CRM system within sales. The focus on efficiency improvements have resulted in a 6.4% lower headcount than at this time last year.

In May we opened Cavotec's new production facility in Milan. The facility has been plagued by start up problems impacting output but we remain convinced that the plant will ensure the Group's manufacturing and supply chain excellence in the years ahead. The facility is one of our seven Centres of Excellence worldwide and focuses primarily on the development and manufacture of shore power solutions, MoorMaster™ automated mooring as well as crane electrification solutions such as cable reels.



As separately announced to the market, Cavotec made a non-recurring provision of EUR 6.8 million in the quarter in connection with the recent development of the lawsuit with Mr. Colaco, the former owner of Inet Airport Systems. The Court of Appeal of the State of California issued a verdict upholding the original award of punitive damages to Cavotec but reversing the 2015 decisions that Mr Colaco was not entitled to an earn-out payment and to reimburse Cavotec's legal costs. Based on a preliminary assessment the Company has the intention of filing a petition with the California Supreme Court to hear the case. As the case has not been concluded it may impact future results further in a positive or negative way.

Despite the lower revenue, EBIT for the second quarter, excluding non-recurring items, improved to EUR -0.7 million corresponding to a margin of -1.6% while EBIT for the first six months remained stable at EUR 1.7 million, corresponding to a margin of 1.7%. A better product mix and lower costs in Airports & Industry had a positive impact on EBIT, while the lower revenues in Ports & Maritime combined with an unchanged cost level had a negative impact.

**In the middle of a big change for the better**

We are in the middle of a high pace project to transform Cavotec. A lot has already been done but much remain. We have reorganised ourselves, we have complemented our top management team with several key members and we now have a comprehensive understanding of our market. As mentioned several times; the opportunities are there, we take the right actions, but a successful transformation does not happen over night. During the second half of the year we will focus on reallocating our resources, targeting the right customer segments, appoint the right persons at the right places and increasing our internal efficiency and capabilities.

In the end, our success in transforming the high demand from our customers to profitable growth is fully in our own hands.

Lugano, August 3, 2018

**Mikael Norin**
*Chief Executive Officer*



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## ORDER INTAKE AND REVENUES

| | Order Intake | | | |
|---|---|---|---|---|
| EUR 000's | Q218 | Q217 | 1H18 | 1H17 |
| Order Intake | 62,143 | 48,999 | 130,069 | 110,995 |
| Increase/decrease | 13,145 | (1,273) | 19,074 | 4,166 |
| Percentage change | 26.8% | -2.5% | 17.2% | 3.9% |
| Of which | | | | |
| - Volumes and prices | 19.5% | -0.7% | 17.1% | 1.8% |
| - Currency effects | 7.4% | -1.9% | 0.1% | 2.1% |

| | Revenues | | | |
|---|---|---|---|---|
| EUR 000's | Q218 | Q217 | 1H18 | 1H17 |
| Revenues | 46,282 | 50,311 | 98,989 | 103,541 |
| Increase/decrease | (4,029) | (3,635) | (4,552) | 3,510 |
| Percentage change | -8.0% | -6.7% | -4.4% | 3.5% |
| Of which | | | | |
| - Volumes and prices | -3.3% | -8.4% | 2.0% | 2.0% |
| - Currency effects | -4.7% | 1.6% | -6.4% | 1.5% |

## BUSINESS UNITS

| | Order Intake | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EUR 000's | Q218 | Q217 | Change % | 1H18 | 1H17 | Change % | LTM Rolling | FY17 | Change % |
| Ports & Maritime | 25,652 | 20,444 | 25.5% | 50,812 | 37,308 | 36.2% | 80,835 | 67,332 | 20.1% |
| Airports & Industry | 36,491 | 28,555 | 27.8% | 79,257 | 73,687 | 7.6% | 132,857 | 127,286 | 4.4% |
| **Total** | **62,143** | **48,999** | **26.8%** | **130,069** | **110,995** | **17.2%** | **213,692** | **194,618** | **9.8%** |

| | Revenues | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EUR 000's | Q218 | Q217 | Change % | 1H18 | 1H17 | Change % | LTM Rolling | FY17 | Change % |
| Ports & Maritime | 14,403 | 15,879 | -9.3% | 30,730 | 37,650 | -18.4% | 72,795 | 79,715 | -8.7% |
| Airports & Industry | 31,879 | 34,432 | -7.4% | 68,259 | 65,891 | 3.6% | 135,013 | 132,645 | 1.8% |
| **Total** | **46,282** | **50,311** | **-8.0%** | **98,989** | **103,541** | **-4.4%** | **207,808** | **212,360** | **-2.1%** |

| | Book/Bill ratio | | Book/Bill ratio | | Order Book | | |
|---|---|---|---|---|---|---|---|
| EUR 000's | Q218 | Q217 | 1H18 | 1H17 | 1H18 | 1H17 | Change % |
| Ports & Maritime | 1.78 | 1.29 | 1.65 | 0.99 | 55,864 | 47,845 | 16.8% |
| Airports & Industry | 1.14 | 0.83 | 1.16 | 1.12 | 60,751 | 62,921 | -3.4% |
| **Total** | **1.34** | **0.97** | **1.31** | **1.07** | **116,615** | **110,766** | **5.3%** |



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# Financial Review

**APRIL–JUNE 2018**

### Order intake and Revenues

Order intake increased 26.8% to EUR 62.1 million (49.0). The higher order intake compared to the same quarter 2017 is explained by high sales activity within both Ports & Maritime and Airports & Industry supported by a strong market pick up, especially in the ports & maritime markets.

Revenues decreased 8.0% to EUR 46.3 million (50.3) compared to the same period 2017. Excluding FX impact, the decrease was -3.3%. The decrease is mainly explained by weak revenues within Ports & Maritime, low order intake in the second half of 2017 and delayed deliveries due to start up challenges in our new production facility in Italy.

**Ports & Maritime**

Order intake increased 25.5% compared to the same period in 2017. The increase is mainly explained by an increasing overall demand in the USA, Northern Europe and the Middle East, combined with a strong order intake for MoorMaster™ Systems that is mainly linked to the E-ferry market in Northern Europe, which shows large possibilities also outside the region.

Revenues decreased 9.3% to EUR 14.4 million (15.9). The decrease is mainly explained by low order intake in the second half of 2017, postponed deliveries in China, the UK and Australia due to production challenges in Cavotec Italy.

**Airports & Industry**

Order intake increased 27.8% compared to the same period 2017. The increase is mainly explained by several large orders, among others from Bahrain International Airport, Lufthansa and Orlando Airport. Demand is low in Asia, while the European market continued to show strong development. Revenues decreased 7.4% to EUR 31.9 million (34.4). The decrease is mainly due to delays in the Industry market caused by production challenges in Italy.

### EBIT

EBIT for the quarter amounted to EUR -7.8 million (-2.3), corresponding to a margin of -16.8% (-4.6%). This figure includes non-recurring items EUR 7.0 million, of which EUR 6.8 million is related to the provision of US litigation. The lower revenues in Ports & Maritime combined with an unchanged cost level had a negative impact on EBIT while a better product mix and lower costs in Airports & Industry had a positive impact.

### Profit for the period and earnings per share

Finance costs amounted to EUR 0.5 million (2.1). The decrease compared to same period of last year is due to positive impact of exchange differences.

Profit before taxes ended at EUR -6.3 million (-4.6). Income tax expense for the second quarter of 2018 amounted to EUR 0.8 million (1.1).

The net result for the period was EUR -7.1 million (-5.7).

Earnings per share, basic and diluted, decreased to EUR -0.091 (-0.073).

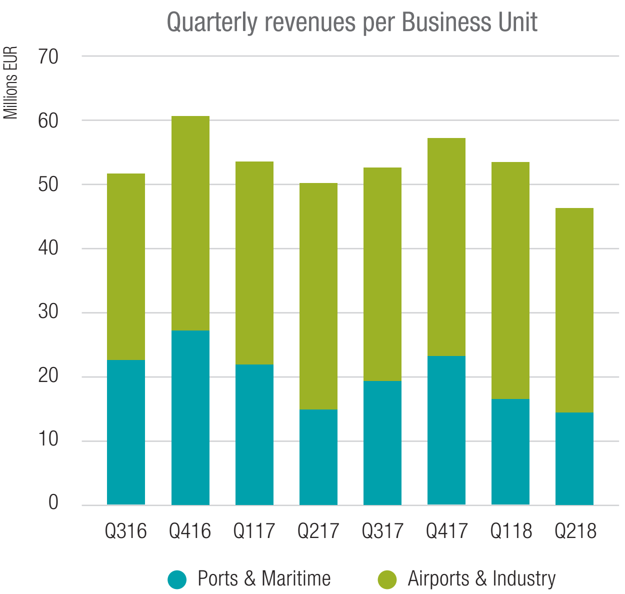
### Cash flow

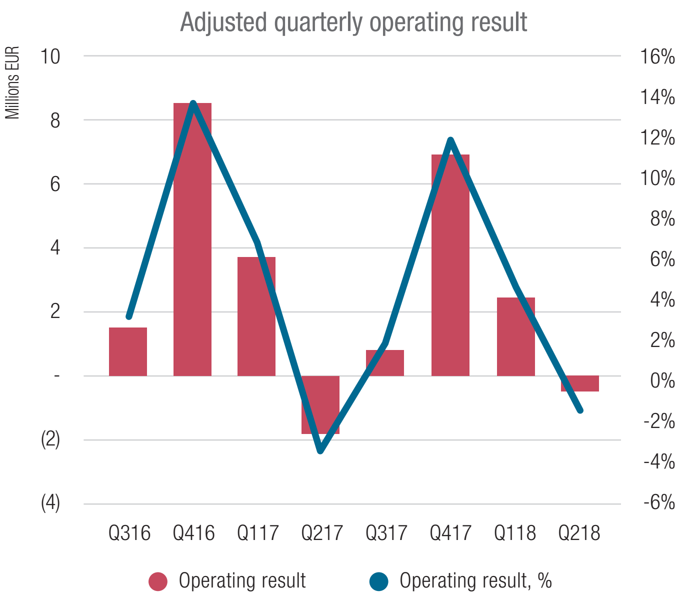
The operating cash flow amounted to EUR -9.8 million (-2.1). The negative cash flow is related to start up problems in Italy where the delayed deliveries caused a build-up of the inventory.

Investing activities include CAPEX of EUR -1.8 million (-1.3) due to capitalization of R&D costs.

Cash flow from financing activities was EUR 3 million (11.2), as a consequence of partial repayments of loans.

Cash and cash equivalents amounted to EUR 18.5 million as of 30 June 2018 (19.3).



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### Financial Position
Cavotec's total assets amounted to EUR 217.1 million as of 30 June 2018 (31 December 2017: 210.7). The equity to assets ratio was 43.9% (31 December 2017: 49.6%) and the net debt amounted to EUR 32.9 million (31 December 2017: 20.4) as of 30 June 2018. The increase is explained by low profitability, investments and advanced payments related to the new facility in Italy.

### Employees
The number of full time equivalent employees in Cavotec Group was 938 as of 30 June 2018 (1,002). The decrease is a result of measures related to the transformation plan.

## JANUARY–JUNE 2018

### Order intake and Revenues
Order intake increased 17.2% to EUR 130.1 million (111.0), being the strongest half year order intake in Cavotec's history.

Revenues decreased 4.4% to EUR 99.0 million (103.5) in the first six months 2018. However, if we exclude FX impact, revenues increased 2.0% in the first half 2018.

### EBIT
EBIT for the first six months of 2018 amounted to EUR -5.6 million (1.2), corresponding to a margin of -5.6% (1.1%). This figure includes EUR 7.2 million of non-recurring items, of which EUR 6.8 million is related to a provision for a US litigation verdict.

Operationally, despite lower revenues compared to the same period of last year, EBIT excluding non-recurring items remained stable due to a better control of costs.

### Profit for the period and earnings per share
Finance costs amounted to EUR 1.0 million (3.0). The decrease compared to same period of last year is due to positive impact of exchange differences.

Profit before taxes ended at EUR -5.0 million (-1.9). Income tax expense amounted to EUR 1.2 million (1.8).

The net result for the period was EUR -6.3 million (-3.8).

Earnings per share, basic and diluted, decreased to EUR -0.080 (-0.048).


*Port of Lavik, Norway – Automated mooring system makes substantial reductions in $CO_2$ emissions from ferries during mooring operations.*



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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR 000's | Unaudited three months 30 Jun, 2018 | Unaudited three months 30 Jun, 2017 | Unaudited six months 30 Jun, 2018 | Unaudited six months 30 Jun, 2017 | Audited year 31 Dec, 2017 |
|---|---|---|---|---|---|
| Revenue from sales of goods and services | 46,282 | 50,311 | 98,989 | 103,541 | 212,360 |
| Other income | 1,159 | 926 | 2,114 | 1,738 | 4,187 |
| Cost of materials | (22,264) | (25,729) | (47,332) | (49,598) | (107,931) |
| Employee costs | (16,272) | (17,350) | (33,050) | (33,922) | (65,866) |
| Operating expenses | (15,491) | (9,361) | (24,312) | (18,372) | (36,428) |
| **Gross Operating Result** | **(6,586)** | **(1,203)** | **(3,591)** | **3,387** | **6,322** |
| | | | | | |
| Depreciation and amortisation | (1,199) | (1,120) | (1,964) | (2,208) | (4,334) |
| Impairment losses | - | - | - | - | (19,986) |
| | | | | | |
| **Operating Result** | **(7,785)** | **(2,323)** | **(5,555)** | **1,179** | **(17,998)** |
| | | | | | |
| Interest income | 22 | 51 | 41 | 75 | 259 |
| Interest expenses | (549) | (330) | (1,025) | (777) | (1,702) |
| Currency exchange differences - net | 1,975 | (1,796) | 1,492 | (2,184) | (3,409) |
| Other financial item | - | (242) | - | (242) | (242) |
| | | | | | |
| **Profit /(loss) before income tax** | **(6,337)** | **(4,640)** | **(5,047)** | **(1,949)** | **(23,092)** |
| | | | | | |
| Income taxes | (787) | (1,086) | (1,243) | (1,822) | (8,679) |
| | | | | | |
| **Profit /(loss) for the period** | **(7,124)** | **(5,726)** | **(6,290)** | **(3,771)** | **(31,771)** |
| | | | | | |
| **Other comprehensive income:** | | | | | |
| Remeasurements of post employment benefit obligations | (2) | 12 | (6) | 19 | 18 |
| **Items that will not be reclassified to profit or loss** | **(2)** | **12** | **(6)** | **19** | **18** |
| | | | | | |
| Currency translation differences | (368) | (4,129) | (1,879) | (4,264) | (6,084) |
| **Items that may be subsequently reclassified to profit /(loss)** | **(368)** | **(4,129)** | **(1,879)** | **(4,264)** | **(6,084)** |
| | | | | | |
| **Other comprehensive income for the year, net of tax** | **(370)** | **(4,117)** | **(1,885)** | **(4,245)** | **(6,066)** |
| | | | | | |
| **Total comprehensive income for the period** | **(7,494)** | **(9,843)** | **(8,175)** | **(8,016)** | **(37,837)** |
| | | | | | |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the Group | (7,498) | (9,840) | (8,176) | (8,013) | (37,833) |
| Non-controlling interest | 2 | (2) | 1 | (3) | (4) |
| **Total** | **(7,496)** | **(9,843)** | **(8,175)** | **(8,016)** | **(37,837)** |
| | | | | | |
| **Profit (loss) attributed to:** | | | | | |
| Equity holders of the Group | (7,126) | (5,726) | (6,290) | (3,771) | (31,771) |
| **Total** | **(7,126)** | **(5,726)** | **(6,290)** | **(3,771)** | **(31,771)** |
| | | | | | |
| Basic and diluted earnings per share attributed to the equity holders of the Group | (0.091) | (0.073) | (0.080) | (0.048) | (0.405) |
| Average number of shares | 78,448,415 | 78,415,813 | 78,448,415 | 78,415,813 | 78,415,902 |



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## CONSOLIDATED BALANCE SHEET

| EUR 000's | Unaudited 30 Jun, 2018 | Unaudited 30 Jun, 2017 | Audited 31 Dec, 2017 |
|---|---|---|---|
| | | | |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 18,553 | 19,272 | 28,718 |
| Trade receivables | 45,688 | 38,219 | 40,958 |
| Tax assets | 450 | 527 | 914 |
| Other current receivables | 11,187 | 5,320 | 5,401 |
| Contract assets | 3,520 | 14,171 | 5,229 |
| Inventories | 39,482 | 48,048 | 36,819 |
| | | | |
| Assets held for sale | 3,195 | 3,752 | 4,815 |
| | | | |
| **Total current assets** | **122,075** | **129,309** | **122,854** |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 23,603 | 21,136 | 18,168 |
| Intangible assets | 53,434 | 72,822 | 52,971 |
| Non-current financial assets | 271 | 277 | 264 |
| Deferred tax assets | 10,410 | 19,363 | 9,294 |
| Other non-current receivables | 7,285 | 7,402 | 7,134 |
| **Total non-current assets** | **95,003** | **121,000** | **87,831** |
| | | | |
| **Total assets** | **217,078** | **250,309** | **210,685** |
| | | | |
| **Equity and Liabilities** | | | |
| **Current liabilities** | | | |
| Current financial liabilities | (3,271) | (2,237) | (2,873) |
| Trade payables | (36,789) | (37,328) | (33,585) |
| Tax liabilities | (621) | (519) | (1,110) |
| Provision for risk and charges, current | (11,389) | (5,220) | (5,362) |
| Other current liabilities | (12,625) | (10,597) | (9,676) |
| **Total current liabilities** | **(64,695)** | **(55,901)** | **(52,606)** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current financial liabilities | (47,597) | (49,434) | (45,627) |
| Deferred tax liabilities | (2,602) | (6,644) | (2,813) |
| Other non-current liabilities | (633) | (570) | (777) |
| Provision for risk and charges, non-current | (6,311) | (3,537) | (4,387) |
| **Total non-current liabilities** | **(57,143)** | **(60,185)** | **(53,604)** |
| | | | |
| **Total liabilities** | **(121,838)** | **(116,086)** | **(106,210)** |
| | | | |
| **Equity** | | | |
| Equity attributable to owners of the parent | (95,212) | (134,195) | (104,448) |
| Non-controlling interests | (28) | (28) | (27) |
| **Total equity** | **(95,240)** | **(134,223)** | **(104,475)** |
| | | | |
| **Total equity and liabilities** | **(217,078)** | **(250,309)** | **(210,685)** |

## 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 2017 | (86,842) | (12,094) | (46,482) | **(145,418)** | (32) | **(145,450)** |
| | | | | | | |
| (Profit) / Loss for the period | - | - | 3,771 | **3,771** | - | **3,771** |
| Currency translation differences | - | 4,260 | - | **4,260** | 3 | **4,264** |
| Remeasurements of post employment benefit obligations | - | (19) | - | **(19)** | - | **(19)** |
| **Total comprehensive income and expenses** | **-** | **4,242** | **3,771** | **8,013** | **3** | **8,016** |
| | | | | | | |
| Capital reduction | 3,216 | (6) | - | **3,210** | - | **3,210** |
| **Transactions with shareholders** | **3,216** | **(6)** | **-** | **3,210** | **-** | **3,210** |
| | | | | | | |
| **Balance as at 30 June 2017** | **(83,626)** | **(7,858)** | **(42,711)** | **(134,195)** | **(28)** | **(134,223)** |
| | | | | | | |
| **Audited** | | | | | | |
| Balance as at 1 January 2017 | (86,842) | (12,094) | (46,482) | **(145,418)** | (32) | **(145,450)** |
| | | | | | | |
| (Profit) / Loss for the period | - | - | 31,771 | **31,771** | - | **31,771** |
| Currency translation differences | - | 6,080 | - | **6,080** | 4 | **6,084** |
| Remeasurements of post employment benefit obligations | - | (18) | - | **(18)** | - | **(18)** |
| **Total comprehensive income and expenses** | **-** | **6,062** | **31,771** | **37,833** | **4** | **37,837** |
| | | | | | | |
| Capital reduction | 3,216 | (6) | - | **3,210** | - | **3,210** |
| Issue of treasury shares to employees | - | (73) | - | **(73)** | - | **(73)** |
| **Transactions with shareholders** | **3,216** | **(79)** | **-** | **3,137** | **-** | **3,137** |
| | | | | | | |
| **Balance as at 31 December 2017** | **(83,626)** | **(6,111)** | **(14,711)** | **(104,448)** | **(27)** | **(104,475)** |
| | | | | | | |
| **Unaudited** | | | | | | |
| Change in accounting policy | - | - | 1,061 | **1,061** | - | **1,061** |
| Restated total equity as at 1 January 2018 | (83,626) | (6,111) | (13,650) | **(103,387)** | (27) | **(103,414)** |
| | | | | | | |
| (Profit) / Loss for the period | - | - | 6,290 | **6,290** | - | **6,290** |
| Currency translation differences | - | 1,880 | - | **1,880** | (1) | **1,879** |
| Remeasurements of post employment benefit obligations | - | 6 | - | **6** | - | **6** |
| **Total comprehensive income and expenses** | **-** | **1,886** | **6,290** | **8,176** | **(1)** | **8,175** |
| | | | | | | |
| **Balance as at 30 June 2018** | **(83,626)** | **(4,225)** | **(7,360)** | **(95,211)** | **(28)** | **(95,240)** |

## CONSOLIDATED STATEMENT OF CASH FLOWS - INDIRECT METHOD

| EUR 000's | Unaudited three months 30 Jun, 2018 | Unaudited three months 30 Jun, 2017 | Unaudited six months 30 Jun, 2018 | Unaudited six months 30 Jun, 2017 | Audited year 31 Dec, 2017 |
|---|---|---|---|---|---|
| **Profit /(loss) for the period** | **(7,126)** | **(5,726)** | **(6,290)** | **(3,771)** | **(31,771)** |
| | | | | | |
| **Adjustments for:** | | | | | |
| Net interest expenses | 434 | 200 | 810 | 543 | 1,123 |
| Current taxes | 1,155 | 976 | 2,518 | 1,535 | 2,438 |
| Depreciation and amortisation | 1,199 | 1,120 | 1,964 | 2,208 | 4,334 |
| Impairment losses | - | - | - | - | 19,986 |
| Deferred tax | (368) | 110 | (1,275) | 288 | 6,241 |
| Provision for risks and charges | 6,422 | 36 | 6,759 | (975) | 1,613 |
| Capital gain or loss on assets | (13) | (30) | (240) | (71) | (119) |
| Other items not involving cash flows | (1,759) | 2,949 | (1,117) | 2,934 | 3,410 |
| Interest paid | (425) | (114) | (829) | (459) | (1,110) |
| Taxes paid | (875) | (2,176) | (2,541) | (4,077) | (4,874) |
| | **5,770** | **3,071** | **6,049** | **1,926** | **33,042** |
| | | | | | |
| **Cash flow before changes in working capital** | **(1,356)** | **(2,655)** | **(241)** | **(1,845)** | **1,271** |
| | | | | | |
| **Impact of changes in working capital:** | | | | | |
| Inventories | (4,020) | (1,587) | (2,877) | (8,223) | 1,372 |
| Trade receivables | 4,059 | 3,689 | (3,502) | 13,921 | 11,309 |
| Other current receivables | (6,824) | (790) | (4,078) | (13,397) | (4,595) |
| Trade payables | (2,464) | (965) | 3,197 | 7,281 | 3,630 |
| Other current liabilities | 1,283 | (186) | 2,969 | (604) | (1,143) |
| Long term receivables and liabilities | (445) | 427 | (297) | 583 | 1,017 |
| **Impact of changes involving working capital** | **(8,411)** | **588** | **(4,588)** | **(439)** | **11,590** |
| | | | | | |
| **Net cash inflow / (outflow) from operating activities** | **(9,767)** | **(2,067)** | **(4,829)** | **(2,284)** | **12,861** |
| | | | | | |
| **Financial activities:** | | | | | |
| Proceeds of loans and borrowings | 6,526 | 16,284 | 6,696 | 17,719 | 16,063 |
| (Repayments) of loans and borrowings | (3,533) | (1,511) | (4,940) | (1,635) | (2,649) |
| Capital reduction | - | (3,605) | - | (3,605) | (3,539) |
| **Net cash inflow / (outflow) from financial activities** | **2,993** | **11,168** | **1,756** | **12,479** | **9,875** |
| | | | | | |
| **Investing activities:** | | | | | |
| Investments in property, plant and equipment | (1,282) | (723) | (7,737) | (1,190) | (2,112) |
| Investments in intangible assets | 32 | (630) | (657) | (1,044) | (1,585) |
| Disposal of assets | (534) | 9 | 223 | 128 | 207 |
| **Net cash inflow / (outflow) from investing activities** | **(1,784)** | **(1,344)** | **(8,171)** | **(2,106)** | **(3,490)** |
| | | | | | |
| Cash at the beginning of the period | 25,573 | 15,144 | 28,718 | 14,982 | 14,982 |
| Cash flow for the period | (8,559) | 7,757 | (11,246) | 8,089 | 19,246 |
| Currency exchange differences | 1,539 | (3,629) | 1,081 | (3,799) | (5,510) |
| **Cash at the end of the period** | **18,553** | **19,272** | **18,553** | **19,272** | **28,718** |

## SEGMENT INFORMATION

| EUR 000's | Ports & Maritime | Airports & Industry | Other reconciling items | Total |
|---|---|---|---|---|
| **Unaudited Three months ended 30 June 2018** | | | | |
| Revenue from sales of goods and services | 14,403 | 31,879 | - | **46,282** |
| Other income | 311 | 848 | - | **1,159** |
| Cost of materials and operating expenses before depreciation and amortisation | (15,681) | (35,909) | (2,438) | **(54,028)** |
| **Gross Operating Result** | **(967)** | **(3,182)** | **(2,438)** | **(6,587)** |
| **Unaudited Three months ended 30 June 2017** | | | | |
| Revenue from sales of goods and services | 15,879 | 34,432 | - | **50,311** |
| Other income | 213 | 713 | - | **926** |
| Cost of materials and operating expenses before depreciation and amortisation | (18,337) | (32,376) | (1,727) | **(52,440)** |
| **Gross Operating Result** | **(2,246)** | **2,770** | **(1,727)** | **(1,203)** |
| **Unaudited Six months ended 30 June 2018** | | | | |
| Revenue from sales of goods and services | 30,730 | 68,259 | - | **98,989** |
| Other income | 654 | 1,460 | - | **2,114** |
| Cost of materials and operating expenses before depreciation and amortisation | (32,954) | (67,599) | (4,141) | **(104,694)** |
| **Gross Operating Result** | **(1,570)** | **2,120** | **(4,141)** | **(3,591)** |
| **Unaudited Six months ended 30 June 2017** | | | | |
| Revenue from sales of goods and services | 37,650 | 65,891 | - | **103,541** |
| Other income | 532 | 1,206 | - | **1,738** |
| Cost of materials and operating expenses before depreciation and amortisation | (38,174) | (60,276) | (3,441) | **(101,892)** |
| **Gross Operating Result** | **8** | **6,821** | **(3,441)** | **3,387** |
| **Audited Year ended 31 December 2017** | | | | |
| Revenue from sales of goods and services | 79,715 | 132,645 | - | **212,360** |
| Other income | 1,868 | 2,319 | - | **4,187** |
| Cost of materials and operating expenses before depreciation and amortisation | (80,769) | (123,110) | (6,346) | **(210,225)** |
| **Gross Operating Result** | **814** | **11,854** | **(6,346)** | **6,322** |

PARENT COMPANY - CONDENSED STATEMENT OF COMPREHENSIVE INCOME

| CAVOTEC SA<br>EUR 000's | Unaudited<br>three months<br>30 Jun, 2018 | Unaudited<br>three months<br>30 Jun, 2017 | Unaudited<br>six months<br>30 Jun, 2018 | Unaudited<br>six months<br>30 Jun, 2017 | Audited<br>year<br>31 Dec, 2017 |
|---|---|---|---|---|---|
| Other income | 842 | 776 | 1,680 | 1,464 | 2,612 |
| Employee benefit costs | (372) | (799) | (638) | (1,014) | (1,438) |
| Operating expenses | (320) | (405) | (573) | (777) | (19,575) |
| **Operating Result** | **150** | **(427)** | **469** | **(327)** | **(18,401)** |
| Interest expenses - net | (7) | (7) | (13) | (14) | (27) |
| Currency exchange differences - net | (2) | (407) | (4) | (407) | (420) |
| **Profit / (Loss) before income tax** | **141** | **(841)** | **452** | **(748)** | **(18,848)** |
| Income taxes | 45 | (146) | 40 | (150) | (177) |
| **Profit / (Loss) for the period** | **186** | **(987)** | **492** | **(898)** | **(19,024)** |
| **Other comprehensive income:** | | | | | |
| Actuarial gain (loss) | - | - | - | - | 24 |
| **Total comprehensive income for the period** | **186** | **(987)** | **492** | **(898)** | **(19,000)** |

PARENT COMPANY - CONDENSED BALANCE SHEET

| CAVOTEC SA<br>EUR 000's | Unaudited<br>30 Jun, 2018 | Unaudited<br>30 Jun, 2017 | Audited<br>year<br>31 Dec, 2017 |
|---|---|---|---|
| Assets | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 118 | 556 | 19 |
| Trade receivable | 558 | 1,448 | 1,020 |
| Tax assets | 5 | 16 | 20 |
| Other current receivables | 1,179 | 13 | 9 |
| **Total current assets** | **1,860** | **2,033** | **1,068** |
| **Non-current assets** | | | |
| Investment in subsidiary companies | 137,306 | 155,622 | 137,303 |
| Deferred tax assets | 94 | 57 | 42 |
| **Total non-current assets** | **137,400** | **155,679** | **137,345** |
| | | | |
| **Total assets** | **139,260** | **157,712** | **138,414** |
| | | | |
| Equity and Liabilities | | | |
| **Current liabilities** | | | |
| Bank overdrafts | (62,307) | (63,114) | (62,002) |
| Current financial liabilities | (1,955) | (1,955) | (1,955) |
| Trade payables | (104) | (236) | (249) |
| Other current liabilities | (724) | (309) | (387) |
| **Total current liabilities** | **(65,090)** | **(65,613)** | **(64,593)** |
| **Non-current liabilities** | | | |
| Provision for risks and charges - non current | (63) | (504) | (63) |
| Other non-current liabilities | (470) | (421) | (613) |
| **Total non-current liabilities** | **(533)** | **(924)** | **(676)** |
| | | | |
| **Total liabilities** | **(65,623)** | **(66,537)** | **(65,269)** |
| | | | |
| **Total equity** | **(73,637)** | **(91,174)** | **(73,144)** |
| | | | |
| **Total equity and liabilities** | **(139,260)** | **(157,712)** | **(138,414)** |

## General information

Cavotec wants to contribute to a *future* world that is cleaner, safer and more efficient by providing innovative *connection* solutions for ships, aircraft and mobile equipment *today*.

We thrive by shaping future expectations in the areas we are active in. Our credibility comes from our application expertise, dedication to innovation and world class operations. Our success rests on the core values we live by: Integrity, Accountability, Performance and Team Work.

Cavotec's personnel, located in some 30 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 August 2018.

## Basis of preparation of Financial Statements

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

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

## Changes in accounting policies

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

*Impact of adoptions*

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

*Construction contracts reassessed at point in time under IFRS 15*

| EUR thousands | December 31, 2017 | Adjustment IFRS 15 | Adjusted January 1, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Other current assets | 10,630 | (2,003) | 8,627 |
| Inventories | 36,819 | 942 | 37,761 |
| **Total assets** | **210,685** | **(1,061)** | **209,624** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Retained earnings | (14,711) | 1,061 | (13,650) |
| **Total Equity** | **(104,448)** | **1,061** | **(103,387)** |

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

*Accounting policies*

### Revenue recognition

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

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

### New standards, amendments and interpretations not yet adopted

*IFRS 16 Leases*

It substantially changes the financial statements as the majority of leases will become on-balance sheet liabilities with corresponding right of use assets on the balance sheet. The standard replaces IAS 17 Leases and is effective January 1, 2019. The Group is currently assessing the impact of adopting IFRS 16.



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### 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 Q218 there’s no indication that total revenues for Services Division will exceed 10% of total Group revenues, therefore for FY2018 the new division won’t be reported as a separate reporting segment yet.

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

Mr. Colaco has proceeded with an appeal of the judgement, for which the Court of Appeal of the State of California has now issued a verdict. In the verdict the Court upheld the original award of punitive damages to Cavotec. However, the Court reversed the previous decisions that Mr Colaco was not entitled to the earn-out payment and to reimburse Cavotec’s legal costs.

Cavotec has, a result of the verdict, made a non-recurring provision in the second quarter 2018 results of EUR 6.8 million including accrued interest, in line with IFRS accounting rules.

Based on a preliminary assessment the Company has the intention of filing a petition with the California Supreme Court to hear the case.

### Noteworthy risks and uncertainties
There have been no changes to what was stated by Cavotec in its Annual Report for 2017 under Risk management.

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

### Financial calendar
| | |
|---|---|
| 2 November 2018 | Q318 Reporting |
| 21 February 2019 | Q418 and Annual Report Reporting |

### Q218 Conference call
A conference call for shareholders, analysts and media will be held on 3 August 2018 at 13:00 CEST.

Participating on the conference call from Cavotec will be Mikael Norin, CEO, and Kristiina Leppänen, CFO & IR. The meeting will start with some background on the Q218 results and will be followed by a Q&A session.

Conference call details:
Dial-in number: +46 8 566 426 98

### Analysts & Media
**Johan Hähnel** – Investor Relations Manager
Mobile: +46 70 605 63 34 - Email: investor@cavotec.com

**Cavotec SA**
Via Serafino Balestra 27
CH-6900 Lugano, Switzerland
+41 91 911 40 10
cavotec.com

investor@cavotec.com