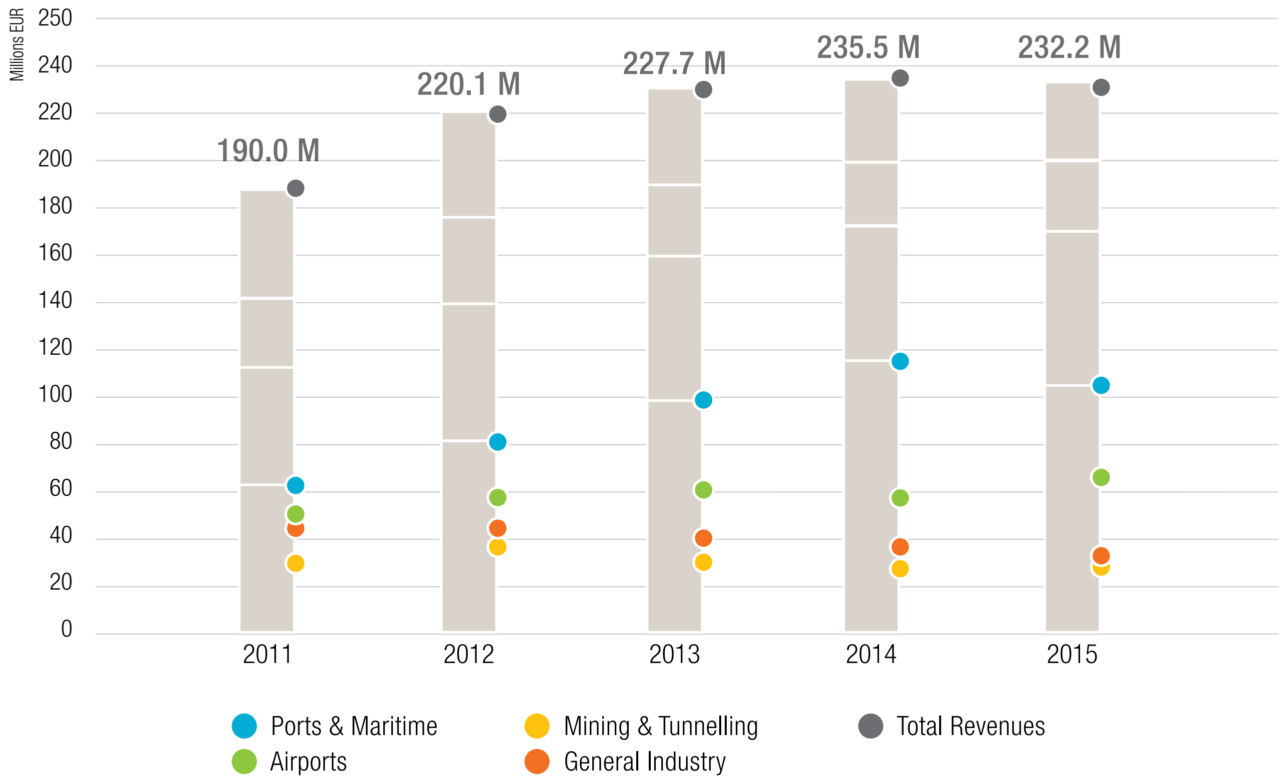
Annual Report 2015

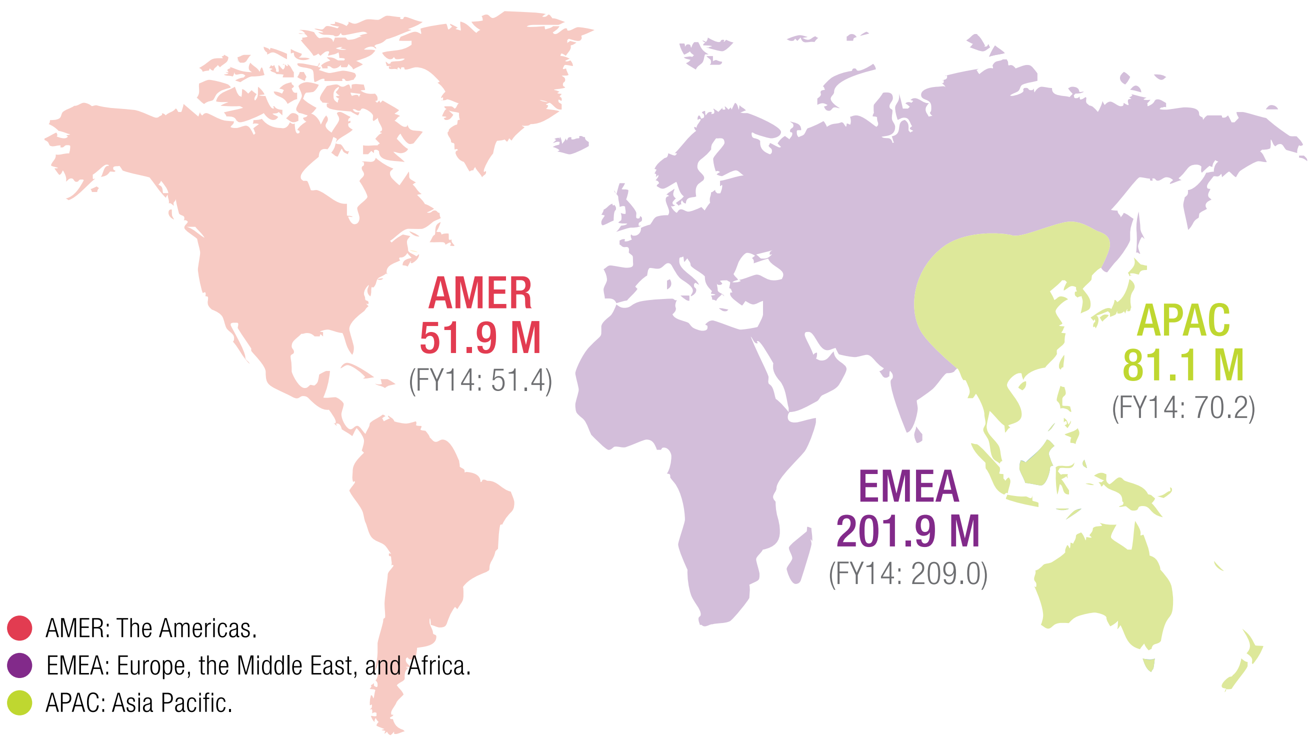
CAVOTEC
Inspired Engineering

Five-year overview

Key figures on our performance and operations, and an overview of our financial results over the past five years.



REVENUES BY REGION (Millions EUR)



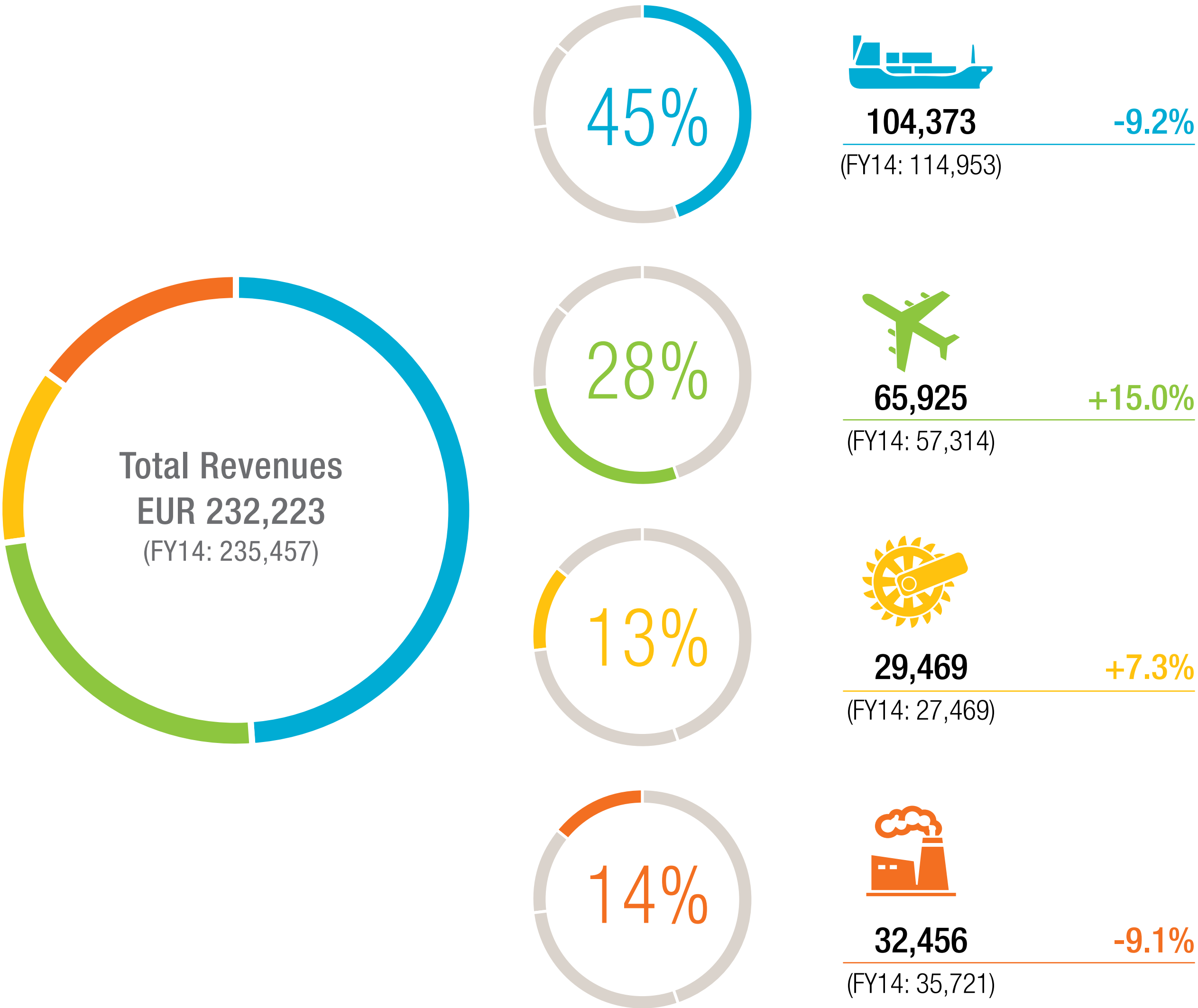
Ports of Lavik & Oppedal, Norway

Financial information in summary

Cavotec SA & Subsidiaries	2015	2014	2013	2012	2011
EUR 000's					
INCOME STATEMENT ITEMS					
Revenue from sales of goods and services	232,223	235,457	229,418	220,072	189,969
Gross Operating Result (EBITDA)	**12,363**	**17,029**	**15,027**	**21,736**	**17,191**
Operating Result (EBIT)	**7,595**	**12,561**	**10,506**	**17,978**	**12,684**
Profit for the year	**6,124**	**10,230**	**10,453**	**12,192**	**5,844**
Total comprehensive income	5,038	11,956	4,718	13,018	7,018
BALANCE SHEET ITEMS					
Non-current assets	117,981	113,453	108,696	106,141	98,027
of which Goodwill	66,834	63,801	60,479	61,646	61,930
Current assets	121,184	109,485	97,013	94,271	78,762
Assets held for sales	-	1,800	2,213	-	-
Cash and cash equivalents	20,812	17,071	13,928	10,313	12,952
Total assets	**259,977**	**241,809**	**219,637**	**210,725**	**189,741**
Total equity	(139,870)	(137,903)	(108,769)	(106,829)	(94,873)
Interest-bearing liabilities	(46,208)	(37,083)	(50,007)	(34,828)	(36,664)
Non-interest-bearing liabilities	(73,899)	(66,823)	(60,861)	(69,067)	(58,205)
Total equity and liabilities	**(259,977)**	**(241,809)**	**(219,637)**	**(210,725)**	**(189,741)**
CASH FLOW ITEMS					
Cash flow from operating activities	(268)	(755)	(713)	11,900	5,164
Cash flow from financial activities	4,012	3,047	14,056	(5,035)	2,712
Cash flow from investing activities	(2,082)	(2,844)	(5,103)	(12,183)	(6,707)
Cash flow for the year	**1,662**	**(552)**	**8,240**	**(5,318)**	**1,169**
PROFITABILITY AND PROFITABILITY-RELATED KEY FIGURES					
Order intake	229,699	220,706	245,961	224,984	215,876
Gross operating margin	5.3%	7.2%	6.6%	9.9%	9.0%
Operating margin	3.3%	5.3%	4.6%	8.2%	6.7%
Interest coverage	6.0x	5.3x	8.6x	14.2x	8.1x
Return on average capital employed (ROACE)	3.2%	5.8%	6.3%	8.3%	4.6%
Return on equity (ROE)	4.4%	8.4%	9.7%	12.0%	6.9%
CAPITAL STRUCTURE AND CAPITAL STRUCTURE-RELATED KEY FIGURES					
Net debt	(26,695)	(20,002)	(36,070)	(24,511)	(23,708)
Net debt/equity ratio	19.1%	14.5%	33.2%	22.9%	25.0%
Equity/assets ratio	53.8%	57.0%	49.5%	50.7%	50.0%
Leverage ratio	1.7x	1.2x	2.4x	1.1x	1.4x

STOCK PERFORMANCE*						
Number of shares issued		78,536,000	78,536,000(2)	71,397,220	71,397,220	71,397,220
Closing price	SEK	24.40	26.00	31.40	24.00	13.75
Closing price(1)	EUR	2.66	2.77	3.54	2.80	1.54
Market cap(1) (million)	EUR	208.9	217.4	253.1	199.7	110.2
Dividend(1)	EUR	0.028	0.042	0.041	0.041	0.017
EPS(1)	EUR	0.078	0.140	0.147	0.173	0.089

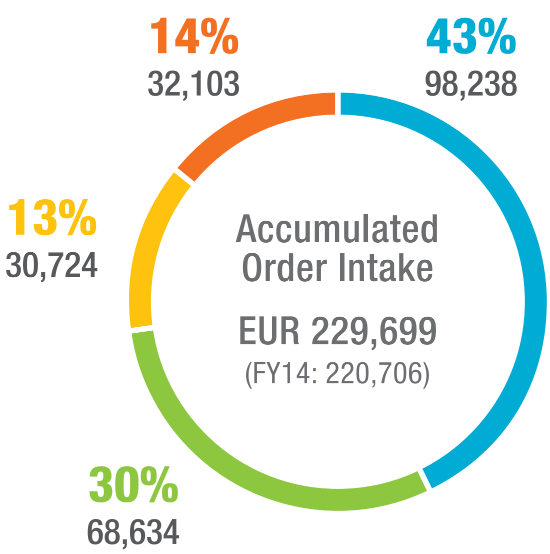
(1) At end of the year prevailing exchange rate.
(2) In September 2014 the Company made a directed share issue of 7,138,780 shares.
** The Company was listed on the NZX from 2007-2011.*

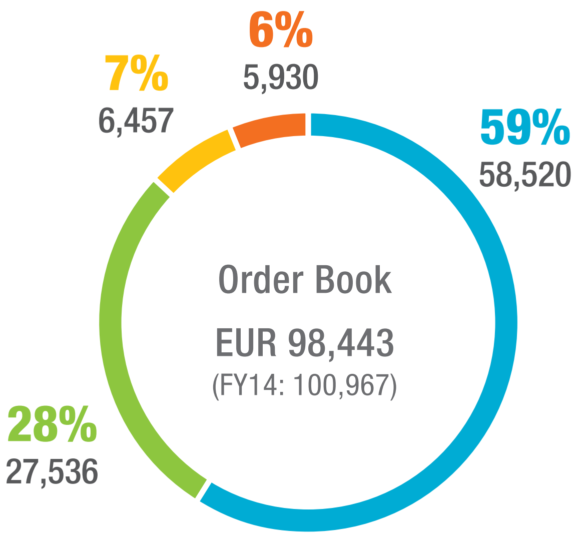


ACCUMULATED REVENUES (Thousands EUR)

Ports & Maritime   Airports   Mining & Tunnelling   General Industry   Total Revenues

ACCUMULATED ORDER INTAKE AND ORDER BOOK (Thousands EUR)





Business Model

VISION

Cavotec's vision is to be world leading experts in the engineering and supply of systems to connect, electrify and automate ships, planes and mobile equipment.

Our business concept is to design, engineer and supply innovative products and systems that enable a wide variety of industry sectors to improve safety, efficiency and environmental sustainability. We build long-term relationships with customers that drive operational efficiency and improve return on investment.

STRUCTURE

The Group's structure ensures our customers receive local support, backed by our global engineering experience and resources.

Centres of Excellence

Cavotec's research, development, and manufacturing activities are conducted at its Centres of Excellence, located at eight sites in Germany, Italy, New Zealand, Norway, Sweden and the US.

Sales companies

Cavotec has an extensive network of sales companies in some 40 countries worldwide, ensuring that we have the sales presence and technical know-how needed to serve our customers.

STRATEGY

Unrivalled customer service and engineering excellence

Quality service and advanced engineering are our primary competitive advantages. We seek long-term relationships with customers, often working closely with them to develop technologies. Furthermore, the high engineering content of our technologies enhances our pricing capacity.

Attract and retain skilled staff

Cavotec works actively to create a positive and rewarding work environment: a friendly, professional atmosphere, where fresh thinking and a willingness to explore new approaches are encouraged. We believe that an environment that fosters the free exchange of ideas and mutual respect underpins our capabilities as a global engineering group.

Targeting organic growth

Cavotec is targeting strong organic growth going forward. We have always invested in innovative technologies, and are constantly alert to new product areas and segments. Such systems have achieved, or are expected to achieve, structural, above market growth. In addition, as part of our long-term growth strategy, we are actively growing our system servicing, project management and system integration offerings.

Acquisitions

Cavotec management continually monitors the markets in which it is active for potential future acquisition targets. Such companies must be respected players in their niches, well structured, profitable, and of an appropriate size.

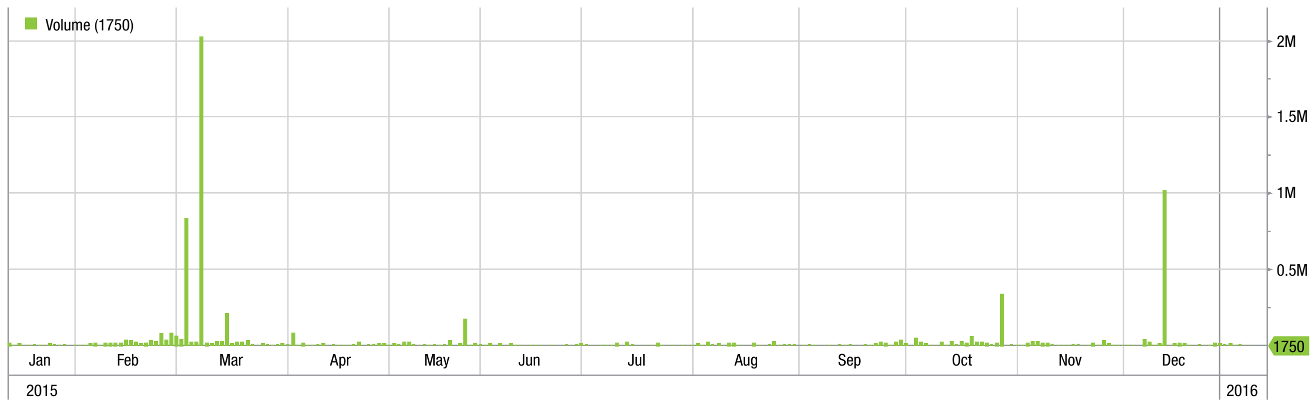
Continued international expansion

Cavotec aims to continue its international expansion, both organically and through acquisitions. We are present in, and actively target, regions and segments where growth potential is strong.

Mission-critical technologies and system integration

Cavotec develops mission-critical technologies, often with a high degree of engineering content. Cavotec is also an effective systems integrator, and regularly manages major multi-million euro projects.

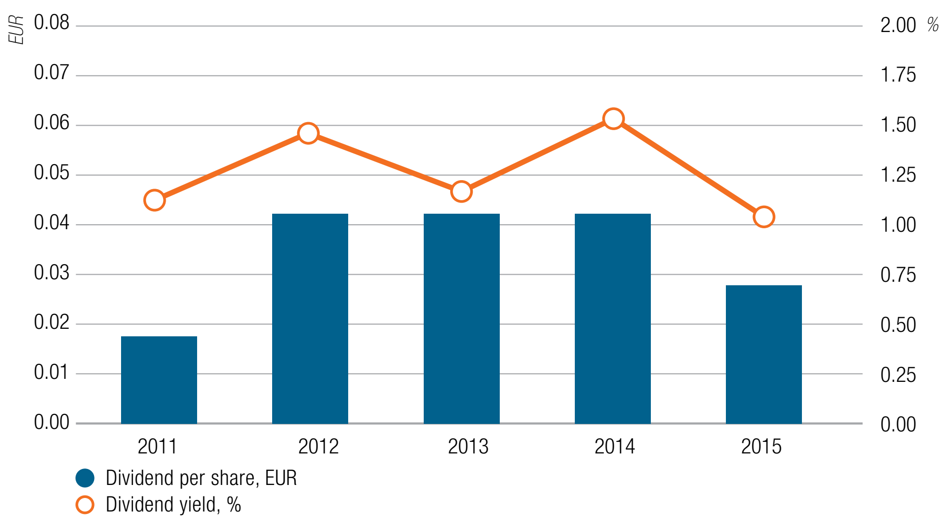
STOCK PERFORMANCE



FIVE LARGEST SHAREHOLDERS

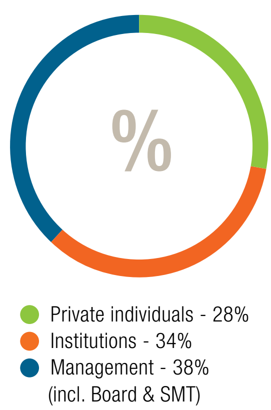
Year ended 31 December 2015			
Shareholders		**Number of shares held**	**%**
Bure Equity AB	Financial institution	10,248,970	13.0%
Michael Colaco	Shareholder	7,703,844	9.8%
Fabio Cannavale (Nomina SA)	Board member	6,948,046	8.8%
Fjärde AP-Fonden	Investment Fund	6,599,733	8.4%
Stefan Widegren & family	Chairman & Founder shareholder	6,150,867	7.8%
Total		**37,651,460**	**47.8%**

DIVIDEND PER SHARE, YIELD[1][2]



[1] At end of the year prevailing exchange rate.
[2] In September 2014 the Company made a directed share issue of 7,138,780 shares.

OWNERSHIP STRUCTURE



Cover photograph:
Lijiang, Yunnan province, China
Photographer: William Zhou 周张辉

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The Chairman's perspective

"MoorMaster™ has now become an accepted technology within the industry."

2015 – A TURNING POINT FOR CAVOTEC

2015 turned out to be more challenging than we had expected at the beginning of the year. Due to continued uncertainty on international markets, many decisions related to infrastructure investment were delayed throughout the year.

For Cavotec, this resulted in an unbalanced 12 months, with challenging production volumes concentrated in the fourth quarter. However, we were very pleased to see that management rose to the challenge and was able to mitigate most of these difficulties and deliver on forecasted revenue levels. Despite these external challenges, which had a significant impact on our financial results, 2015 was a turning point for Cavotec.

A CLEAR AND UNDISPUTED POSITIVE VERDICT IN THE US

One of the main reasons for me saying that 2015 was a turning point for the Group is that we finally won a clear victory in the trial against our former partner Michael Colaco.

After three years of litigation in Orange County, California, this was a very important development for Cavotec. We can now put the trial behind us, and use all our energy to develop the Group rather than defend its rights and integrity. Our Board and management are satisfied with this important and positive verdict, and are confident that Cavotec Inet can now realise its full potential. In fact, the Cavotec Inet product range has now become one of our most promising future growth areas.

AN IMPORTANT MILESTONE FOR MOORMASTER™

2015 can also be described as a MoorMaster™ year. We installed and commissioned some 70 MoorMaster™ units at six major applications in Canada, Finland, Norway, Oman, and South Africa. Moreover, we received six new orders, which were all repeat orders or orders for standard units with existing designs.

These positive developments are a clear sign that MoorMaster™ has now become an accepted technology within the industry, and that customers feel comfortable using MoorMaster™ in their daily operations. After more than 15 years since the first orders for this innovative technology were placed, we have now received orders for more than 250 MoorMaster™ units, around 200 of which are installed and in operation. During the year, we also marked the milestone of an estimated 150,000 successful moorings with the technology.

SIGNIFICANT GROWTH FOR OUR AIRPORTS MARKET UNIT

Another significant development was the substantive increase in airport projects around the world. A number of airport projects had been postponed due to the high fuel costs, with airlines under heavy pressure. Now that passenger traffic has recovered strongly, we see a healthy trend in this important market for Cavotec.

In 2015 we secured three large airport projects in Indonesia, the UAE and the US, which lifted the market unit's sales figures to approximately 35 per cent of Cavotec's total business.

"We have been able to build global leadership in connecting mobile equipment to the grid or their hubs."

CLOSE TO OUR CUSTOMERS

Historically, Cavotec has always been close to its customers, and with their support we have been able to build global leadership in connecting mobile equipment to the grid or their hubs. In recent years, we have developed close partnerships with many of our major customers, which has inspired us to bring many innovations aimed at enhancing productivity and efficiency to market.

Lately, these developments have created a growing need for Cavotec to become involved in after sales service, especially when we deliver comprehensive systems. Due to this positive development, we closed a number of service contracts with major customers during the year, and see increasing opportunities in providing after sales service going forward.

"Our target is to reach and surpass the financial goals that we set for Cavotec a few years ago."

COMMITMENT TO SAFETY, EFFICIENCY AND ENVIRONMENTAL SUSTAINABILITY

Cavotec has always built on its strong position in improving safety, efficiency and environmental sustainability. This has been further cemented in the beginning of 2016 with the Board approving new group-wide policies focussed on creating a robust Corporate Social Responsibility structure within Cavotec. In parallel, we have introduced a whistleblower structure at board level, to ensure we maintain the highest integrity and ethical standards across the Group's global operations.

NEW FIVE-YEAR STRATEGIC PLAN

Our Board and management have started the process of preparing a new Strategic Plan 2016-2020, with the aim of creating strong growth and enhancing profitability. The plan is currently being prepared, and will be presented to the Board for approval by mid-2016. The plan will also involve M&A activities.

The current market uncertainties will have an effect on Cavotec and, in the short term, slow our order intake. To counteract this, we will take immediate steps to improve profitability by streamlining our operations. Our target is to achieve growth and significantly increase profitability to ensure that the Group develops successfully, and in turn creates substantial shareholder value in the coming years.

Lugano, February 2016

Stefan Widegren
Chairman

The CEO’s report

“We continue to actively invest in R&D to develop our innovations for new and turnkey applications.”

The year was extremely eventful and challenging for the Group. However, through hard work, technological development, and investments to expand production, Cavotec faces 2016, and the years ahead, in a strong position.

We continued to invest in our production capacity at several locations including Cavotec Specimas, our Centre of Excellence in Italy. And in China, we have opened a new production facility, thereby staying close to our OEM customers who are increasingly transferring capacity there, and ensuring that we grow as they grow. The EUR 95-million refinancing of the Group, announced in July, was another important milestone for the Group and will have a positive impact on Cavotec’s future.

In terms of technological developments, we continue to actively invest in product development to evolve our innovations for new and turnkey applications. For example, we launched a range of sub-freeze and electrical convertor systems for aircraft servicing in 2015, as well as a new AMPTainer shore power system for container vessels.

On a strategic level, our decision to move towards supplying comprehensive systems and innovative technologies continues to drive growth. In addition to production and technologies, including adherence to the highest of health and safety standards, we continue to invest in our key asset: our people. Our focus on HR ensures that we continue to attract the highest quality candidates.

KEY FIGURES

Group revenues decreased 1.4% to EUR 232 million (EUR 235 million). Organic growth decreased 8.5%, where exchange rate fluctuations accounted for 7.1%.

Adjusted operating result was EUR 10.9 million or 4.7% EBIT (EUR 17.8 million or 7.5% EBIT). Non-recurring costs were EUR 3.3 million. Operating result was EUR 7.6 million. Profit before income tax was EUR 12.8 million, affected by exchange rate differences of EUR 6.5 million (EUR 6.0 million).

Order Intake increased by 4.1% to EUR 230 million (EUR 221 million).

BUILDING FOR THE FUTURE

I would like to highlight a number of market factors, and the strategic decisions we have taken to adapt to these developments in recent years – decisions that have further strengthened Cavotec’s market position.

Throughout the year we have focused on ports and airports – which now represent around three quarters of our revenues – where we are now a recognised supplier of system solutions incorporating innovative technologies. These areas are key drivers for Cavotec’s future growth, and by focussing on these markets we have been able to meet emerging customer requirements and offset the effect of weaker markets. For example, we have been able to counteract the steep decline in demand in the offshore sector caused by the fall in the oil price, with more positive developments in the ports sector, specifically with MoorMaster™ and Alternative Maritime Power, (AMP).

To build on this success, we continue to invest in optimising our organisational structures, our engineering capacity, R&D, production, project management, and service offering. Among a raft of investments made in 2015, we improved our production capacity, reinforced our engineering teams, put in place more sophisticated testing laboratories, established new process structures at Cavotec Inet, and expanded our MoorMaster™ engineering and manufacturing capacity with multiple production sites.

“By improving our local production and engineering capacity we are able to stay close to our customers, and grow as they grow.”

We are extending our expertise across our markets, and closer to our customers. We are now able to simultaneously manufacture complex systems in three primary time zones. In 2015 we produced the first MoorMaster™ units in the US for the US Navy, our first converters in Europe, and our first Azipod marine propulsion systems in China.

We will continue to invest in being close to our key markets, such as the ports and airports sectors, because we are confident that as they continue to grow, Cavotec will grow with them.

MARKET OVERVIEW

Despite harsh market conditions in the offshore segment and the very large MoorMaster™ project in Canada, Ports &

"Supplying comprehensive systems and innovative technologies continues to drive growth."

Maritime revenues for the year remained broadly flat. This pressure on revenues was offset by our ability to introduce new innovative technologies, and a large number of smaller projects throughout the year.

The year saw the successful implementation of MoorMaster™ automated mooring in the St. Lawrence Seaway in Canada, with the same customer ordering the system for the US side of the Seaway and elsewhere in Canada. These projects, along with the other major MoorMaster™ applications now in service for a number of years, have firmly established MoorMaster™ in what is a highly conservative market.

Trust exists in our new technologies, for example in our expanded range of AMP systems; and that we offer a complete package – commissioning, servicing – rather than purely components.

With new innovations, and importantly, a significant increase in service revenues, our Airports market unit had a strong 2015. Highlights for the year included major projects in Abu Dhabi, Indonesia, Miami, and Oman. We also launched our 400Hz Converter Series 2500+, and PowerPack I-connect, which are set to further reinforce our position on the market.

Mining & Tunnelling reported a marginal increase in revenues, which was in part the result of equipment orders for the open pit mine segment. General Industry remained broadly soft in 2015, as customers continue to invest in our innovative systems – for example Radio Remote Controls, Human Operator Interface – that generate added value for their operations.

DOING WHAT WE DO BEST

To continue to build on our strengths and ensure future success, we have started the process of establishing a robust framework for sustainability and social responsibility reporting. As an initial step, the Board of Directors decided on new company-wide policies in early 2016, which formalise our culture, and ensures implementation of the environmental and social goals for which we are known. We look forward to developing and growing our sustainability-related initiatives as we continue to improve the Group in the coming years.

The uncertainties of the current economic climate and the resulting turbulence in both the financial and industrial markets will impact Cavotec. I believe we will see a period of weaker order intake and a slow-down in registering large projects across our most important markets. To ensure Cavotec is well prepared for these challenges I am, together with the Senior Management Team, drawing up a plan to immediately streamline our operations, lower our cost structure and refocus our sales efforts.

Our aim remains to secure growth in our core businesses and I am confident our markets continue to offer sufficient potential. Investing in innovation has been essential for Cavotec's growth and remains an important pillar of our future strategy. Our established product range together with these innovative new systems are key to our long-term success and we face the future with a renewed determination to make our customers' operations safer, cleaner and more efficient.

Lugano, February 2016

Ottonel Popesco
Group CEO

Cavotec year by year

Since starting in Sweden in 1974, Cavotec has grown steadily to become a leading global engineering group supplying customers worldwide. Here's a snapshot of that progress.

70s

1974
Incorporation of Specimas AB in Sweden.

1976
Specimas AB renamed Cavotec AB.

80s

1984
Incorporation of Cavotec sales company in Finland.

Acquisition of Specimas SpA in Italy.

1986
Incorporation of Cavotec sales company in the United Kingdom.

1988
Incorporation of Cavotec sales companies in Canada, Italy and Norway.

1989
Incorporation of Cavotec Group Holdings NV in the Netherlands.

90s

1990
Incorporation of Cavotec sales companies in the Netherlands and of ET Power Connectors AB in Sweden.

1991
Incorporation of Cavotec sales companies in Australia, France and the US.

1993
Incorporation of Cavotec sales companies in Germany and the UAE.

1995
Incorporation of Cavotec sales companies in China and Hong Kong.

1996
Incorporation of Cavotec sales company in Argentina.

1997
Acquisition of Alfo Apparatebau GmbH in Germany.

Incorporation of Cavotec sales company in Singapore.

1999
Acquisition of Metool Pty Ltd. in Australia and Cavotec sales company in Denmark.

00s

2002
Acquisition of Gantrex Group in Canada, South Africa and the US.

2004
Acquisition of Fladung GmbH in Germany.

Cavotec Group and Mooring Systems Ltd. sign sales agreement.

Acquisition of Micro-control AS in Norway.

Cavotec marks 30-year anniversary.

2005
Incorporation of Cavotec sales company in India.

2007
Listing of Cavotec MSL on the New Zealand Stock Exchange.

Group Corporate Office is established in Switzerland.

Reverse acquisition with MSL.

Incorporation of Cavotec sales company in Russia.

2008
Acquisition of the Dabico Group in US and UK.

Acquisition of Meyerinck GmbH in Germany.

Divestment of Gantrex operations.

2009
Milestone order received for PCAir for Bahrain International Airport.

10s

2011
Announcement of Scheme of Arrangement and listing of a Swiss holding company on NASDAQ OMX.

Incorporation of Cavotes sales company in Spain.

Incorporation of Cavotec sales company in Brazil.

Acquisition of Inet Group in the US.

Cavotec SA listed on NASDAQ OMX Stockholm.

2012
Acquisition of Combibox in Sweden.

1st Anniversary of the listing on NASDAQ OMX.

2013
Cavotec wins largest MoorMaster™ automated mooring order to date in South Africa.

2014
Cavotec wins largest MoorMaster™ order to date for the St. Lawrence Seaway.

Cavotec Inet converters and PCA units installed at Dubai International Airport (Concourse 4).

Cavotec enters burgeoning HOI market.

Cavotec awarded contract to supply PCA units and converters for new Airbus A320 assembly line in Alabama, US.

Installation work on the Group's largest oil and gas project: upgrading Statoil's Gulfaks B drilling platform off Norway.

Cavotec's automated mooring and shorepower system wins Electric & Hybrid World Expo Innovation of the Year Award.

Cavotec wins order to supply eight MoorMaster™ units for the Port of Salalah.

Cavotec wins first orders for its Automatic Plug-in System in Turkey and Portugal.

2015

1Q
Cavotec presents new Senior Management Team.

Cavotec secures port equipment orders worth over EUR 11.5 million.

Breakthrough orders for Cavotec's DX-Boost aircraft cooling technology.

Cavotec awarded port equipment orders worth EUR 10 million.

2Q
Cavotec wins airport systems orders worth EUR 27 million.

3Q
Cavotec announces EUR 95 million Senior Revolving Credit and Bank Guarantee Facilities.

4Q
Cavotec wins MoorMaster™ orders in Australia, Canada and USA worth EUR 6.5 million.

Cavotec wins port equipment orders worth more than EUR 9 million.

In this section, we look at how innovation defines Cavotec's work with customers, and how we help drive innovation, productivity, safety, and sustainability.

INSPIRED ENGINEERING

BRINGING INNOVATION TO A GLOBAL AUDIENCE

Innovation

Productivity

Safety

Environment

MoorMaster™ – from innovative concept to mature technology

One of the technologies that epitomises Cavotec's capacity to innovate in truly influential ways, is our automated mooring technology MoorMaster™.

MoorMaster™ uses vacuum pads instead of conventional mooring lines to moor ships. Remote-controlled vacuum pads recessed in, or mounted on quaysides or pontoons, moor and release vessels in seconds. A process that takes up to an hour with conventional mooring. The technology dramatically improves safety and operational efficiency, and in some cases even enables ports to make infrastructure savings.

Some 200 MoorMaster™ units, installed at 30 sites worldwide – soon to grow to 42 – have completed more than 150,000 mooring operations at container and bulk handling, RO/RO, dredging, ship-to-ship, and lock applications to date. (See map).

These numbers are set to grow further in the years ahead as this remarkable technology continues to gain acceptance across a typically conservative market. (See graphs).

SAFER, CLEANER AND MORE EFFICIENT MOORING

By removing the need for mooring lines, the use of MoorMaster™ makes mooring processes significantly safer for ship and shore side personnel.

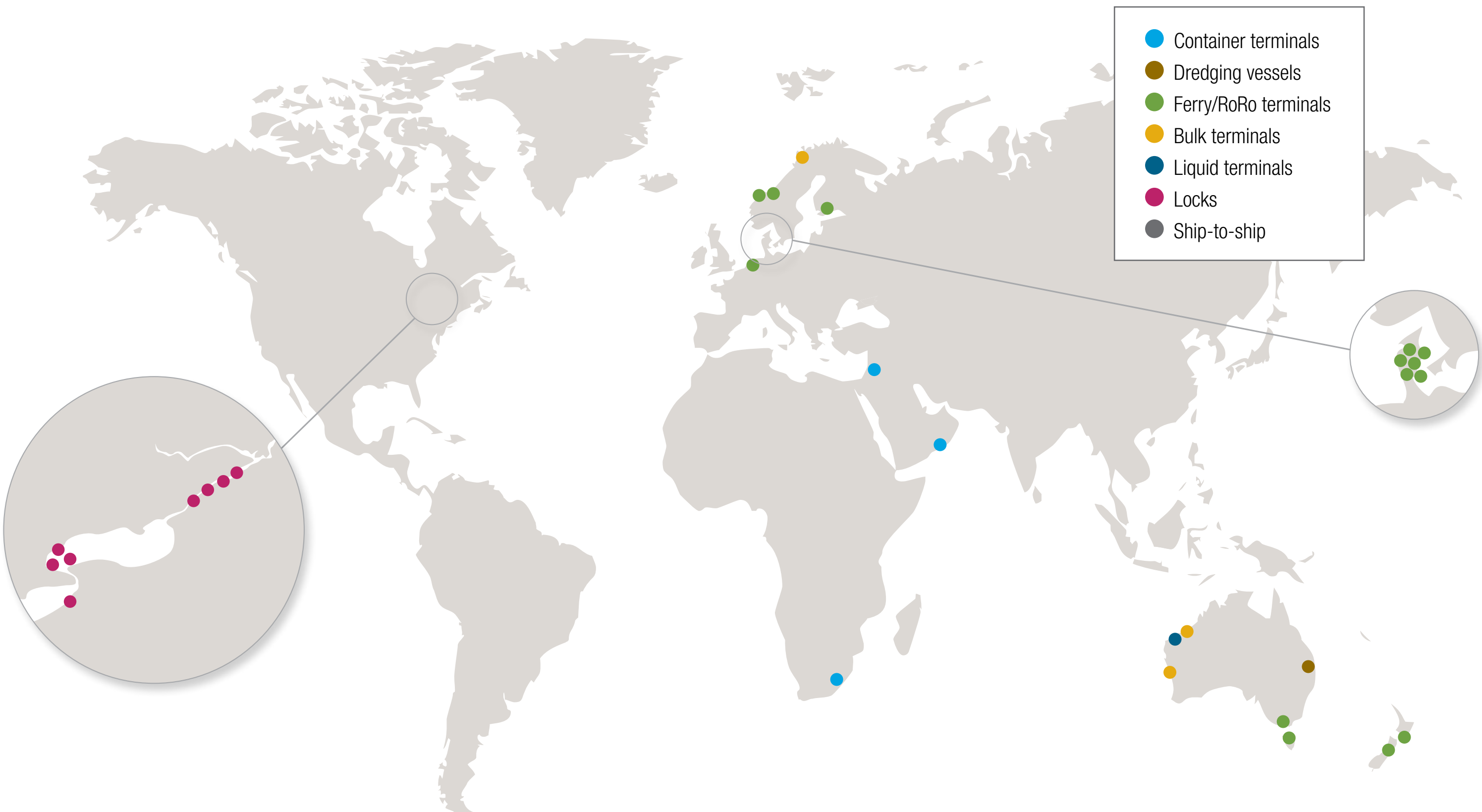
MoorMaster™ holds vessels at set distances from the berth, thereby avoiding the need for ships to be repositioned along the quay – resulting in operational improvements and reduced emissions.

At several applications, the introduction of MoorMaster™ has also resulted in operators avoiding the cost of extending berth infrastructure.

Because vessels using MoorMaster™ are secured in a matter of seconds, compared to up to an hour with conventional techniques, the technology also delivers significant operational efficiency gains. This also reduces the use of tugs, which in turn helps to reduce emissions.

EVER-WIDER ACCEPTANCE…

Since its introduction in New Zealand in 1998, the multi-award-winning



- Hou, Denmark
- Sælvig, Denmark
- Spodsbjerg, Denmark
- Taars, Denmark
- Ballen, Denmark
- Kalundborg, Denmark
- Lavik, Norway
- Oppedal, Norway
- Helsinki, Finland
- Den Helder, Netherlands
- Picton, New Zealand
- Wellington, New Zealand
- Devonport, Australia
- Melbourne, Australia
- Berth 1 & 6, Salalah Oman
- Quay 16, Beirut Lebanon
- Port Ngqura, South Africa
- Brisbane, Australia
- Utah Point, Port Hedland Australia
- Geraldton, Australia
- LKAB, Norway
- Parker Point, Dampier Australia
- SLSMC locks (8), Canada

Per market segment 31 December 2015*			
Market segment	**No.of sites**	**No. of units**	**No. of moorings**
Bulk terminals	3	44	915
Container terminals	3	100	2,427
Ferry & RoRo terminals	18	39	132,960
Liquid terminals	1	8	156
Locks	15	45	10,150
Dredging	1	8	570
Ship-to-ship	1	6	0
Total	42	250	147,178

Per region 31 December 2015*			
Region	**No.of sites**	**No. of units**	**No. of moorings**
Australia/New Zealand	8	56	35,000
Europe	13	39	99,601
Middle East & Africa	3	100	2,427
North America	18	55	10,150
Total	42	250	147,178

** Orders not yet commisioned are included.*

technology has been introduced at a growing variety of applications around the world, including in Australia, Canada, Denmark, Finland, the Netherlands, Norway, Oman, South Africa, and the United States.

Once operators introduce MoorMaster™, many go on to order additional units. Cavotec has worked closely with the Port of Salalah in Oman for many years, for example, where MoorMaster™ is installed at a number of container berths, and has delivered substantial improvements in operational efficiency.

Another repeat customer is the St. Lawrence Seaway, where MoorMaster™ was first trialled in 2007. The Seaway has since expanded its use of the system, recently deciding to equip all 15 of the Seaway's locks in Canada and the US with MoorMaster™ - a total of 45 units, and one of the largest MoorMaster™ projects to date.

The St. Lawrence is the first inland waterway to install MoorMaster™, and indicates the potential the technology has for other major lock applications globally.

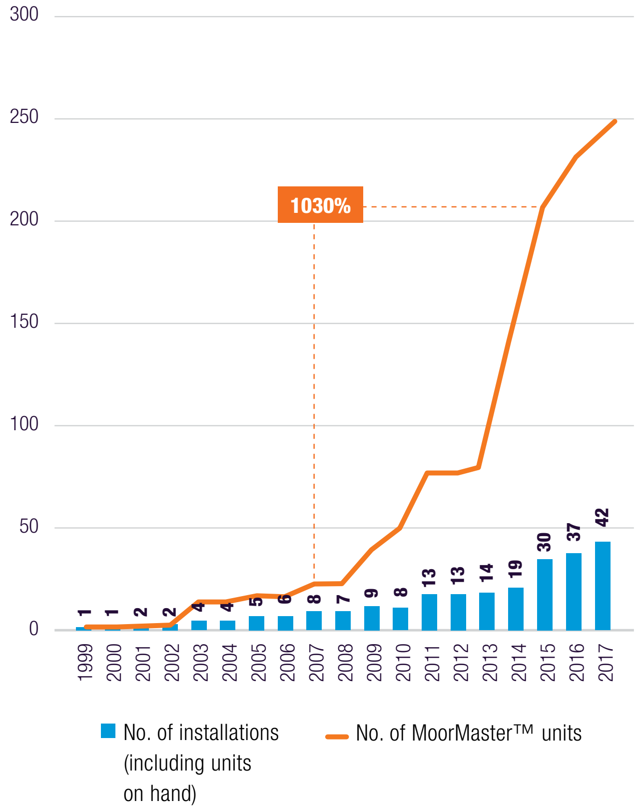
In 2013, Cavotec was awarded its first MoorMaster™ order in South Africa, at the Port of Ngqura in South Africa, for 26 units – one of the single largest orders for the technology.

These units are now installed, and have the capacity to moor the largest container vessels. As with the vast majority of MoorMaster™ projects, this order included installation, commissioning, and training.

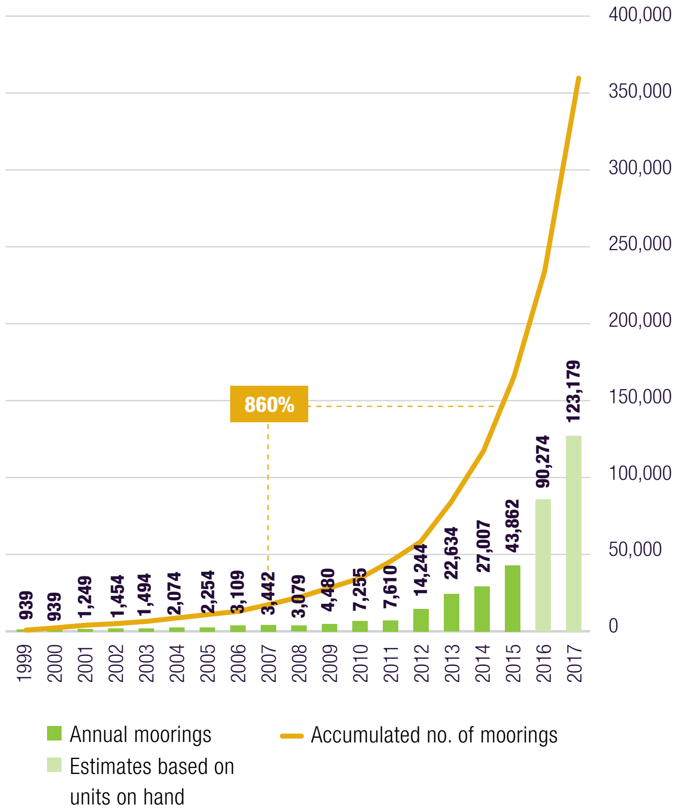
Earlier in 2013, the Group marked another first for MoorMaster™ with an order for the system at an LKAB iron ore berth in Narvik, northern

Cavotec MoorMaster™
US Navy Advanced Mooring System Program

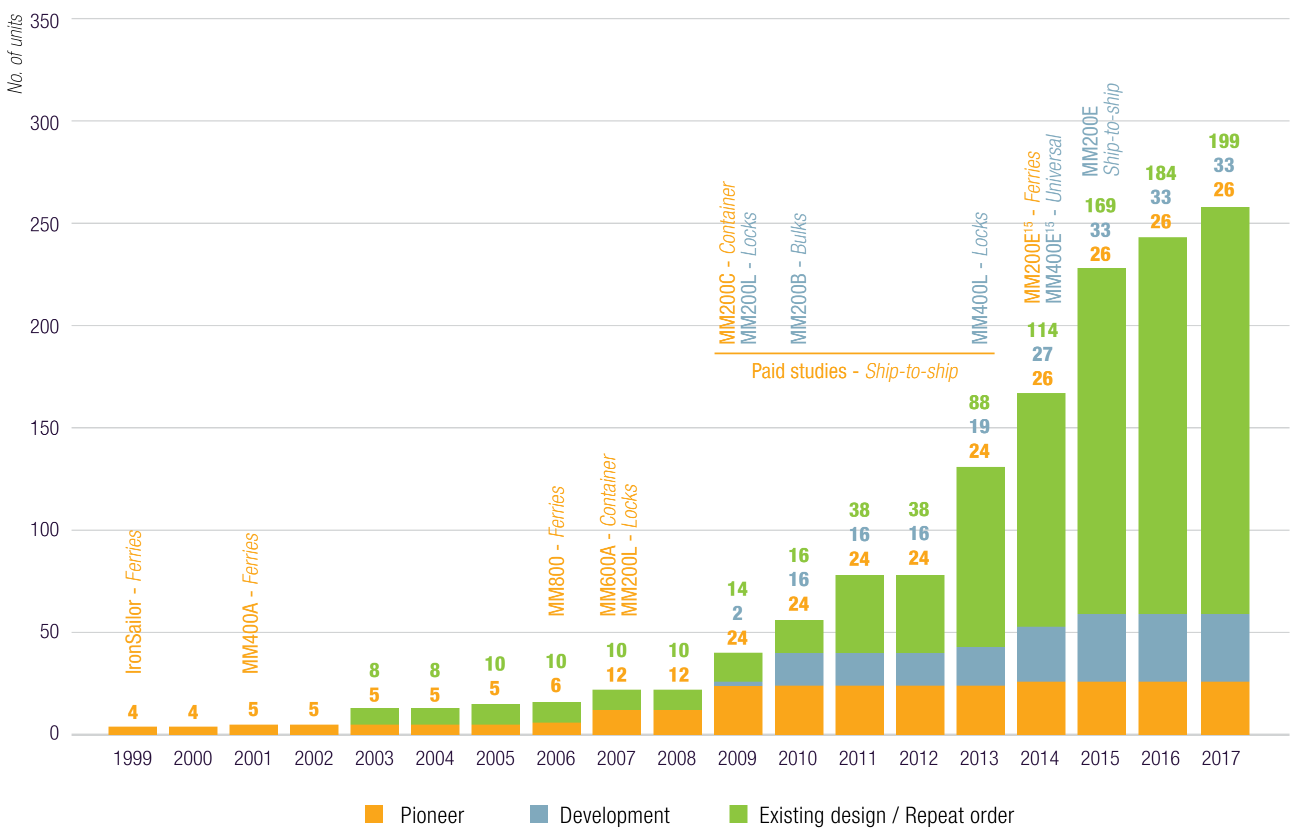
MoorMaster™ units & sites – existing & future



MoorMaster™ mooring operations since 1999



The development of MoorMaster™ into a mature and accepted Cavotec product line



Norway – the first MoorMaster™ application within the Arctic Circle. The units at this installation were therefore built to withstand not only fine iron ore dust and other operational demands, but also harsh Norwegian winters.

Commenting when the order was announced, the safety and operational gains achieved through the use of MoorMaster™ were described by Bjornar Bendiksen, LKAB Project Manager, in the following way:

"MoorMaster™ has so much to offer the shipping industry in terms of improved efficiency and safety; we're delighted to be part of that innovative trend."

…AS THE INNOVATION CONTINUES

At another application in Norway, we have combined MoorMaster™ with our Automatic Plug-in System and our Alternative Maritime Power, (AMP), shore connection technology in a single system.

These units – the first of their kind ever built – automatically moor and subsequently charge the battery power unit of a ferry at two berths in the Norwegian fjords.

The ferry itself is also ground-breaking: it is the world's first battery powered ferry of its type.

The MoorMaster™ and AMP systems installed at the Lavik and Oppedal berths entered service in 2015. This installation highlights the extent to which MoorMaster™ has been successfully adapted to a variety of operational demands, and underlines its future potential.

Cavotec has also been commissioned to work on projects to research and develop explosion proof (ATEX-approved) MoorMaster™ systems, for use at LNG berths. Separately, interest is also growing in the system for offshore, ship-to-ship and pontoon applications.

In the latest stage in the continuing evolution of MoorMaster™, Cavotec has teamed up with Finnish energy and marine services group, Wärtsilä, to develop the world's first marine wireless charging and mooring concept for ships.

Under the joint project, MoorMaster™ technologies will be combined with a wireless charging system, based on inductive power transfer, developed by Wärtsilä.

The integrated wireless charging and mooring system will be used to moor and charge battery-powered ships - an area that has considerable potential for growth in the years ahead.

As MoorMaster™ continues to gain acceptance in the market place, and expand its versatility and performance, this exceptional technology looks set to realise its considerable market potential.

Ports of Spodsbjerg & Taars, Denmark - MM400A

Port of Beirut, Lebanon - MM200C

Ports of Lavik & Oppedal, Norway

Innovation

Cavotec 2500+ Series, Frankfurt International Airport

Challenging conventional thinking

Innovation lies at the core of Cavotec's offering. We constantly challenge conventional thinking with a readiness to search for new ways to improve operations.

A PASSION FOR INNOVATION

For a better idea of our passion for engineering, we speak to Felix Covarrubias, VP Research & Business Development at Cavotec Inet, and hear about one of our latest innovations: the Series 2500+ ground power unit, (GPU), for aircraft.

The unit is used to power parked aircraft, allowing aircraft auxiliary power units, (APU), to be switched off. This reduces fuel consumption, noise and emissions.

A GLOBAL PRODUCT FOR A GLOBAL MARKET

"The 2500+ incorporates new technologies that are set to make aircraft servicing cleaner and more cost effective. The unit is compact, smaller and lighter than existing GPUs, and generates more output, more quietly, and more efficiently. If your GPU supplies cleaner power to aircraft, systems on aircraft will also run more efficiently. This represents considerable cost savings for users.

"We spoke to our global customer base, and gathered valuable insights into what airports and aircraft manufacturers are looking for in terms of a next generation GPU. The result is the 2500+. In terms of our product mix for airports, the 2500+ enhances our ground systems equipment, (GSE), offering, making our proposition even stronger.

"Reflecting our global approach, this is a global product for a global market."

"The 2500+ also highlights how Cavotec is innovating its production processes and expanding its manufacturing capacity into new markets, thereby increasing its flexibility and attractiveness to clients.

"The 2500+ delivers 500 per cent overload – a measure of how much additional effect exists in the system – and right now, the industry standard is 400 per cent.

"Crucially, the 2500+, and 400Hz modular coiler PowerPack I-Connect, are easily integrated with our other airport technologies, as well as periphery systems such as alarms and data monitoring. And, with our software package, Cavotec Skyway, you have remote access to your equipment, making our system versatile and easy to use."

This extra capacity not only puts the 2500+ and PowerPack I-Connect ahead of its competitors, it ensures that Cavotec is offering a technology that meets the operational requirements of aircraft for the foreseeable future.

Felix Covarrubias
VP Research & Business Development
Cavotec Inet US Inc.

Cavotec Inet – 400 Hz Converter Final System Testing

2500+ Series

Cavotec Skyway Interface

400Hz Aircraft Connector, Frankfurt Airport

"This exceptional performance ensures aircraft services are maintained at the gate, and future-proofs against potential power demands of next generation aircraft," says Felix.

"The unit is compatible with European and North American power supplies, and its exceptional capacity means it will perform well in demanding environments such as the Middle East.

"The unit can also be installed either horizontally on passenger bridges, or vertically on the apron. This helps reduce the cost of maintenance and spare parts."

"And in terms of user experience, the 2500+ has an extremely intuitive, multi-lingual display, which can be operated via smartphone, tablet, or desktop. You can access the equipment to operate or simply to monitor system status.

"To achieve new things, to outperform the competition, you have to be brave, you have to test the limits and go further than the other guy. This is what the 2500+ is all about.

CONSIDERABLE MARKET POTENTIAL

"We've already received a lot of enquiries about the system, as well as positive feedback from airports and aircraft manufacturers, so I think its potential is massive – that's how good it is.

"The 2500+ shows how we are able to develop new and better products that are built to meet, and indeed go beyond, requirements of new and next generation aircraft, such as the Airbus A380 superjumbo, the A350, and the Boeing 787, and 737 MAX. I see that we're up to these challenges and it's great."

HOW WE WORK

We frequently bring in different skill sets, experience, and knowledge to deliver the best solutions for our customers.

Experts from our various Centres of Excellence often work closely with our sales and marketing teams to do exactly that.

The final results are remarkable, and we have often won complex projects because of our ability to work internationally, across geographical, cultural, linguistic, and national boarders.

"I value the fact that my CEO, and everyone at the Group, has a genuine affinity for technology."

"We have the freedom to design, test, develop, deliver new products – we're encouraged to be curious and not to be content with existing technologies, I love that."

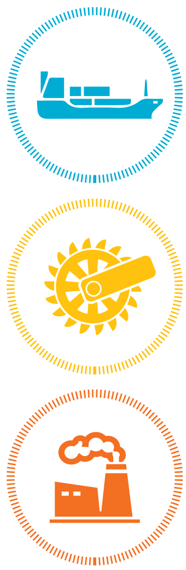
400Hz Aircraft Connector, Frankfurt International Airport

Productivity

AMPTainer, Port of Los Angeles

Enabling productivity gains

Optimising performance, reducing waste, cutting down-time: just some of the ways Cavotec technologies are helping customers improve operational efficiency.



POWERING PRODUCTIVITY WORLDWIDE

Cavotec technologies play a critical role at a large variety of applications all over the world in driving productivity and ensuring our customers excel.

Our robust, reliable systems meet our customers' specific requirements and minimise downtime and operating costs.

One market that exemplifies our key role for customers is China, where we have been present for some 20 years. As our OEM customers in the region have grown, so have we. To get a better idea of what has driven this success, we spoke to Jeff Fan, Vice General Manager at Cavotec Shanghai. An experienced engineer, and self-confessed crane fanatic, Jeff has worked in the region throughout his career, and has been with Cavotec for more than 13 years.

LOCAL EXPERTISE, LONG-TERM PARTNERSHIPS

"We work closely with the world's largest OEMs, many of which manufacture locally, and so do we. Our customers value that in addition to design and assembly, our dedicated teams also test and commission equipment locally.

"Cavotec China started with about seven or eight employees. Today, we number about 100, so we have more people to focus on the local market, and to work closely with our customers."

SAFER, FASTER OPERATIONS

Cavotec invests in technologies that drive productivity for customers worldwide, and in a wide variety of sectors. Here Jeff highlights some of these innovations in the Ports & Maritime and Airports sectors.

"Container ships are getting larger. So crane manufacturers need to build larger and faster cranes to service them, and this means that they need cable reels capable of operating at ever higher speeds, carry containers greater distances from higher start positions.

"We are innovating our cable reel technologies to meet the new requirements created by the emergence of these larger container ships. We have improved our hardware and software – with improved capabilities for faster, higher cable reel operation.

"Our Automatic Plug-in System, (APS), already in use at major container terminals, automates the connection of cranes, ships and other mobile equipment to the power grid with cable reels.

Jeff Fan
Vice General Manager
Cavotec Shanghai

MM400L Great Lakes Locks, Canada

APS and an ERTG

APS for ERTG in Sines Portugal

PCA Pop-Up Pit System, Bahrain

"APS promises to make an important contribution to many ports and terminals in terms of safety, environmental performance and operational efficiency."

"Our customers are extremely interested in these technologies. Everyone is talking about automation for cranes and yard cranes – this is clearly the future, and this is what we're investing in."

AIRPORTS, TUNNELLING SET FOR CONTINUED GROWTH

At airports, our pit systems are enabling the removal of vehicles from the apron, thereby making aircraft servicing safer – in terms of risk to personnel and equipment – and more efficient.

"In the time I've been with the Group, we've successfully made the transition from a components supplier to an entire systems provider, including design, engineering, and customer support – a complete service concept.

"Here in China, there is substantial investment in airports – in aircraft and airport retrofitting – but primarily in new airports and terminals. This represents excellent opportunities for Cavotec going forward."

"The Chinese government is also investing in railways, and underground trains, which is very positive for Cavotec."

HOW WE WORK

To improve its service for customers, the Cavotec Group decided some ten years ago to develop multi-location production capabilities in the world's three primary time zones.

Today, we are able to manufacture and assemble our most sophisticated products and systems for many of our key customers in Asia, the Americas, and Europe. This enhances our competitiveness, while making it possible to react to special requests more rapidly and more efficiently.

Motorised Cable Reels, Port of Los Angeles

Safety

An HOI unit, Hausen, Germany

Safety as standard

Cavotec technologies and know-how are making applications safer in some of the most demanding environments on Earth.

ENSURING SAFETY, HEALTH, AND COMFORT

As well as enabling customers to operate more cost effectively and sustainably, another key area of our offering is the improvement of operational safety, and the working environment of personnel at an individual level. Cavotec Radio Remote Control, (RRC), and Human Operator Interface, (HOI), technologies ensure safer, healthier, and more comfortable working environments at applications worldwide.

Mette Olsen, Technical and Quality Assurance Manager at Cavotec Micro-control in Norway, reveals how we do this.

> "All our systems help our customers improve the safety of their employees. Simply by using our HOI and RRC units people are already safer than they would have been without them."

"HOI and RRC enable operators to control equipment remotely, so they can work in safer, more comfortable environments. This reduces the risk of personal injury and the likelihood of mistakes, thereby ensuring more efficient operations.

"Whether it's trucks, cement mixers, cranes, or oil platforms, our RRCs make life safer for operators because our units give them a complete overview of what they are doing without being too close to the operation itself.

"For example, there is a lot of mobile equipment moving things around on oil platforms – cranes, winches etc. – so people need to be able to control equipment at a safe distance, and have an overview of the entire operation.

A TRUSTED PARTNER

"Customers don't only rely on us for advanced technologies. They also come to us for advice and support about evaluation, and safety standardisation. We've been active in the RRC segment for many years now, and in that time we've gained considerable regulatory competence and experience.

"We know the industry, we know the norms, so we can advise customers on configuring RRCs safely, in combination with the practicalities of a given application.

"There are extremely high requirements on products in terms of quality in a number of the sectors where we are active, oil and gas, offshore, and mining for example."

Mette Olsen
Technical and Quality Assurance Manager
Cavotec Micro-control AS

Radio Remote Control

A radio remote control unit at an offshore installation

Motorised Cable Reel

Trapac Terminal, plug & socket

"We have the expertise and experience our customers are looking for in this regard, and help customers with certification."

Cavotec actively transfers its know-how from sectors such as oil and gas to other segments with a view to improving the overall quality and consistency of industry standards.

"In terms of design, weight, and operational requirements, our units are designed to make work more comfortable and less physically demanding. We also offer a comprehensive range of control chairs and control desks.

INNOVATIONS IN HOI

"We have developed a complete RRC/HOI solution that in addition to our radio control includes a video system, offering real time video and process monitoring displayed on high quality monitors or smaller pads. This is a complete system package for the customer, configured according to the customer's needs and requirements.

"HOI is still a relatively new area, but the market potential is significant, and we're improving our HOI offering and plan to do so further in the years ahead. I think HOI will grow even further when customers realise what is possible when using this complete system solution.

"Looking at where things are headed in this segment for the next five years or so, I'd say that improving the integration of radio, video and control systems will become increasingly important."

HOW WE WORK

Quality and safety are key considerations when operating large machines in harsh and challenging environments. Cavotec Micro-control has developed the highest standards for quality control, (SIL-3), to ensure the highest possible standards in safety and reliabillty for our customers. Our 30 years' experience has built Cavotec an excellent reputation for being a world leader in this field.

"I enjoy working at Cavotec because we're global yet local, and work close with companies and customers all over the world."

"Also, I love that we are constantly looking for new possibilities, and together with our customers looking to develop new products and new solutions."

MM200C, Port of Narvik, Norway

Environment

Port of Los Angeles, TraPac Terminal

Powering sustainable operations

Cavotec's automation and electrification technologies are playing a key role in reducing environmental impact at applications worldwide.

SUPPORTING SUSTAINABLE OPERATIONS

Cavotec's innovative technologies are supporting sustainable operations, and enabling customers to meet regulatory requirements.

The COP21 UN agreement on climate change, signed in Paris in December 2015, is a powerful reminder of the extent of the political will that is driving steps to reduce the effects of climate change.

As investment in technologies that enable more sustainable operations has grown, Cavotec is increasingly recognised as an important partner for the reduction of environmental impact.

For a closer look at how Cavotec is making this happen for customers, here's Diego Sanchez, VP Sales & Marketing, Cavotec USA Inc.

NICHE TECHNOLOGIES

The electrical vehicle, (EV), segment is one of many areas where Cavotec is increasingly active. Our systems are being used to electrify cars, trucks, cranes and ships.

"The potential for our technologies in the EV market, for cars and trucks, Ports & Maritime applications and beyond, is considerable – huge in fact."

Working closely with customers and suppliers, Cavotec has developed a range of EV charging station technologies for the commercial car segment in Europe and the US. Cavotec engineers are taking know-how garnered in other sectors and applying it to the EV market.

Another EV sector where Cavotec is seeing considerable interest is Ports & Maritime where the Group is working with port authorities to develop EV charging for trucks.

"Our Automatic Plug-in System, (APS), is the world's first cable reel technology that automates the connection of cranes and ships to an electrical power supply. This has huge potential on the market."

Cavotec's combined APS and automated mooring system – where APS charges the world's first battery powered passenger ferry – entered service at two berths in Norway in 2015.

Diego Sanchez
VP Sales & Marketing
Cavotec USA Inc.

GE wattstation, Cypress USA

AMPTainer, China

PCA Pop-Up Pit System, Bahrain

Cavotec 2500+ Series, McCarran International Airport

A KEY PARTNER

"As we continue to integrate electrification technologies at ports and terminals, we are making a considerable contribution to reducing emissions and fuel consumption."

"Our Alternative Maritime Power, (AMP), systems are used to connect ships to shore side electricity, allowing operators to switch off ships' diesel generators, helping operators reduce emissions in ports and surrounding communities. As lawmakers in Europe and the US tighten regulations on emissions from shipping, AMP is an area where Cavotec is set for continued growth in the years ahead.

CLEANER, QUIETER AIRPORTS

"For airports, our Pre-conditioned Air, (PCA), systems reduce emissions at terminals. Once aircraft are parked at the gate, ground crews connect aircraft to our PCA units, allowing pilots to shut off aircraft auxiliary power units (APU), considered to be one of the most polluting equipment at airports.

"Our PCA units are also far quieter than standard APUs and Central Processing Units. This benefits people living in surrounding areas, and improves working conditions at airports."

HOW WE WORK

Many of our innovations have been developed in close co-operation with our customers. Because it is essential to identify true customer needs, we work together as partners to find the most appropriate and cost-effective solutions. The result is that we are able to shorten the time from concept to ready product, while we develop state-of-the-art innovations that bring tangible value to our customers around the world.

"Working at Cavotec is enormously enjoyable because we're basically a tight-knit group always thinking of new ways to do things."

"We're always creating, always looking to improve existing technologies and develop innovations that make things happen and reduce environmental impact."

ERTG, Northport Terminal Malaysia

Here we provide an overview of our four main market units: Ports & Maritime, Airports, Mining & Tunnelling, and General Industry, and their innovative technologies.

MARKET UNITS

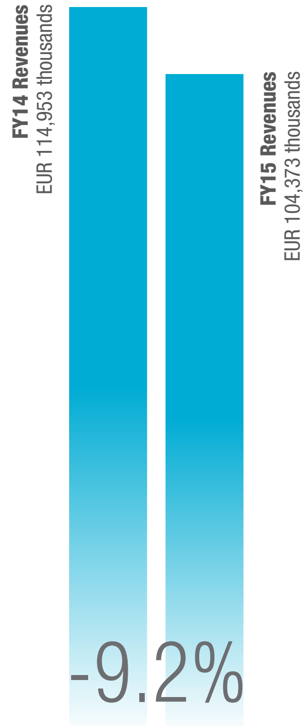
A TAILORED APPROACH FOR OUR MARKETS

Ports & Maritime

Airports

Mining & Tunnelling

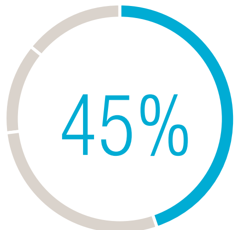
General Industry



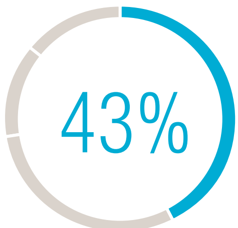
Ports & Maritime

Ports & Maritime develops and manufactures innovative automation and electrification technologies for the global ports and shipping sectors.

These include MoorMaster™ automated mooring, APS, a comprehensive range of AMP, (shore power), systems, motorised cable reels, marine propulsion systems, Panzerbelt cable protection systems, power chains, and RRC.



Accumulated Revenues
EUR 104,373 thousands



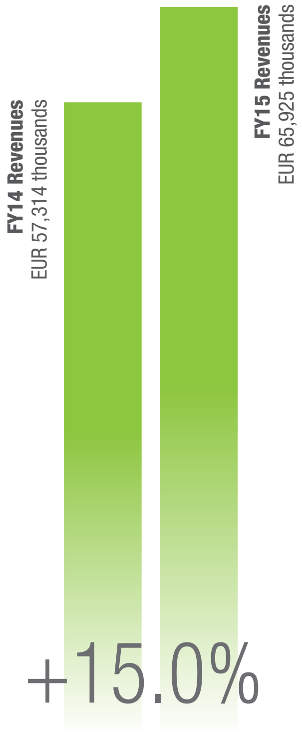
Accumulated Order Intake
EUR 98,238 thousands

Order Book
EUR 58,520 thousands

Percentages indicate share of Group totals.

CUSTOMERS IN THIS MARKET UNIT:

ABB; Aker; Cargotec; DP World; Konecranes; Max; Streicher; MSC; Narvik; National Oilwell Varco; Port of Los Angeles; Port of Long Beach; PSA; Schneider Electric; SLSMC; Transnet National Ports Authority (TNPA); ZPMC.



Airports

Airports is a leading systems integrator and OEM for the global market.

The unit offers a comprehensive range of advanced ground support equipment, including air, fuel, water and power supply units, tunnel systems, pre-conditioned air units, (PCAir), aircraft connectors and caddies.

28%

Accumulated Revenues
EUR 65,925 thousands

30%

Accumulated Order Intake
EUR 68,634 thousands

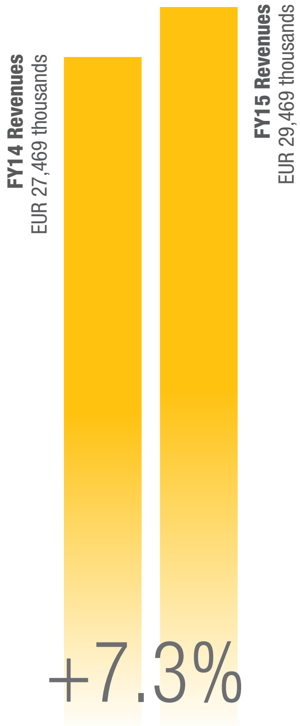
28%

Order Book
EUR 27,536 thousands

Percentages indicate share of Group totals.

CUSTOMERS IN THIS MARKET UNIT:

Airbus; Boeing Corporation; Bombardier; Dubai Airport; Emirates Airline; Frankfurt Airport; Heathrow International Airport; Hong-Kong Int'l Airport; Lufthansa; Munich Airport; Noi Bai Airport; Paris CDG Airport; Shaanxi Aircraft Company; Shanghai Airport; ThyssenKrupp; US Air Force.



Mining & Tunnelling

Mining & Tunnelling's product offering incorporates RRC, motorised cable reels, power connectors and spring driven cable reels.

Working closely with the world's major mining and tunnelling OEMs, the Mining & Tunnelling unit, and its innovative systems, ensure that applications are safe, efficient and minimise environmental impact.

13%

Accumulated Revenues
EUR 29,469 thousands

13%

Accumulated Order Intake
EUR 30,724 thousands

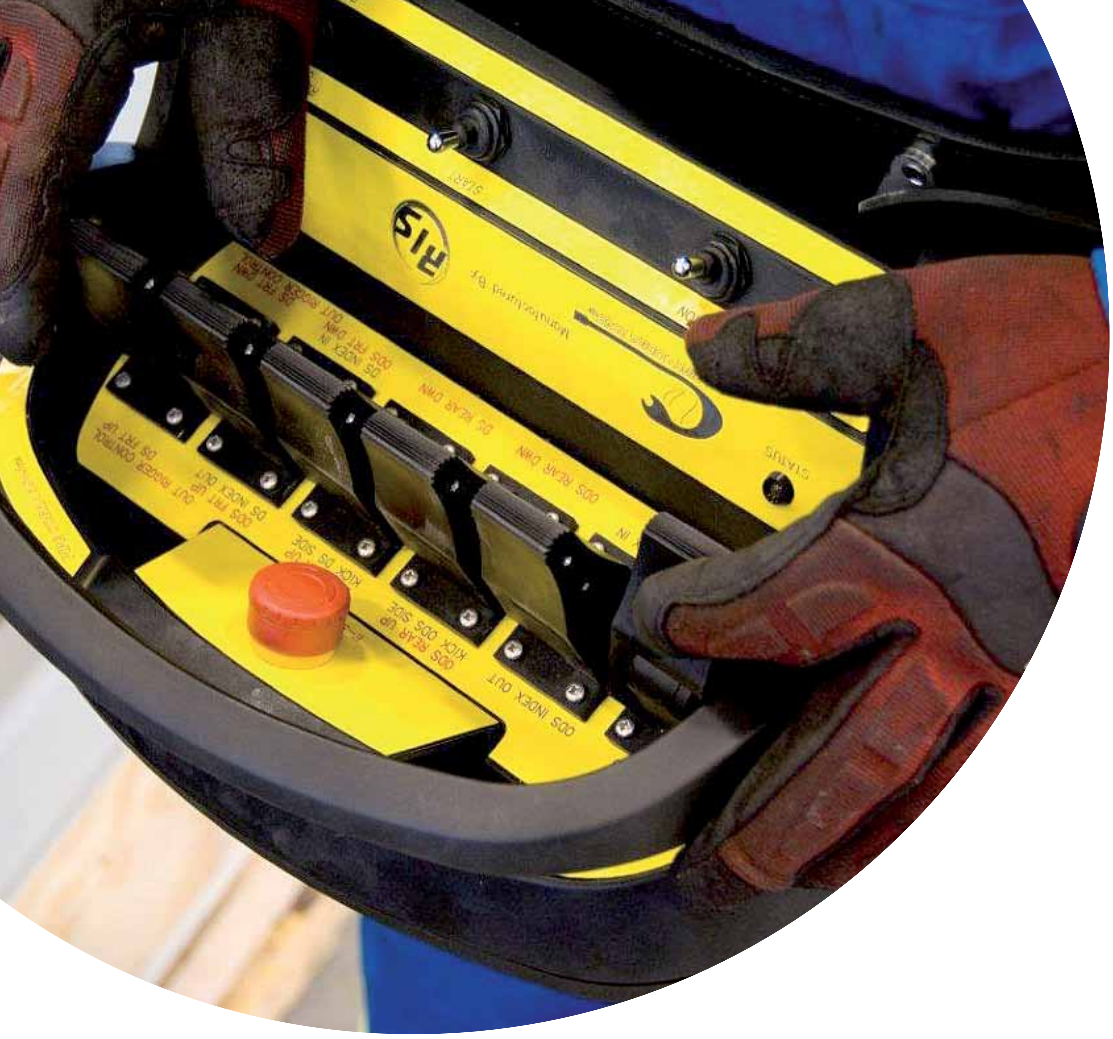
7%

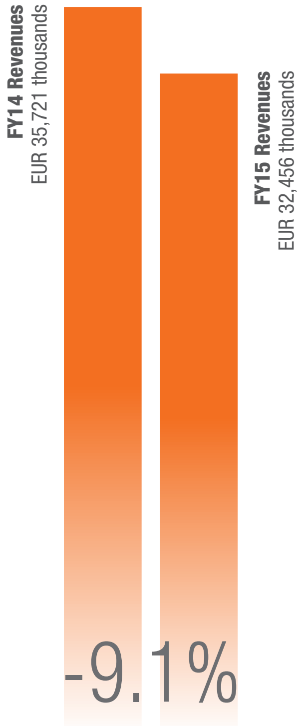
Order Book
EUR 6,457 thousands

Percentages indicate share of Group totals.

CUSTOMERS IN THIS MARKET UNIT:

Atlas Copco; BHP Billiton; Caterpillar; DHI; FAM; FMG; Herrenknecht; LKAB; Normet; Rambooms; Rio Tinto; Robbins; Sandvik; Tenova TAKRAF; ThyssenKrupp; Vale.





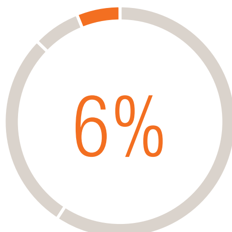
General Industry

General Industry covers a wide variety of sectors and technology niches for a global customer base.

The unit's offering includes cable chains, motorised cable reels, Radio Remote Controls, slip ring columns, power connectors, rotating electrical connectors, and spring driven cable reels.

Accumulated Revenues
EUR 32,456 thousands

Accumulated Order Intake
EUR 32,103 thousands



Order Book
EUR 5,930 thousands

Percentages indicate share of Group totals.

CUSTOMERS IN THIS MARKET UNIT:

ABB; Arcelor – Mittal; Gulf Piping; GE; IER Bollore; Italgru; Konecranes; Liebherr; Manitowoc; Palfinger; Sany; Sennebogen; Tadano Faun; Terex; Zoomlion.

CSR REPORT

INVESTING IN A SUSTAINABLE FUTURE

A structured approach to CSR

Since its foundation, Cavotec has established a strong product portfolio and culture based on innovation, customer focus and environmental and social respect. Everything we do is grounded in one key principle: to support Cavotec's operations and business, and it is our strong conviction that long-term business success and sustainability are interlinked. With a strong focus on sustainability, we are able to take control of the company's risks and eventually turn them into opportunities.

As the Group grows and matures, the Board has decided that it is time to formalise our culture and build a robust sustainability framework.

"POWERING A SUSTAINABLE WORLD"

To support and strengthen this important work, the Board agreed, in December 2015, on a new vision and extended business concept, which underline a strong commitment to sustainability and social responsibility.

"Cavotec's vision is to be world leading experts in the engineering and supply of systems to connect, electrify and automate ships, planes and mobile equipment.

Our business concept is to design, engineer and supply innovative products and systems that enable a wide variety of industry sectors to improve safety, efficiency and environmental sustainability. We build long-term relationships with customers that drive operational efficiency and improve return on investment.

At Cavotec, we believe that a responsible approach to business is a decisive factor in determining the long-term success of our company. Our vision is powering a sustainable world. To realise this vision, we conduct our business taking into consideration long-term environmental and social sustainability."

PROGRESS IN 2015

During the autumn of 2015, Cavotec reviewed current policies and its Code of Conduct. As a result, the Board of Directors adopted a new set of policies and an updated Code of Conduct at the beginning of 2016.

The Code of Conduct is built upon the ten principles of the UN Global Compact and outlines the principles and standards that Cavotec expects and requires all its employees and directors to observe and uphold. The Code summarises the internal policy documents related to business ethics, quality, and social and environmental responsibility.

A Whistleblower Policy has been introduced as part of these policies. Internal reporting of suspected criminal or unethical behaviour by or within Cavotec is vital in maintaining sound business ethics. The policy provides means for every employee to anonymously report a concern to the Confidential Advisor and strictly forbids any mistreatment of those who come forward believing a colleague has violated the Code.

FOCUS AREAS FOR 2016

In 2016, Cavotec will focus on implementing the policies into our strategies and operations. This will be achieved by developing guidelines and action plans together with management and employees. One key element of the action plans will be to set relevant targets: on a Group level, for each market unit, and for our local manufacturing and sales companies.

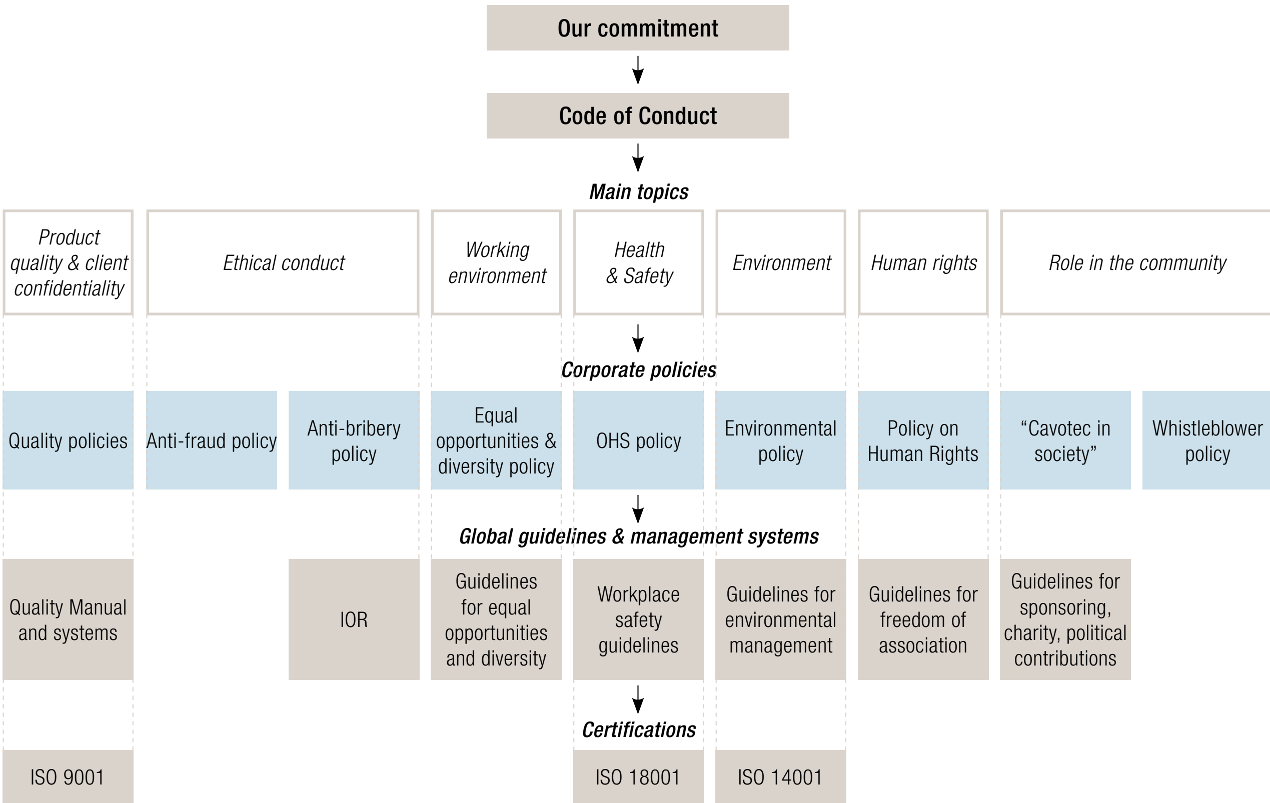
During the year, Cavotec will also set up a reporting system to follow up and measure our work. Our objective is to report according to the new EU directive on non-financial information or GRI in the coming years.

CAVOTEC POLICIES

Cavotec has introduced a revised Code of Conduct and corporate policies to further strengthen and formalise its commitment to all its stakeholders. The topics of these policies include:

Anti-fraud
Anti-bribery
Environment
Equal opportunities & diversity
Human rights
In society
Operational Health & Safety
Quality
Whistleblower

Policy structure



10 Principles of the UN Global Compact

Human Rights	*Principle 1:*	Businesses should support and respect internationally proclaimed human rights; and
	Principle 2:	ensure that they are not complicit in human rights abuses.
Labour	*Principle 3:*	Businesses should uphold the freedom of association and recognize effectively the right to collective bargaining;
	Principle 4:	eliminate all forms of forced and compulsory labour;
	Principle 5:	effectively abolish child labour; and
	Principle 6:	eliminate discrimination in respect of employment and occupation.
Environment	*Principle 7:*	Businesses should support a precautionary approach to environmental challenges;
	Principle 8:	undertake initiatives to promote greater environmental responsability; and
	Principle 9:	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	*Principle 10:*	Businesses should work against corruption in all its forms, including extortion and bribery.

CAVOTEC'S ROLE IN THE COMMUNITY

The Cavotec Group as a whole, and its large number of local companies, actively support a wide variety of cultural, sporting and educational events and initiatives.

Whether it's a fun-run in Norway, or an environmental technology initiative in the US, Cavotec actively works to ensure that it is a positive and responsible entity in the communities where it is present. In Shanghai, for example, we support the WILL orphanage, a sustainable and self-sufficient eco-learning centre for disadvantaged children, on an on-going basis.

And following April's devastating earthquake in Nepal, which claimed some 8,000 lives and destroyed an estimated 30,000 buildings, Cavotec India was quick to establish a fund to raise money for the Nepal Red Cross Society, an effort that was also supported by the wider Group.

Cavotec also works tirelessly to improve its sustainability profile within the Group itself. As an organisation, we are very much aware of the need to reduce our own environmental impact.

NATIONAL, INTERNATIONAL CERTIFICATIONS

All our businesses strive to achieve relevant ISO and other classifications – Cavotec Shanghai, for example, was successfully audited according to ISO 14001:2004 standards in September.

And 2015 also saw Cavotec Connectors launch a new Business Management System, (BMS), compliant with ISO 9001 for Quality Management, and ISO 14001 for Environmental Management. The BMS provides a structure for internal control and governance as well as compliance with external, national and international standards, as well as a source of policies, regulations, process descriptions, instructions and guidelines that enable the reuse of work methods.

Furthermore, wherever possible, we reduce waste, recycle materials, or responsibly dispose of those that cannot be recycled.

We also seek to limit the environmental impact of shipping our products in as much as is possible. And while naturally travel plays an important part of building and maintaining a business, we also seek to maximise our use of conference calling facilities to limit emissions caused by road and rail travel.

ROBUST BUSINESS ETHICS

We believe that sound business ethics must play an integral role in all our transactions and relationships with customers, suppliers, and others. As a multinational group, it is of the utmost importance that Cavotec staff conduct their work with sensitivity and exemplary ethical behaviour at all times.

All our business units are required to ensure that suppliers conform to the highest possible standards regarding employee health and safety, the environment and social responsibility. Cavotec employees are issued with the Cavotec Code of Conduct that provides detailed guidelines on ethical standards, cultural differences and business practices.

As a relatively small organisation, with a global presence, it is important that Cavotec has a strong, shared company culture. This helps us to align business goals, and creates a common vision for employees wherever they are based. Each Cavotec employee brings to the Group a diverse range of skill sets and individual characteristics that are valued and recognised by fellow colleagues, partners and customers. All employees are respected and encouraged to contribute to the Group's overall success.

PIONEERING INNOVATIVE TECHNOLOGIES THAT REDUCE ENVIRONMENTAL IMPACT

Cavotec technologies are expanding the use of automation and electrification at applications worldwide, thereby making a significant contribution to reducing environmental impact. Cavotec is also a key enabler for its customers in meeting legislation regarding environmental targets.

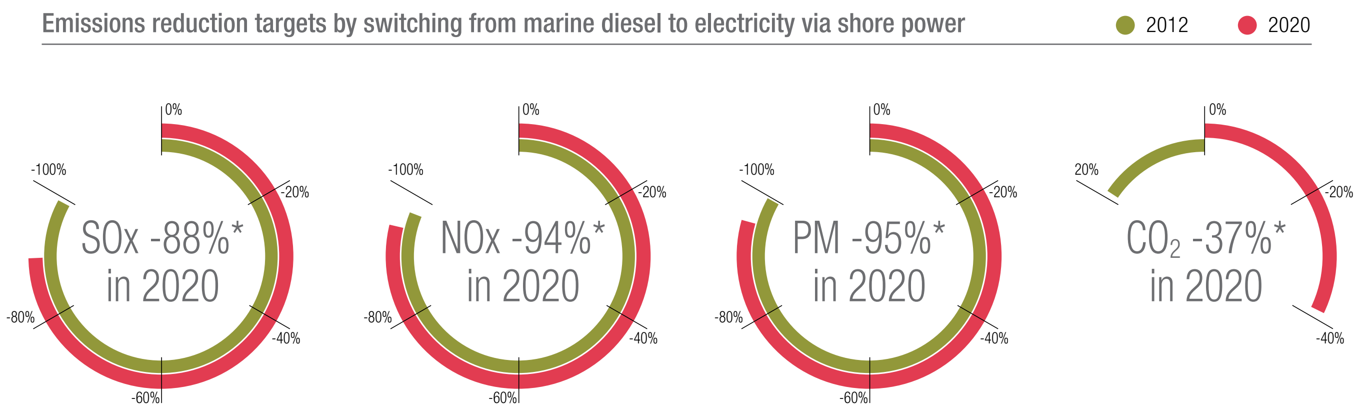
Our pit systems for airports, for example, reduce the use of petrol- and diesel-powered service vehicles required on the apron; while our power units enable aircraft auxiliary power units to be switched off, further reducing not only emissions, but also noise pollution.

In the ports sector, our Automatic Plug-in System – one of our most recent innovations – is widening the use of electrically powered cranes, ships, and other equipment thereby reducing emissions.

Our range of Alternative Maritime Power systems – increasingly widely used across Asia, Europe, and the US – are helping port authorities and shipping lines significantly reduce emissions of NOX, SOX and particulate matter from ships in port. (See below emission comparison between shore power and ships' diesel generators).

In the mining and tunnelling and general industry sectors, our systems are expanding customers' scope to switch from diesel driven equipment to safer, cleaner, electrically powered and automated systems. These technologies also enable far more positive conditions for operators in terms of ergonomics and working environments.

Emissions reduction targets by switching from marine diesel to electricity via shore power



** Percentage change in emissions intensity*
Source: ICCT

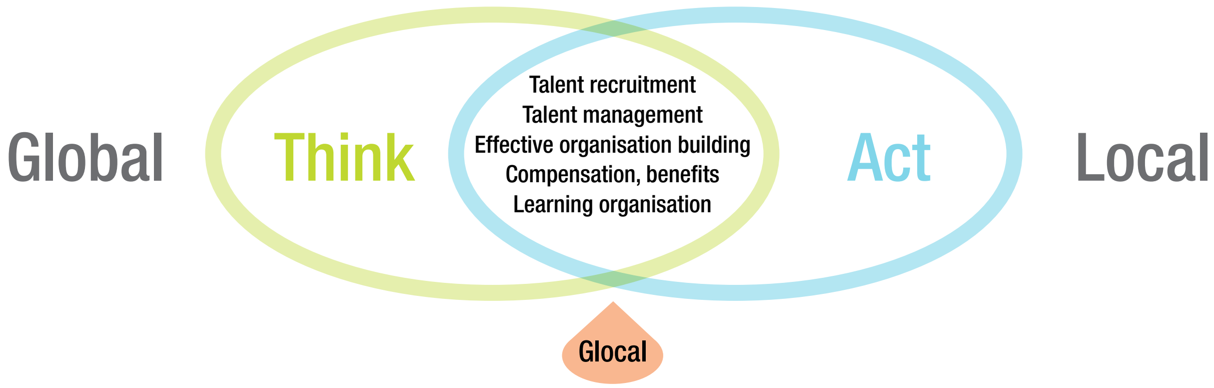
Human Resources

A RESPONSIBLE EMPLOYER

Cavotec offers challenging and rewarding careers in a fast-moving, diversified and global business. We hire exceptional, motivated individuals and invest in their future, building a culture of continuous learning through education and training.

Management continually works to develop employees' skills, and create an environment where our people are proud to do business with transparency and professionalism around the world on our behalf. We actively ensure employees' health and wellbeing by creating an inspirational work environment, and by encouraging a healthy balance between work and private life.

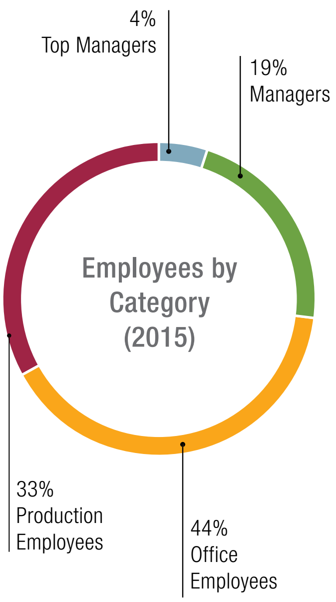
Cavotec is flexible and dynamic, yet never abandons its responsibilities and commitments. Our open working environment fosters the free exchange of ideas and mutual respect.

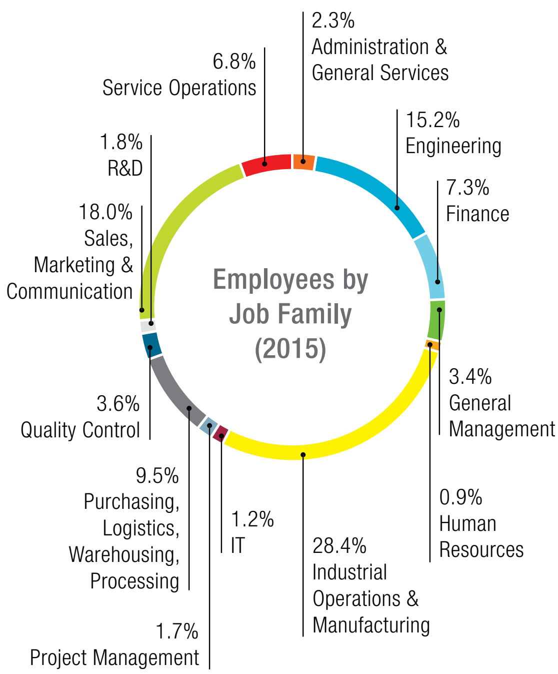


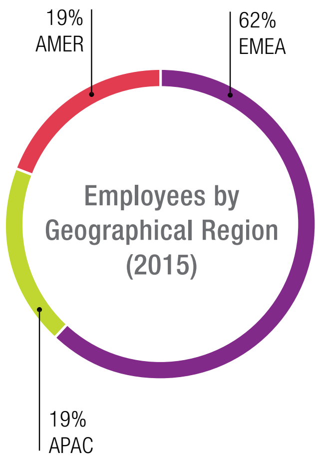
THINK GLOBAL, ACT LOCAL

Following the restructuring of Cavotec Corporate HR in early 2013, the focus was on both implementing global, strategic projects and on supporting local, tactical needs. One of the many ways the Group has invested in HR is through structured projects that provide greater clarity to the Board and management about the global headcount, recruitment needs and the need for training programmes and competence development plans. In 2015, 30 top managers were trained on executive topics, (annual development interviews, team management, leadership). Our initiative to map key positions both in business and support functions has substantially improved the visibility of opportunities in the organisation, and our ability to match career paths with the aspirations of employees in line with the operational needs and expectations of the Group.

For these reasons, we implemented recruitment and reporting processes to obtain a global view and support local deployment. The goal is to think as the global group that we are, and to act locally, taking into consideration our diversity and specific needs in given markets and locations.







The continued development of the HR support function at the corporate level is an important leverage point providing increased scope and visibility to our local companies through the implementation of support tools and structured processes.

In this continuous improvement perspective, we plan to work on new HR projects in 2016 with a "glocal" approach: empowering the Group to identify with global projects, and supporting our local companies to meet their specific needs.

Number of employees (end of period)

	2010	2011	2012	2013	2014	2015
Total	719	890	866*	916*	923*	962*

**Headcount: internal payroll not full time equivalent. Please note that Cavotec employed 1,063 FTE employees, including external employees, in 2015.*

CAVOTEC'S DEMOGRAPHICS

The composition of the Cavotec team reflects the group's international, multicultural and interdisciplinary character. At the end of 2015, Cavotec employed 962 people (not full time equivalent and internally paid). More than 98 per cent of our staff are permanently employed. They come from more than 40 countries on five continents, and from a wide variety of backgrounds. The majority are employed locally, with around 15 per cent being engineers. Almost one third of our employees have a university-level degree or higher.

Although there are still only a small number of women in executive roles within Cavotec, around 18 per cent of its staff are made up of women in support functions. Cavotec has a clear and long-established policy underlining its approach to hiring the best possible talent and embracing diversity. Over the past five years the Group has grown approximately 34 per cent to meet the growing needs of the business and market in general.

Cavotec employees have a low average age, with more than 47 per cent of employees under the age of 40. Where possible, the Group seeks to ensure that younger members of staff benefit from more experienced employees' knowledge of the industry and history of the Group.

The average seniority in the Group is seven years, and around 36 per cent of employees started to work at the Group less than two years ago.

MUTUAL RESPECT IN AN INTERNATIONAL TEAM

As a relatively small organisation, with a global presence, it is important that Cavotec has a strong, shared company culture. This helps us to align business goals, and creates a common vision for employees wherever they are based. Each Cavotec employee brings to the Group a diverse range of skill sets and individual characteristics that are valued and recognised by fellow colleagues, partners and customers. All employees are respected and encouraged to contribute to the Group's overall success.

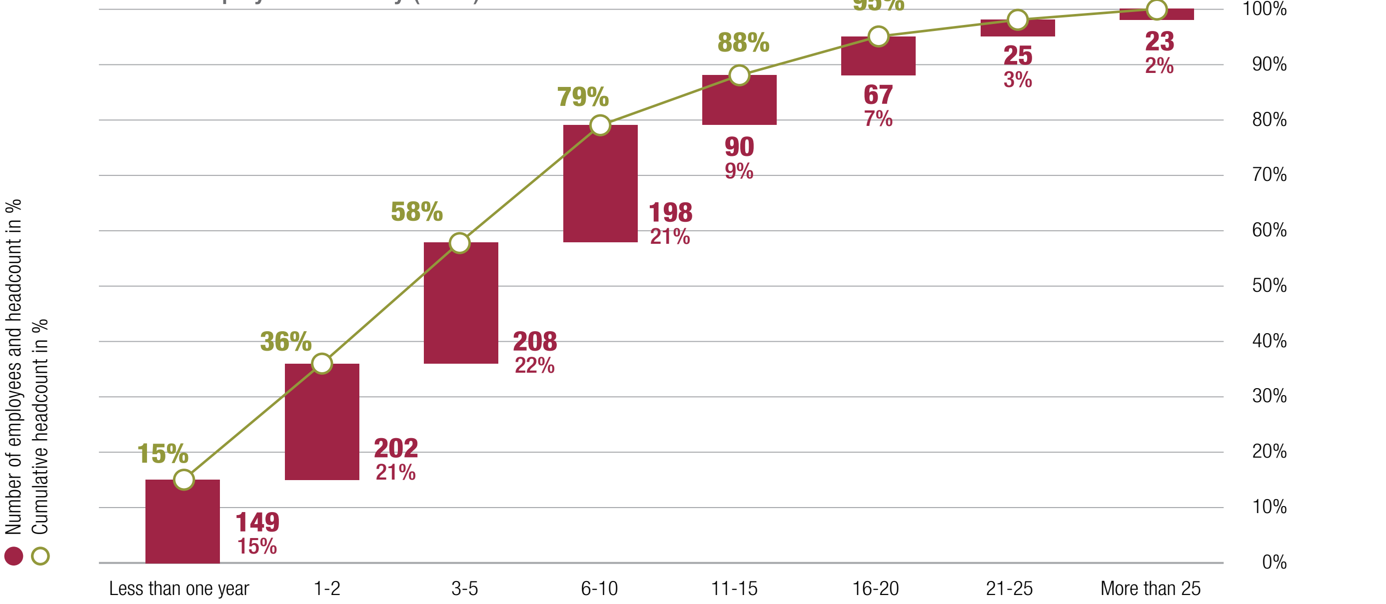
LOCAL PRESENCE

Generally, staff are employed locally which enables Cavotec to build long-term relationships with customers, suppliers, authorities and professional bodies. The Group is committed to being close to its customers, all over the world, and to live up to our goal of being "glocal".

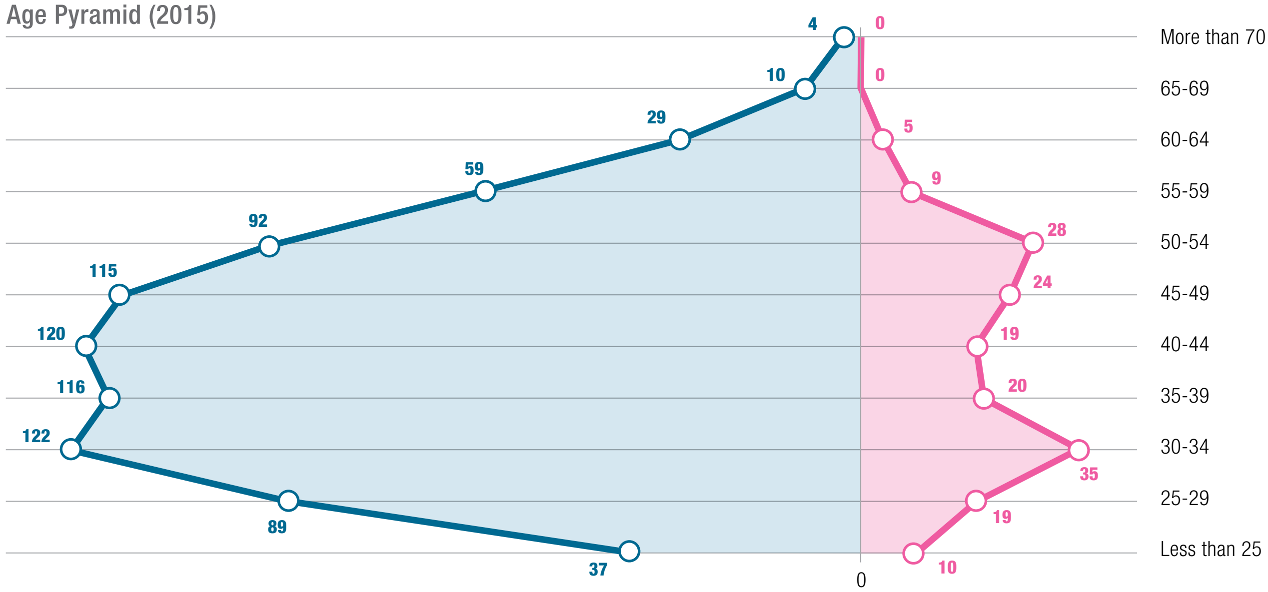
Our local strength enables us to work closely with our customers, gain a better understanding of their requirements and solve challenges they face more effectively. For partners and suppliers, the local presence and familiarity with local markets make Cavotec a valuable and intrinsically competent business partner. Knowledge of local realities on global issues makes the Group relevant for formulating regulatory norms and technical standards.

As a multinational group, it is of the utmost importance that Cavotec staff conduct their work with sensitivity and exemplary ethical behaviour at all times. All our employees are given a copy of the Cavotec Code of Conduct that provides detailed guidelines on ethical standards, cultural differences and business practices.

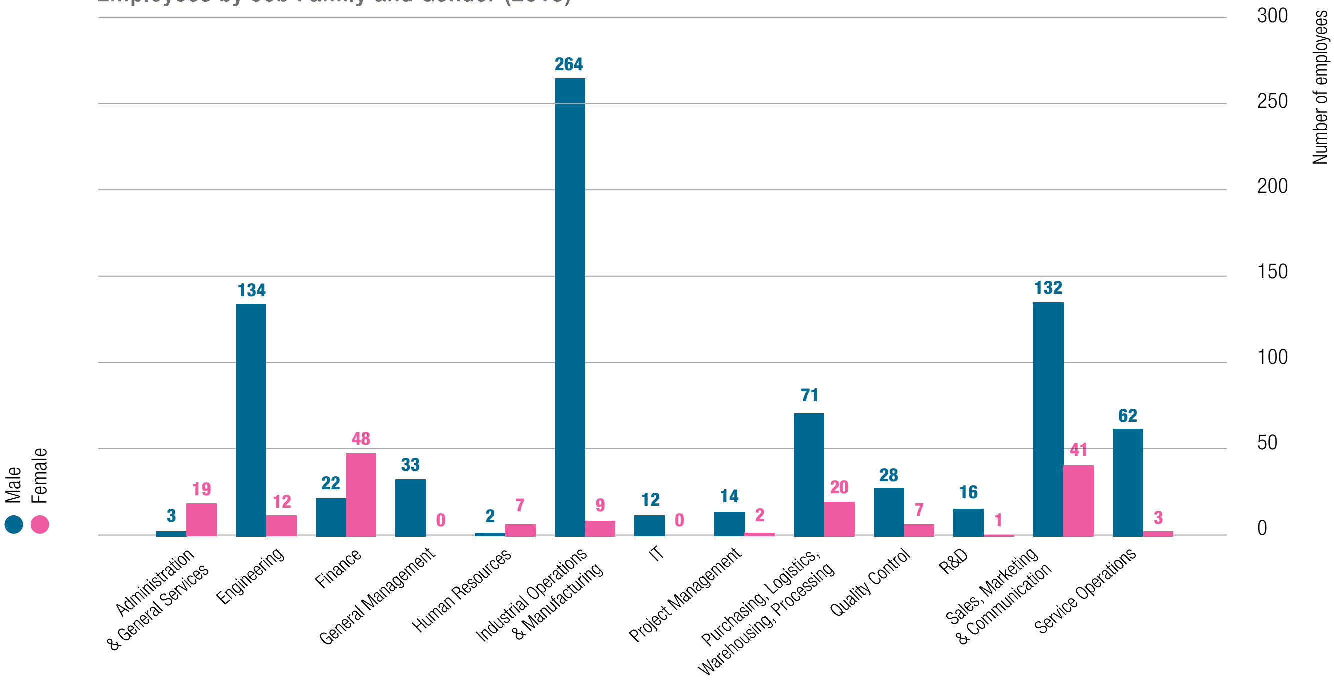
Cavotec Employees Seniority (2015)



Age Pyramid (2015)



Employees by Job Family and Gender (2015)



Cavotec Inet US Inc., Cypress, California

COMPENSATION REPORT

Compensation report

The Ordinance Against Excessive Compensation at Public Corporations (VegüV) requires listed companies incorporated in Switzerland to publish a Compensation Report. Cavotec SA (the "Company") is a Swiss Company listed on the NASDAQ in Stockholm, the Corporate Governance of Cavotec is based on Swiss and Swedish rules and regulations, such as Swiss Code of Obligations (the "CO") and the Swedish Code of Corporate Governance (Sw. Svensk kod for bolagsstyrning) (the "Code").

The Company having its seat in Lugano, Switzerland, also applies some Swiss Exchange ("SIX") rules regarding good Corporate Governance.

The Compensation Report describes our compensation system and philosophy, and provides details on the compensation payments to the Board of Directors and to the Chief Executive Officer in 2015.

COMPENSATION GUIDELINES

The remuneration programme for senior executives in the Cavotec Group (the "Group") consists of four components:

a) base salary
b) annual non-equity cash compensation ("STIP")
c) equity based incentives ("LTIP")
d) pension benefits

The four components can be divided into fixed and performance based elements; the base salary and the pension benefits are fixed, whereas the STIP and LTIP are performance based. Qualified international remuneration consultants from Towers Watson have been consulted when the remuneration system was designed in order to ascertain that the remuneration system is competitive and in line with remuneration systems that exist in comparable companies.

Base pay	Variable pay
Base salary	STIP
Pension benefits	LTIP
Based on: - functions and responsabilities - mandatory pension plans of the country of employment	For: - performance and results - participating in long term success

a) Base salary

The base salary for a senior executive of the Group is targeted at up to 120 per cent of the competitive market's median – where the competitive market is defined as general industry in the country of residence. In 2015, the benchmark analysis (or the competitive market analysis) has been made by using all companies listed in the general industry survey from Towers Watson for the following countries: Australia, Brazil, Canada, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, the Netherlands, Norway, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, the UAE (Dubai), the UK and the USA.

The base salary is revised once a year. The average yearly increase is historically below 5 per cent, but depends on the country of employment (where the inflation rate is an important factor for determining the increase). The base salary can also be adjusted in the case of a change of responsibility or relocation. There is a contingency plan that can be implemented in the case of worldwide economic recession or worldwide financial crisis whereby salaries can be voluntarily reduced by up to 10 per cent or increases can be halted. In fact, following the economical unrest in late 2008, the measures of the contingency plan were implemented and salaries were reduced by 10 per cent for nine months of 2009 and salary increases were halted. These measures were withdrawn in 2010.

b) STIP

The STIP is a cash bonus that provides incentives for senior executives by providing them with a bonus based on Group profit before taxation. From 2012 EBIT is being used as the profit measure for the purpose of calculating the STIP, prior to 2012 EBT was used. The expected amount of the STIP each year is 10 to 35 per cent of the base salary.

When the STIP is distributed, it is calculated as a percentage of the base salary for each senior executive.

c) LTIP

The LTIP is a long-term incentive plan that is aimed at creating a managing shareholder culture by allowing selected key employees of the Group to become shareholders of Cavotec SA.

The Plan Participant has the possibility, but is not obligated to purchase Co-investment Shares at fair value on the stock-market during the Co-investment Period of the Respective Plan.

The amount of the Matching Incentive depends on the number of Co-investment Shares still held by the Plan Participant on the Matching Date, as well as, on the achievement of the Revenue Target and the EBIT Margin Target.

The incentive from the LTIP is expected to be a maximum of 25-30 per cent of the Total Direct Compensation (Total Direct Compensation = base salary + STIP + LTIP). The incentive from the LTIP as a portion of Total Direct Compensation shall be higher for more senior executives as it is expected that the more senior the executives are, the more they influence the Group's result.

d) Pension benefits

The pension benefits are based on defined contributions that are determined based on the mandatory pension plans of the country of employment and other local conditions. In certain selected cases an extra pension benefit equal to 10 to 15 per cent of the base salary can be agreed with key managers as an extra compensation. This extra compensation can be revised on a yearly basis.

COMPENSATION GOVERNANCE

a) Ordinary General Meeting

An ordinary general meeting of shareholders is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors.

General meetings of shareholders are presided over by the Chairman of the Board of Directors or, in his absence, by a chairman of the day to be elected by the general meeting of shareholders. The chairman appoints a secretary and some scrutinisers neither of whom need be shareholders.

The Ordinary General Meeting "OGM" of Cavotec SA was held in Lugano and chaired by Fabio Cannavale in 2015.

The general meeting of shareholders has the following exclusive competences:

1. Amendments to the Articles of Association;
2. Approval of the annual report and, as the case may be, of the consolidated statements of accounts;
3. Approval of the annual financial statement as well as resolutions on the use of the balance sheet profits, in particular, the declaration of dividends and of profit sharing by directors in accordance with Art. 671 and Art. 677 CO;
4. Discharge of the members of the Board of Directors and of the Chief Executive Officer (CEO);
5. Election of the Board members, the chairman of the Board of Directors and the members of the Remuneration Committee;
6. Election of the independent proxy;
7. Election of the auditors;
8. Approval of the remuneration of the members of the Board of Directors and the CEO according to article 16b of the Articles of Association listed below:
   1) The general meeting of shareholders shall annually approve the maximum aggregate amount each of:
      a) the remuneration for the Board of Directors for the next business year;
      b) the remuneration for the CEO for the next business year.
   2) The aggregate amount shall cover the fixed remuneration, the STIP and the LTIP payable during the next business year.
   3) In the event the general meeting of shareholders does not approve a proposal of the Board of Directors, the Board of Directors may submit another proposal at the same general meeting of shareholders or convene a new general meeting of shareholders to approve the remuneration;
   4) The general meeting of shareholders may at any time approve a subsequent increase of an approved aggregate amount.

9. Resolutions on all other matters which, under the Articles of Association or according to the law, are in the exclusive competence of the general meeting of shareholders or which have been submitted to the meeting for its decision by the Board of Directors.

b) Board of Directors

The current members of the Board of Directors in Cavotec SA are Fabio Cannavale, Leena Essén, Nicola Gerber, Christer Granskog, Lakshmi Khanna, Erik Lautmann, Ottonel Popesco, Patrik Tigerschiöld and Stefan Widegren (Chairman).

The Board of Directors of Cavotec SA held eight board meetings in 2015.

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

1. The determination of the strategy of the Company and the Group and the issuance of the necessary directives;
2. The establishment of a framework of the organisation;
3. The basic structuring of the accounting system, of a system of internal financial controls, and of the financial planning;
4. The approval of the appointment (and suspension) of the officers entrusted with the management of the Company or with its representation;
5. The supervision of management, in particular in relation to compliance with the law, the Articles and corporate regulations, charters and directives;
6. Decisions on the business report consisting of the annual financial statements, the annual report, and consolidated financial statements including interim published reports and determination of the accounting standard;
7. The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
8. Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO;
9. Preparation of the compensation report.

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

c) Remuneration Committee
The current members of the Remuneration Committee in Cavotec SA are Christer Granskog, Lakshmi Khanna and Erik Lautmann (Chairman).

The Remuneration Committee of Cavotec SA met twice in 2015.

The Remuneration Committee has the following duties and competences:
1. Reviewing and advising the Board of Directors on the terms of appointment of the CEO;
2. Reviewing working environments and succession planning for members of the management;
3. Reviewing the terms of the employment arrangements with members of the management so as to develop consistent group-wide employment practices subject to regional differences;
4. Reviewing of and making proposals to the Board of Directors on the remuneration of the members of the Board of Directors and of the Chief Executive Officer;
5. Reviewing the terms of the Company's short and long term incentive plans;
6. Submission of a draft of the remuneration report to the Board of Directors.

COMPENSATION COMPONENTS
The remuneration to the members of the Board of Directors in Cavotec SA, is, in deviation from the code, resolved by the Board of Directors as set out in the Articles of Association. In addition, Board members may receive remuneration for consultancy services provided to the Company. None of the members of the Board of Directors are entitled to any benefits when resigning from the Board, in their capacity as Board members. However, Board members may be entitled to benefits according to employment or consultancy agreements that will continue even if the Board member would resign as Board member.

a) Elements of Remuneration and Additional Amount for new CEO

i. Elements of Remuneration (Articles of Association - Art. 16a)
1. The Board members and the CEO shall be appropriately compensated for their services in view of their functions and responsibilities;
2. Both the members of the Board of Directors and the CEO shall receive a fixed and, if applicable, a variable remuneration;
3. The fixed remuneration may consist of a base salary plus social security contributions on the part of the employer, benefits and pension benefits;
4. The variable remuneration consists of annual compensation ("STIP") and/or long term incentives ("LTIP") plus social security contributions on the part of the employer and, if applicable, additional pension benefits;
5. The STIP is a variable compensation that provides incentives for senior executives by providing them with bonus based on Cavotec profitability;
6. The LTIP is a long-term incentive plan for senior executives which shall be aligned to the long-term value creation of the Company and may include or be based on shares and/or options;
7. The pension benefits are based on defined contributions, that are determined based on the mandatory and elective pension plans of the country of employment. Pension benefits may include retirement benefits (such as pensions, purchase of medical insurances etc.) outside of the scope of occupational pension benefit regulations and may amount to up to 50% of the last paid out fixed remuneration per year.

ii. Additional Amount for new CEO (Articles of Association - Art. 16c)
If a new CEO is appointed after the remuneration has been approved, the Board of Directors is authorised to use for a given year, in addition to any approved amount, an additional amount of 100% of the approved amount of the remuneration of the CEO to remunerate any such new CEO to the extent that the approved total remuneration for the CEO is not sufficient to remunerate the new CEO until the next general meeting of shareholders. This additional amount does not need to be approved by the general meeting of shareholders.

b) Other remuneration

i. Loans to members (Articles of Association - Art. 16j)
The Company does not grant loans or extend credit to the members of the Board of Directors and to the CEO.

ii. Pension benefits (Articles of Association - Art. 16j)
The Company may grant to the members of the Board of Directors and to the CEO pension benefits outside of the scope of occupational pension benefit regulations as provided in Article 16b, para 7.

iii. Contractual terms (Articles of Association - Art. 16e)
Indefinite contracts regulating remuneration with members of the Board of Directors or with the CEO shall have a notice period for such not exceeding 12 months.

Fixed-term contracts regulating remuneration with members of the Board of Directors, if applicable, or with the CEO are allowed to provide a duration of up to 12 months.

COMPENSATION FOR THE 2015 BUSINESS YEAR

a) Compensation paid to the members of the Board of Directors 2015

Year ended 31 December 2015						
EUR	Board fees	Short-term employee benefits	Post-employment benefits	Consultancy	Total 2015	Total 2014
Fabio Cannavale	35,000	1,265	1,896	-	38,161	32,664
Leena Essén	35,000	1,246	1,868	82,444	120,558	153,567
Nicola Gerber	30,000	1,068	1,601	-	32,669	32,645
Christer Granskog	40,000	598	1,300	-	41,898	42,018
Lakshmi Khanna	44,500	839	1,823	87,750	134,912	121,912
Erik Lautmann	38,800	771	1,444	-	41,015	42,221
Patrik Tigerschiöld	35,000	1,246	1,868	-	38,114	9,515
Stefan Widegren (Chairman)	115,000	245,450	-	124,197	484,647	537,217

Year ended 31 December 2015						
CHF	Board fees	Short-term employee benefits	Post-employment benefits	Consultancy	Total 2015	Total 2014
Fabio Cannavale	37,375	1,351	2,025	-	40,751	39,674
Leena Essén	37,375	1,331	1,995	88,039	128,740	186,526
Nicola Gerber	32,036	1,140	1,710	-	34,886	39,651
Christer Granskog	42,714	639	1,388	-	44,741	51,036
Lakshmi Khanna	47,520	896	1,947	93,705	144,068	148,077
Erik Lautmann	41,433	823	1,542	-	43,798	51,282
Patrik Tigerschiöld	37,375	1,331	1,995	-	40,701	11,557
Stefan Widegren (Chairman)	122,804	262,106	-	132,625	517,535	652,514

NOTE:

- *Leena Essén has provided through AVIOT AB consulting services to the Group totalling EUR 82 thousands i.e. CHF 88 thousands. She was Interim CFO of Cavotec SA from November 2014 until May 2015.*
- *Lakshmi Khanna has provided consulting services to the Group totalling EUR 88 thousands i.e. CHF 94 thousands.*
- *Stefan Widegren through Soliden Sagl, has provided consulting services to the Group totalling EUR 124 thousands i.e. CHF 133 thousands.*

b) Compensation paid to the Chief Executive Officer 2015

Year ended 31 December 2015						
EUR	Base Salary	Short-term Incentive	LTI Matching Incentive	Social Security, Insurance and Pension Contributions	Total 2015	Total 2014
Ottonel Popesco	474,110	138,390	12,227	285,386	910,113	602,817

Year ended 31 December 2015						
CHF	Base Salary	Short-term Incentive	LTI Matching Incentive	Social Security, Insurance and Pension Contributions	Total 2015	Total 2014
Ottonel Popesco	506,283	147,781	13,057	304,752	971,873	732,193

NOTE:

- *The Short Term Incentive is a variable compensation (cash bonus) relative to 2014 paid in 2015.*
- *The 2015 base salary remained unchanged compared to 2014. The variation is due to the currency exchange differences.*
- *The LTI Matching incentive is based on a long term incentive plan. Each year the CEO has the possibility to purchase Co-investment shares at fair value in the stock market during the Co-investment period of the respective plan. In 2015, the CEO has decided to receive his matching incentive for the plan 2012 in the form of shares i.e. 4,272 shares (when the shares were received the value of the share was SEK 26.70 and the exchange rate was SEK 1= EUR 0.1072).*
- *The Social Security, Insurance and Pension Contributions include employer contributions.*

Lugano, February 2016

Erik Lautmann
Chairman, Remuneration Committee

Report of the statutory auditor
to the General Meeting
Cavotec SA
Lugano

We have audited the accompanying compensation report of Cavotec SA on page 48 for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SA, via della Posta 7, casella postale, CH-6901 Lugano, Switzerland
Telefono: +41 58 792 65 00, Fax: +41 58 792 65 10, www.pwc.ch

Opinion

In our opinion, the compensation report of Cavotec SA for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

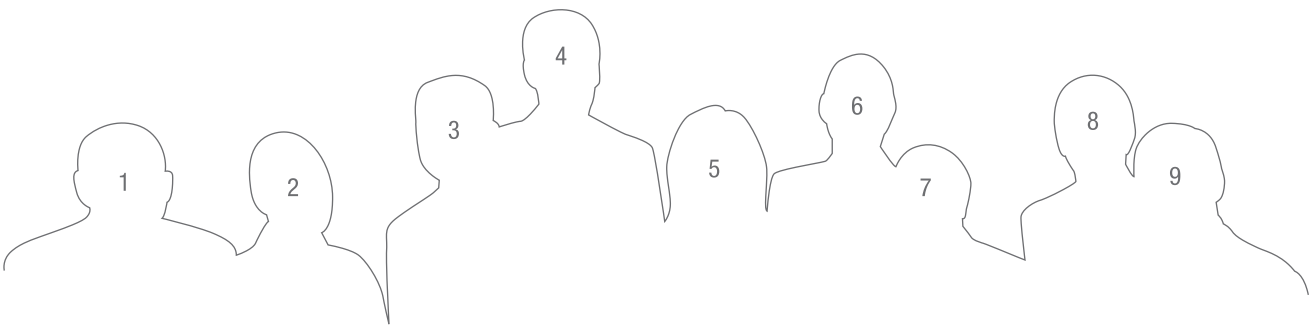
PricewaterhouseCoopers SA

Daniel Ketterer	Efrem Dell'Era
Audit expert Auditor in charge	Audit expert

Lugano, 25 February 2016

Board of Directors

The Cavotec Board consists of nine members. All Board members have extensive experience in global business and between them represent a broad variety of skill sets and backgrounds. We believe that strong leadership takes empathy, insight and a willingness to listen. All these characteristics personify our Board and Corporate Management's approach to ensuring the Cavotec Group continues to flourish.



1. Christer Granskog, 2. Leena Essén, 3. Ottonel Popesco, 4. Erik Lautmann, 5. Nicola Gerber, 6. Fabio Cannavale, 7. Lakshmi Khanna, 8. Patrik Tigerschiöld, 9. Stefan Widegren.

Name	Position	Year of birth	Member since[1]	Nationality	Residence
Fabio Cannavale	Member	1965	2010	Italian	Switzerland
Leena Essén	Member	1952	2010	Swedish	Sweden
Nicola Gerber	Member	1977	2010	German	Singapore
Christer Granskog	Member	1947	2008	Finnish	Finland
Lakshmi Khanna	Member	1941	2007	Italian	Italy
Erik Lautmann	Member	1950	2007	Swedish	Sweden
Ottonel Popesco	Member & Group CEO	1957	2007	French	Switzerland
Patrik Tigerschiöld	Member	1964	2014	Swedish	Sweden
Stefan Widegren	Chairman	1950	2007	Swedish	Switzerland

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

Board of Directors

FABIO CANNAVALE

Member of the Board

Fabio Cannavale holds a diploma in engineering from Politecnico di Milano and holds an MBA from INSEAD, Fontainebleau, France. In 2004, he founded Volagratis.com with Marco Corradino and has acted as Chairman of the Bravofly Rumbo Group, now Lastminute.com group, since then. He started his career as a consultant, working between 1989 and 1996 for A. T. Kearney and for McKinsey & Company. Between 1996 and 1998, he launched The Floating Village in Venezuela, an innovative concept of a holiday village built on boats. Between 1999 and 2001, Fabio was a member of the management team of eDreams, an online travel start-up. Between 2001 and 2004, he worked for his family-owned businesses and collaborated with a not-for-profit entity. He is also a member of the Board of Directors of Cavotec SA, Nomina SA and Consortium Real Estate BV.

Fabio Cannavale holds 6,948,046 shares in Cavotec, (through Nomina SA, in which Fabio, together with related parties, hold 100 per cent of the shares).

LEENA ESSÉN

Member of the Board

Leena holds a BSc in Economics and Business from the Stockholm School of Economics. Following her studies and prior to joining Cavotec in 1990, Leena worked as CFO for several Swedish companies, most notably Gylling AB and PA Consulting Group. She has been with Cavotec for more than 25 years, first as Group Financial Director until 2005, and then as Group Controller overseeing the implementation of new financial reporting systems and creating a transparent and proper financial structure for the Group. For the period from December 2014 until May 2015 Leena served as interim CFO.

Leena Essén holds 558,686 shares in Cavotec personally, 1,445,821 shares through Anelea Holdings Ltd. (of which Leena holds 10 per cent of the shares), and 185,100 shares through Anelea Sverige AB (a wholly-owned subsidiary of Anelea Holdings Ltd.).

NICOLA GERBER

Member of the Board

Nicola holds a BA (Hons) in Business Management from the University of Westminster. She is a Regional Director for strategy and business development in the IT sector and is currently working for Cisco Systems Ltd. Prior to her role with Cisco, Nicola held sales executive roles at start-ups in EMEA, most notably with FineGround Networks, which was acquired by Cisco in 2005. Nicola has specialised in business development & strategy across European markets and since 2008 across Asia Pacific markets based in Singapore.

Nicola Gerber does not hold any shares or warrants in Cavotec.

CHRISTER GRANSKOG

Member of the Board

Christer holds an MSc in Industrial Management and Information Systems from Helsinki University of Technology. Christer is former president and CEO of Kalmar Industries (1998–2007). He has also worked as senior executive vice president of Partek Corporation and president of Partek Cargotek AB (1997–1998), president and CEO of Sisu Corporation (1994–1997) and president and CEO of Valmet Automation Oy (1990–1994). He currently serves as Chairman and CEO of Oy Piceum Ab, of Patria Oyj, ARCTIA SHIPPNG OY and Lännen MCE Oy, while also serving as Deputy Chairman of VR Group Oy. He is also a member of the Board of Directors of Sarlin Oy, HECTOR RAIL AB, Mantsinen Group and SCANWALK LTD, and is a senior industrial adviser for EQT Partners and a member of the Academy of Technical Sciences in Finland. In the past five years, Christer Granskog has been, but is no longer, Deputy Chairman of the Board of Directors of Rautaruukki Oyi, VR Group Oyj, and a member of the Board of Directors of Kalmar Industries AB.

Christer Granskog holds 25,000 shares in Cavotec, (through his wholly-owned holding company oy Piceum AB).

LAKSHMI C. KHANNA

Member of the Board

Lakshmi holds a BA in Mathematics from Punjab University. He is a Chartered Accountant and is a Member (FCA) of the Institute of Chartered Accountants in England and Wales. Lakshmi is respectively a member of the Non-Executive Directors Special Interest Group, a member of the Valuations Special Interest Group and a member of the Financial Reporting Faculty of this Institute. He is also an Associate Member (ACA) of the Institute of Chartered Accountants of India.

Lakshmi worked at Price Waterhouse and subsequently at PricewaterhouseCoopers (PwC) in Italy, from 1966 to his retirement, as a Partner, in 2001. During his distinguished career, he was responsible for client services for the Italian operations of multinational groups such as Exxon, General Foods, IBM, Ingersoll Rand, Trust Houses Forte and United Technologies amongst others. Lakshmi has also chaired Price Waterhouse Management Consultants in Italy.

Lakshmi has been President of the Rotary Club of Milan Sud Est, and President of the World Community Service Commission of Rotary (Lombardy). He has also been an advisor to the Joint Task Force Confederation of Italian Industry, and the Confederation of Indian Industry. He is President of the Board of Statutory Auditors of Progetti Industriali SpA, Milan. Lakshmi conducts limited consulting services for the Group.

Lakshmi Khanna holds 263,406 shares in Cavotec.

ERIK LAUTMANN

Member of the Board

After obtaining a BSc from the Stockholm School of Economics, Erik's professional career has primarily been in logistics and consulting. He has served as managing director of DHL in Northern Europe, as managing director of Jetpak Group, and was managing director of Catella when the company was founded in 1987. Since 2007, Erik has been at Cavotec as a Non-executive Board Director and industrial advisor. In addition, he chairs another listed company and chairs three other private equity and privately owned businesses. Erik is a Fellow of the Royal Swedish Academy of Engineering Sciences (IVA).

Erik Lautmann holds 107,802 shares in Cavotec.

OTTONEL POPESCO

Member of the Board & Group CEO

Ottonel holds an MSc in Economics from Bucharest Academy, an MBA from Sorbonne University, an Ingénieur professionnel de France-diploma from Societé Nationale des Ingenieurs Professionnels de France, and a Strategic Marketing Management-diploma from Harvard Business School. Prior to joining Cavotec in 1988, Ottonel spent five years as Sales and Marketing Manager at ABB France (CKB Manufacturing Division). He is non-executive Chairman of the Board of Directors of Lastminute.com, and President of the Port Equipment Manufacturers Association (PEMA) Belgium. Ottonel is a registered professional engineer in France and an Associate Member of the Engineering Committee of the American Association of Port Authorities, USA.

Ottonel Popesco, together with related parties, holds 2,450,224 shares in Cavotec.

PATRIK TIGERSCHIÖLD

Member of the Board

Patrik Tigerschiöld, born 1964, holds an M.Sc. in Business and Economics. Since April 2013, he has been Chairman of Bure Equity AB, (a role he also held between 2004 and 2009), following his tenure as President & CEO of the company. He is also Chairman of Mycronic AB, The Swedish Association of Listed Companies and The Association for Generally Accepted Principles in the Securities Market. He serves among other assignments as a Board Member for Mercuri International AB and Stockholm University.

Patrik Tigerschiöld does not hold any shares or warrants in Cavotec.

STEFAN WIDEGREN

Chairman of the Board

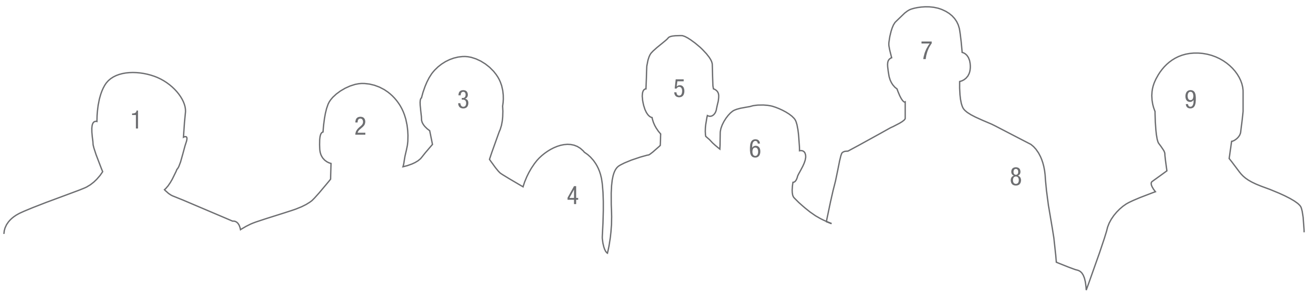
Stefan studied mechanical engineering, specialising in hydraulics and pneumatics, at the Royal Institute of Technology in Stockholm from 1970 to 1975. He joined Specimas Srl (Italy) in 1972 and co-founded Cavotec AB two years later, assuming the role of managing director. Cavotec acquired Specimas in 1984 and Stefan was appointed Chairman and CEO of the Cavotec Group in 1994. He was appointed Executive Chairman of Cavotec MSL in 2007 and Chairman of Cavotec SA in 2011. Stefan is Sweden's Honorary Consul in Ticino, Switzerland, former President of Rotary Club Milano Sud Est and currently member of the Rotary Club Lugano Lago. Stefan has also served as Chairman of the Union of International Chambers of Commerce in Italy, and as Chairman of the Swedish Chamber of Commerce in Milan.

Stefan Widegren, together with related parties, holds 6,150,867 shares in Cavotec.

Senior Management Team (SMT)

The SMT is selected by the CEO and consists of eight members, combining Cavotec's senior operational and corporate functions.

The SMT fulfills the Group Management role – empowered by the CEO – and ensures efficient implementation of strategic decisions into Cavotec's global organisation and leads local management on key operational issues. The SMT defines and implements operational strategy, policies, technical and commercial developments, as well as new acquisitions in line with targets set by the Board of Directors.



1. Juergen Strommer, 2. Gustavo Miller, 3. Giorgio Lingiardi, 4. Ester Cadau, 5. Yann Duclot, 6. Ottonel Popesco, 7. Michael Scheepers, 8. Kristiina Leppänen, 9. Patrick Rosenwald.

Name	Position	Year of birth
Ester Cadau	Group Chief Human Resources Officer	1975
Yann Duclot	Group Chief Marketing Officer	1975
Kristiina Leppänen	Group Chief Financial Officer	1969
Giorgio Lingiardi	Group Chief Information Officer	1958
Gustavo Miller	Chief Operating Officer APAC	1964
Patrick Rosenwald	Group Chief Technical Officer	1970
Michael Scheepers	Group Chief Communications Officer & IR	1978
Juergen Strommer	Chief Operating Officer EMEA	1970

Senior Management Team (SMT)

ESTER CADAU

Group Chief Human Resources Officer

Ester holds a Business Administration Degree and a Master's Degree in Human Resources Management from the Institut Superieur de Gestion (ISG) in Paris, and a Political Sciences degree from the University of Cagliari. Before joining Cavotec, Ester was an International Human Resources Manager in various public listed companies such as Ingenico, Legris Industries Groupe, venteprivee.com and HR Project Manager at Air France.

Ester Cadau holds 9,727 shares in Cavotec.

YANN DUCLOT

Group Chief Marketing Officer

Yann holds a degree in Business Administration from Grenoble Ecole de Management, France. Yann joined Cavotec in 2007, where he has served as Middle East Aviation Division Manager until 2010 and then became Group Manager Sales & Marketing at our Corporate office until 2014. Before that, Yann was a Business Development and Key Account Manager at Nexans, France and European Market Manager at Alcatel France.

Yann Duclot holds 22,512 shares in Cavotec.

KRISTIINA LEPPÄNEN

Group Chief Financial Officer

Kristiina holds a Master of Business Administration in International Finance from the Helsinki School of Economics. Prior to joining Cavotec she served as CFO of GS-Hydro, which is owned by Ratos, a NASDAQ OMX-listed private equity conglomerate. She also served as CFO of Marioff Corporation Oy, a United Technologies Corporation subsidiary and held various finance positions at companies including Nokia, Masterfoods, Sonera and Samsung.

Kristiina Leppänen does not hold any shares or warrants in Cavotec.

GIORGIO LINGIARDI

Group Chief Information Officer

Having obtained a degree in Mechanical Engineering from the University of Genoa, Giorgio worked for several years at a number of engineering companies. He then joined Ansaldo Industria as a project engineer for container and bulk handling equipment. He joined Cavotec in 1991, where has since held various positions, including Sales Director, General Manager and Managing Director of Cavotec Specimas in Italy. He has been the Group's Chief Information Officer since 2008.

Giorgio Lingiardi holds 55,727 shares in Cavotec.

GUSTAVO MILLER

Chief Operating Officer APAC

Gustavo holds a degree in Mechanical Engineering from the Catholic University of Cordoba, Argentina. Prior to joining Cavotec he served as Managing Director at Impsa Malaysia and as General Manager Tower Cranes Division at Lindores Group in Australia.

Gustavo Miller holds 43,277 shares in Cavotec.

PATRICK ROSENWALD

Group Chief Technical Officer

Patrick joined Cavotec in 1999, working in Australia for three years before transferring to Cavotec Specimas in Italy where he has held several roles, including his current position as Managing Director. He holds a Bachelor of Engineering (Mechanical), and a Graduate Diploma in Business from Curtin University, Western Australia, and is a Member of The Australian Institution of Engineers.

Patrick Rosenwald holds 87,293 shares in Cavotec.

MICHAEL SCHEEPERS

Group Chief Communications Officer & IR

Michael studied Corporate Communications & Public Relations at FONTYS University for Applied Sciences in the Netherlands. After his studies, he joined Cavotec in 2002, where he has since held several positions, including Communications Manager and Group Manager, Corporate Communications. He is a member of the Investor Relations Society in the United Kingdom, and a member of the European Association of Communication Directors. In 2015 Michael completed the Executive Leadership Certificate Programme from Cornell University, USA.

Michael Scheepers holds 73,000 shares in Cavotec.

JUERGEN STROMMER

Chief Operating Officer EMEA

Juergen holds a degree in Mechanical Engineering from May Eyth TH, Kirchheim/Teck, and a degree in Business Management from GARP Stuttgart. He has served at ThyssenKrupp as a Director in the Middle East for eight years among other positions, and has been a General Manager with the Al Futtaim Group.

Juergen Strommer holds 55,635 shares in Cavotec.

Cavotec Management Meeting, Long Beach, December 2015

Corporate Governance

Since Cavotec is a Swiss Company listed on the NASDAQ OMX in Stockholm, the corporate governance of Cavotec is based on Swiss and Swedish rules and regulations, such as the Swiss Code of Obligations (the "CO") and the Swedish Code of Corporate Governance (Sw. Svensk kod för bolagsstyrning) (the "Code").

THE SWEDISH CODE OF CORPORATE GOVERNANCE

The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied at the first annual shareholders' meeting held during the year following market listing. The Company, although being a Swiss company, has decided to apply the Code, but need not follow all rules in the Code but has options for selecting alternative solutions which it may deem to better suit to its circumstances, provided that any non-compliances and the alternative solution are described and the reasons explained in the corporate governance report.

The Company has applied the Code from the time the shares have been listed on NASDAQ OMX Stockholm in October 2011. However, since it is a Swiss company subject to Swiss rules and regulations there are some deviations from the Code. Deviations that the Company is aware of have, as far as possible, been explained in the Company's corporate governance report.

SHAREHOLDERS' MEETINGS

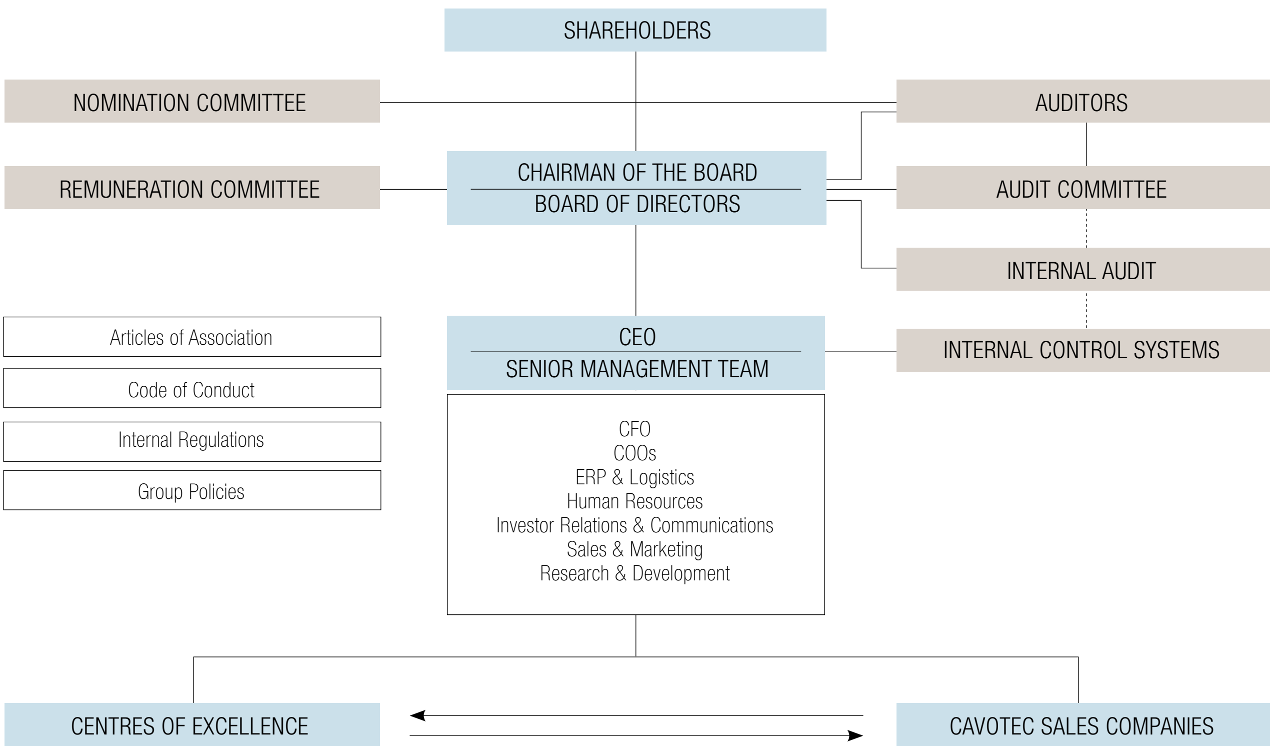
General

The shareholders' rights to resolve on company matters are exercised at the shareholders' meeting. An ordinary shareholders' meeting is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors. Extraordinary shareholders' meetings may be called by the Board of Directors, the liquidators or the auditors as often as necessary to safeguard the interests of the Company. Shareholders' meetings are held at the domicile of the Company or at such other place as the Board of Directors shall determine. Since the Company is listed in Stockholm, the Board of Directors has the ambition to, as far as possible and as long as in compliance with Swiss rules and regulations and if no public deed issued by a Swiss notary is needed, to hold shareholders' meetings in Sweden. The shareholders' meetings, deviating from the Code, will be held in English and information and material will be available in English only. This is in accordance with an exemption granted by the Swedish Financial Supervisory Authority. The minutes from shareholders' meetings will be published on the Company's website.

Right to attend shareholders' meetings

All shareholders who are registered directly in Euroclear Sweden's and SIX Switzerland's share registers on April 13, 2016 and who notify the Company of their intention to attend the shareholders' meeting at the latest by the date specified in the convening letter, shall be entitled to

Cavotec Corporate Governance structure



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

Notice of shareholders' meetings and shareholder initiatives
Notice of a shareholders' meeting is given by means of a publication in the Swiss Commercial Gazette or by letter to the shareholders of record as well as through a press release. Between the day of the publication or the mailing of the notice and the day of the meeting there must be a time period of not less than 20 calendar days. The notice of the shareholders' meeting must indicate the agenda and the motions. The notice will also be published on the Company's website.

Stating the purpose of the meeting and the agenda to be submitted, one or more shareholders representing at least ten per cent of the share capital may request the Board of Directors, in writing to call an extraordinary shareholders' meeting. In such case, the Board of Directors must call a shareholders' meeting within two weeks.

Nomination Process
The process for the nomination of Board members for Cavotec was revised in 2011 following the move from the NZX in New Zealand to NASDAQ OMX in Sweden. The objective has been to apply the Swedish Corporate Governance Code, while still respecting the Swiss laws and regulations applicable to a Swiss company. The ultimate goal has been to adopt a Nomination Process that is open and transparent to all shareholders and stakeholders.

The Nomination Committee was appointed on April 23, 2014 in accordance to the Articles of Association of the company. Patrik Tigerschiöld and Fabio Cannavale were appointed in December 2014 and February 2015 respectively. Please note, that while the Nomination Committee in a Swiss company is appointed by the Board of Directors, the composition of the Cavotec Nomination Committee will follow the recommendations of the Swedish Corporate Governance Code.

The current Nomination Committee members are:

Lars Hellman (Committee Chairman and Founder shareholder), Fabio Cannavale (Board Member), Peter Brandel (Founder shareholder), Patrik Tigerschiöld (Board Member), Stefan Widegren (Chairman of Cavotec SA and Founder shareholder).

The current members of the Nomination Committee represent over 40% of all votes in the company. A way of contact with the Nomination Committee has been established through the company website.

From April 23, 2016 the Nomination Committee members will be Henrik Blomquist (representative for Bure Equity), Fabio Cannavale (representative for Nomina SA), Peter Brandel (representative for Management & Founder Shareholders) and Per Colleen (representative for 4AP-fonden). As Chairman of Cavotec SA, Stefan Widegren will be invited to Nomination Committee meetings.

In October 2015 the Committee began preparing a proposal for the Board of Directors to be submitted to the Ordinary General Meeting. An evaluation of the work performed by the Board was completed in February 2016, a new evaluation is scheduled for 2017.

On December 5, 2015 the Nomination Committee met in Long Beach, USA in order to discuss various proposals with major shareholders (representing more than 40% of the votes) and among other topics also discussed the proposals for the future composition of the Board of Directors. The Nomination Committee proposes that the Board of Directors shall comprise of nine members.

After having received the support and approval by the Board on February 25, 2016 for its final proposal the Nomination Committee defined its final proposal as follows:

According to Art.13 of the current Articles of Association, as well as according to Art.3 of the Federal Ordinance on Excessive Compensation, the directors are elected each year to hold office until the following annual shareholders' meeting. Directors may be re-elected.

It is proposed the Ordinary General Meeting in Lugano to be chaired by Fabio Cannavale, while Stefan Widegren will preside the Information Meeting in Stockholm.

Fabio Cannavale, Leena Essén, Nicola Gerber, Erik Lautmann, Ottonel Popesco, Patrik Tigerschiöld and Stefan Widegren stand for re-election. Christer Granskog and Lakshmi C. Khanna do not stand for re-election.

The Nomination Committee proposes that Fabio Cannavale, Leena Essén, Nicola Gerber, Erik Lautmann, Ottonel Popesco, Patrik Tigerschiöld and Stefan Widegren be are re-elected as Directors for a further one-year term of office expiring at the Ordinary General Meeting to be held in 2017.

In addition, the Nomination Committee proposes that Hélèna Thrap-Olsen and Heléne Mellquist be elected as Directors for a one-year of office expiring at the Ordinary General Meeting to be held in 2017.

The Nomination Committee furthermore proposes to elect Stefan Widegren as Chairman of the Board of Directors.

With respect to the requirements in the Swedish Corporate Governance Code (the Code) that a majority of the directors elected by the shareholders' meeting are to be independent of the company and its executive management and that at least two of this majority also are to be independent in relation to the company's major shareholders, the Nomination Committee has carried out the following assessment:

Fabio Cannavale, Nicola Gerber, Hélèna Thrap-Olsen, Heléne Mellquist, Erik Lautmann and Patrik Tigerschiöld are all independent of the company and its executive management.

Nicola Gerber, Hélèna Thrap-Olsen, Heléne Mellquist and Erik Lautmann are all also independent in relation to the company's major shareholders.

The Nomination Committee therefore concludes that all requirements of director independence as set out in the Code are met.

Shareholders representing more than 40% of the votes support the above mentioned proposals made by the Nomination Committee.

Finally, and in accordance to Art. 7 of the Federal Ordinance on Excessive Compensation and with the Internal Regulations, the Nomination Committee proposes to elect the following Board members to be part of the Remuneration Committee for the year 2016/2017:

Erik Lautmann, Hélèna Thrap-Olsen and Patrik Tigerschiöld.

With respect to the requirements in the Swedish Corporate Governance Code (the Code) that all members of the Remuneration Committee, apart from the chairman of the Remuneration Committee, are to be independent of the company and its executive management, the Nomination Committee has come to the conclusion that all candidates proposed by the Board of Directors are independent of the company and its executive management.

External auditor

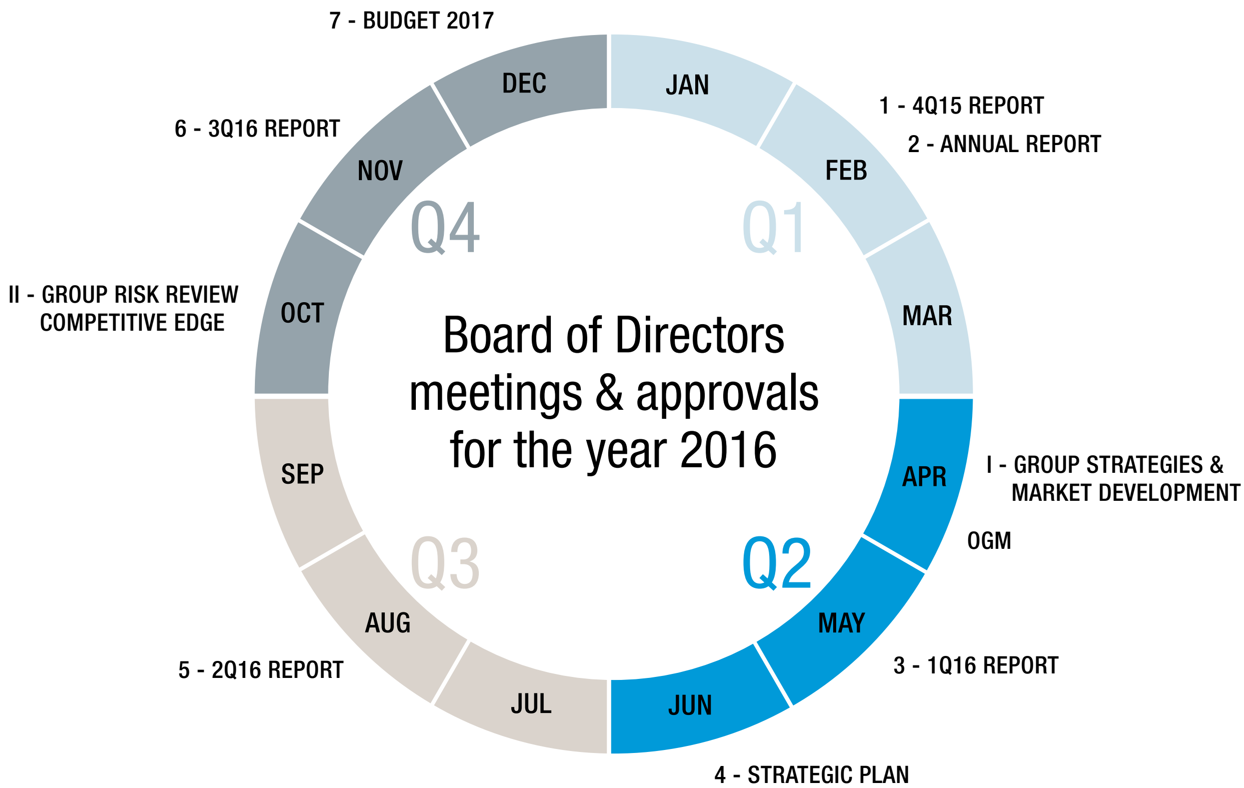
At the Ordinary General Meeting 2016 the Nomination Committee will also propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Ordinary General Meeting 2017. Daniel Ketterer is the auditor in charge. He took over this function for the business year 2011.

THE BOARD OF DIRECTORS

The composition of the Board of Directors is set out in section "Board of Directors" in the Cavotec Annual Report and the members of the Board are elected for the period until the end of the next ordinary meeting of shareholders. The Board of Directors constitutes itself, but the Chairman of the Board of Directors is elected by the shareholders' meeting as set out in the Articles of Association.

The members of the Nomination Committee and the Audit Committee, as well as the respective Chairmen, are elected from and by the Board members. The Board of Directors has a Company

Cavotec Board of Directors Work Calendar



Secretary that has the duties and competencies set out by Swiss law. Furthermore, the Secretary assists the Board, the Chairman and the Committees, to co-ordinate and fulfill their duties and assignments in accordance with the Board of Directors Internal Regulations (comparable to rules of procedures and adopted by the Board of Directors).

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

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

By Swiss law, the Board of Directors has the following non-transferable and inalienable duties:

a) The determination of the strategy of the Company and the Group and the issuance of the necessary directives;
b) The establishment of a framework of the organisation;
c) The basic structuring of the accounting system, of a system of internal financial controls, and of the financial planning;
d) The approval of the appointment (and suspension) of the officers entrusted with the management of the Company or with its representation;
e) The supervision of management, in particular in relation to compliance with the law, the Articles and corporate regulations, charters and directives;
f) Decisions on the business report consisting of the annual financial statements, the annual report, and consolidated financial statements including interim published reports and determination of the accounting standard;

Board and Committee meetings in Cavotec SA in 2015

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Brandel							4	4
Fabio Cannavale (1)	8	8					4	3
Leena Essén	8	8	7	7				
Nicola Gerber	8	6						
Christer Granskog	8	8	7	7	2	2		
Lars Hellman							4	4
Lakshmi Khanna	8	8	7	7	2	2		
Erik Lautmann	8	8			2	2		
Ottonel Popesco	8	8						
Patrik Tigerschiöld (2)	8	8	7	2			4	4
Stefan Widegren	8	8					4	4

(1) Fabio Cannavale was appointed to the Nomination Committee in February 2015.
(2) Patrik Tigerschiöld was appointed to the Audit Committee in October 2015.

g) The preparation of the general meeting of shareholders of the Company and the implementation of its resolutions;
h) Notification to the judge in case of a capital loss ("Unterbilanz") of the Company and in case of over indebtedness ("Überschuldung"; art. 725-725a CO).
i) Preparation of the compensation report.

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

The Board of Directors held eight Board meetings as Cavotec SA in 2015.

BOARD COMMITTEES

The Board of Directors currently has three Board committees, the Nomination Committee, the Audit Committee and the Remuneration Committee and the composition and tasks of the Committees are regulated in the Board of Directors' Internal Regulations. Below is a brief description of the Committees as per the current Internal Regulations (which are continuously reviewed and if deemed appropriate by the Board of Directors amended).

Nomination Committee

The Nomination Committee shall be a committee established by the Board of Directors of the Company. This is in line with Swiss law but will constitute a deviation from the Code that prescribes that the Nomination Committee shall be determined by the shareholders. To follow the rules that apply to Swiss companies the Board of Directors has decided that Nomination Committee shall be established by the Board of Directors. The composition of the Nomination Committee shall however be in line with the Code.

The Nomination Committee shall ensure that the Company has a formal and transparent method for the nomination and appointment of Board members. The objectives of the Nomination Committee are to

Board of Directors EUR	Board fees	Short-term employee benefits	Post-employment benefits	Consultancy	Total
Fabio Cannavale	35,000	1,265	1,896	-	38,161
Leena Essén	35,000	1,246	1,868	82,444	120,558
Nicola Gerber	30,000	1,068	1,601	-	32,669
Christer Granskog	40,000	598	1,300	-	41,898
Lakshmi Khanna	44,500	839	1,823	87,750	134,912
Erik Lautmann	38,800	771	1,444	-	41,015
Patrik Tigerschiöld	35,000	1,246	1,868	-	38,114
Stefan Widegren (Chairman)	115,000	245,450	-	124,197	484,647
Total remuneration	**373,300**	**252,483**	**11,800**	**294,391**	**931,974**

Chief Executive Officer EUR	Base salary	Short-term incentive	LTI Matching Incentive	Social Security, Insurance and Pension Contributions	Total
Ottonel Popesco	474,110	138,390	12,227	285,386	910,113

Please refer to Note 7 on page 110 for a detailed overview of the share ownership and refer to Compensation Report on page 48 for details.

regularly review and, when appropriate, recommend changes to the composition of the Board of Directors to ensure that the Company has, and maintains, the right composition of Board members to effectively govern and provide guidance to business, and identify and recommend to the Board of Directors individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgment and the ability to work with other Board members).

The current members of the Nomination Committee in Cavotec SA are Peter Brandel, Fabio Cannavale, Lars Hellman (Committee Chairman), Patrik Tigerschiöld and Stefan Widegren. The Nomination Committee has met four times in 2015. At the date of this Annual Report the Nomination Committee of Cavotec SA has met once in 2016.

From April 23, 2016 the Nomination Committee members will be Henrik Blomquist (representative for Bure Equity), Fabio Cannavale (representative for Nomina SA), Peter Brandel (representative for Management & Founder Shareholders) and Per Colleen (representative for 4AP-fonden). As Chairman of Cavotec SA, Stefan Widegren will be invited to Nomination Committee meetings.

Audit Committee

The objective of the Audit Committee is to assist the Board of Directors in discharging its responsibilities relative to financial reporting and regulatory compliance. Members of the Audit Committee shall exclusively comprise of members of the Board appointed by the latter in accordance with the Code. The Audit Committee will comprise of not less than three members with a majority to be Independent Directors of the Board. One member must have a financial or accounting background.

The Audit Committee of Cavotec SA is involved in a wide range of activities including inter alia, the review of all quarterly, half - yearly and annual financial statements prior to their approval by the Board and release to the public. The Committee has periodic contact with the external auditors, PricewaterhouseCoopers, through the PwC engagement partner responsible for the Audit and through the principal engagement manager, to review any unusual matters and the effect of new accounting pronouncements. As a matter of policy, the Audit Committee meets with the PwC engagement partner without the presence of Management at least once every year. Further, the Committee reviews the annual audit plan, as prepared by the external auditors, including the adequacy of the scopes of the audits proposed for the principal locations and the proposed audit fees. The engagement of the Auditors for non-audit services of significance is approved in advance by the Audit Committee.

The Group Internal Audit Function, which reports to the Chairman of the Board, has a direct line of communication with the Audit Committee, which receives all Internal Audit reports from the Director of Internal Audit as and when issued. The annual Internal Audit plan is reviewed by the Audit Committee and is approved by the Chairman of the Board.

At least once every year Management gives a presentation to the Audit Committee on the risk profile of the Group and on the procedures in place for the management of Risk. Risks related to the potential impairment of assets and the related provisions required for financial exposures are reviewed and discussed with Management at least once a year, normally in conjunction with the third quarter closing.

The current members of the Audit Committee of Cavotec SA are Lakshmi C. Khanna (Chairman), Leena Essén, Christer Granskog and Patrik Tigerschiöld.

Currently all the all the members are financially experienced and have relevant finance and/or auditing experience; one of them, namely Lakshmi C. Khanna is a Chartered Accountant.

The Audit Committee of Cavotec SA met seven times in 2015 and once in 2016.

From April 23, 2016 the Audit Committee members will be Leena Essén, Heléne Mellquist and Patrik Tigerschiöld.

Remuneration Committee

The Remuneration Committee has the following duties and responsibilities:

1. Reviewing and advising the Board of Directors on the terms of appointment of the CEO;
2. Reviewing working environments and succession planning for members of the management;
3. Reviewing the terms of the employment arrangements with members of the management so as to develop consistent group-wide employment practices subject to regional differences;
4. Reviewing of and making proposals to the Board of Directors on the remuneration of the members of the Board of Directors and of the Chief Executive Officer;
5. Reviewing the terms of the Company's short and long term incentive plans;

6. Submission of a draft of the remuneration report to the Board of Directors.

The current members of the Remuneration Committee in Cavotec SA are Christer Granskog, Lakshmi Khanna and Erik Lautmann (Chairman).

In accordance to Art. 7 of the Federal Ordinance on Excessive Compensation and with the Internal Regulations, the Nomination Committee proposes to elect the following Board members to be part of the Remuneration Committee for the year 2016/2017: Erik Lautmann, Hélèna Thrap-Olsen and Patrik Tigerschiöld.

The Remuneration Committee of Cavotec SA met twice in 2015.

Group Key Management

The composition of the Group Key Management is set out in the section "Senior Management Team" (SMT).

Cavotec's operational structure is reasonably flat in order to ensure that the Group's operations and decision-making processes are efficient and responsive. Strategic, Group-related operations are the responsibility of the CEO with the support of the CFO, COOs and the SMT. All material decisions within the day-to-day operations of the Company are taken by the CEO.

Due to the inherent international character of the Group, the Managing Directors of local Cavotec companies – who are close to their customers, suppliers and staff in their respective time zones, cultural environment and geographical area – take day-to-day operational decisions. Managing Directors report to their respective COOs, who in turn report to the CEO. The Chairman, the CEO and CFO all work out of Cavotec's corporate office in Switzerland. Cavotec has also located to the corporate office its functions for Corporate Communications, ERP & Logistics, Finance, Human Resources, Investor Relations, Sales & Marketing and other special advisory roles.

Senior Management Committee – SMT

The SMT is selected by the CEO and consists of eight members, combining Cavotec's senior operational and corporate functions.

The SMT fulfills the Group Management role – empowered by the CEO – and ensures efficient implementation of strategic decisions into Cavotec's global organisation and leads local management on key operational issues. The SMT defines and implements operational strategy, policies, technical and commercial developments, as well as new acquisitions in line with targets set by the Cavotec's Board of Directors.

REMUNERATION AND INCENTIVE PLANS

Remuneration of the Board of Directors

The remuneration to the members of the Board of Directors in Cavotec SA, is, in deviation from the Code, resolved by the Board of Directors as set out in the articles of association. In addition, Board members may receive remuneration for consultancy services provided to the Company. None of the members of the Board of Directors are entitled to any benefits when resigning from the Board, in their capacity as Board members. However, Board members may be entitled to benefits according to employment or consultancy agreements that will continue even if the Board member would resign as Board member.

Remuneration levels for Senior Executives

To ensure strong cohesion across the Group, some 15 years ago Cavotec introduced a system under which bonuses (STIP) for SMT members, Managing Directors and other Senior Executives are determined by overall, consolidated Group results. This "one bottom-line" policy works well and has been instrumental to the Group becoming a genuinely global player.

Incentive plan for Senior Executives

Cavotec's Board of Directors has reviewed current remuneration practices in order to retain and attract talented Senior Executives as well as aligning Senior Executives' and shareholders' interests. As a result of the review, the Board of Directors recommended a share based long-term incentive plan with performance requirements, which was introduced in 2012 (LTIP 2012). The LTIP 2012 was approved by Cavotec's Ordinary General Meeting (OGM) in May 2012 and was subscribed to for over 90% by the selected management. This plan was successfully closed in 2015. Identical plans (LTIP 2013, 2014 and 2015) have been approved by the OGM in their respective years. LTIP 2016 will be proposed to the OGM in April 2016 for shareholder approval.

INTERNAL CONTROL SYSTEM (ICS)

The Company has not established a separate department for internal control. This task is performed by Audit Committee of the Board of Directors and the Board of Directors. Moreover, at Group level each Managing Director of a legal entity together with the legal and/or operational entity's finance department and the Director of Internal audit – reporting to the Chairman – is responsible for ensuring that the necessary controls are performed along with adequate monitoring.

Internal controls comprise the control of the Company's and Group's organisation, procedures and remedial measures. The objective is to ensure reliable and correct financial reporting, and to ensure that the Company's and Group's financial reports are prepared in accordance with law and applicable accounting standards and that other requirements are complied with. The internal control system is also intended to monitor compliance with the Company's and Group's policies, principles and instructions. In addition, the control system monitors security for the Company assets and monitors that the Company's resources are exploited in a cost-effective and adequate manner. Internal control also involves following up on the implemented information and business system, and risk analysis.

Cavotec US Inc, Cypress, USA

THE BOARD OF DIRECTORS OF CAVOTEC SA IS PLEASED TO PRESENT THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2015

This report is dated 25 February 2016 and is signed on behalf of the Board of Cavotec SA by

Stefan Widegren
Chairman

Ottonel Popesco
Chief Executive Officer

Please note that all reported amounts in this report are in Euro.

Consolidated Financial Statements

CAVOTEC SA & SUBSIDIARIES

Statement of Comprehensive Income

EUR 000's	Notes	2015	2014
Revenue from sales of goods and services		232,223	235,457
Other income	6	5,982	5,446
Cost of materials		(113,580)	(115,964)
Employee benefit costs	7	(68,132)	(67,900)
Operating expenses	8	(44,130)	(40,010)
Gross Operating Result		**12,363**	**17,029**
Depreciation and amortisation		(4,768)	(4,468)
Operating Result		**7,595**	**12,561**
Interest income	10	52	49
Interest expenses		(1,312)	(2,410)
Currency exchange differences - net	10	6,484	6,018
Profit before income tax		**12,819**	**16,218**
Income taxes	11,19,25	(6,695)	(5,988)
Profit for the period		**6,124**	**10,230**
Other comprehensive income:			
Remeasurements of post employment benefit obbligations	27	(113)	(215)
Items that will not be reclassified to profit or loss		**(113)**	**(215)**
Currency translation differences		(973)	1,942
Items that may be subsequently reclassified to profit/(loss)		**(973)**	**1,942**
Other comprehensive income for the year, net of tax		**(1,086)**	**1,727**
Total comprehensive income for the year		**5,038**	**11,956**
Total comprehensive income attributable to:			
Equity holders of the Group		5,035	11,985
Non-controlling interest		3	(29)
Total		**5,038**	**11,956**
Profit attributed to:			
Equity holders of the Group		6,124	10,258
Non-controlling interest		-	(29)
Total		**6,124**	**10,230**
Basic and diluted earnings per share attributed to the equity holders of the Group	30	0.078	0.140
Average number of shares		78,475,939	73,444,997

The notes on pages 76 to 98 are an integral part of these Consolidated Financial Statements.

CAVOTEC SA & SUBSIDIARIES
Balance Sheet

Assets EUR 000's	Notes	2015	2014
Current assets			
Cash and cash equivalents		20,812	17,071
Trade receivables	12	62,431	60,988
Tax assets	13	1,035	991
Other current receivables	5,14	7,339	6,722
Inventories	15	45,065	40,784
Total current assets		**136,682**	**126,556**
Non-current assets			
Property, plant and equipment	16	26,736	26,326
Intangible assets	17	71,534	69,154
Non-current financial assets	18	289	264
Deferred tax assets	19	19,005	17,196
Other non-current receivables	20	5,731	513
Total non-current assets		**123,295**	**113,453**
Assets held for sale		-	1,800
Total assets		**259,977**	**241,809**

Equity and Liabilities EUR 000's	Notes	2015	2014
Current liabilities			
Bank overdrafts	21	(202)	-
Current financial liabilities	21	(2,661)	(1,738)
Trade payables	22	(38,048)	(32,831)
Tax liabilities	23	(4,012)	(3,065)
Provision for risk and charges, current	26	(5,484)	(5,359)
Other current liabilities	24	(15,149)	(14,382)
Total current liabilities		**(65,556)**	**(57,375)**
Non-current liabilities			
Non-current financial liabilities	21	(43,345)	(35,345)
Deferred tax liabilities	25	(6,359)	(5,731)
Other non-current liabilities		(215)	(264)
Provision for risk and charges, non-current	26	(4,632)	(5,191)
Total non-current liabilities		**(54,551)**	**(46,531)**
Total liabilities		**(120,107)**	**(103,906)**
Equity			
Equity attributable to owners of the parent	28,29	(139,840)	(137,876)
Non-controlling interests		(30)	(27)
Total equity		**(139,870)**	**(137,903)**
Total equity and liabilities		**(259,977)**	**(241,809)**

The notes on pages 76 to 98 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements

CAVOTEC SA & SUBSIDIARIES
Statement of Changes in Equity

EUR 000's	Equity related to owners of the parent	Reserves	Retained earnings	Equity related to owners of the parent	Non-controlling interest	Total equity
Balance as at 1 January 2014	(86,464)	1,448	(23,757)	**(108,773)**	4	**(108,769)**
(Profit) / Loss for the period	-	-	(10,258)	**(10,258)**	29	**(10,230)**
Currency translation differences	-	(1,942)	-	**(1,942)**	-	**(1,942)**
Remeasurements of post employment benefit obbligations	-	215	-	**215**	-	**215**
Total comprehensive income and expenses	**-**	**(1,727)**	**(10,258)**	**(11,985)**	**29**	**(11,956)**
Capital reduction	2,921	(3)	-	**2,918**	-	**2,918**
Capital increase	(8,447)	(11,814)	-	**(20,261)**	-	**(20,261)**
Reduction in non-controlling interest	-	-	-	**-**	(33)	**(33)**
Acquisition of subsidiary involving changes to non-controlling interest	-	-	225	**225**	(27)	**198**
Transactions with shareholders	**(5,526)**	**(11,817)**	**225**	**(17,118)**	**(60)**	**(17,178)**
Balance as at 31 December 2014	**(91,990)**	**(12,096)**	**(33,790)**	**(137,876)**	**(27)**	**(137,903)**
Balance as at 1 January 2015	(91,990)	(12,096)	(33,790)	**(137,876)**	(27)	**(137,903)**
(Profit) / Loss for the period	-	-	(6,124)	**(6,124)**	-	**(6,124)**
Currency translation differences	-	976	-	**976**	(3)	**973**
Remeasurements of post employment benefit obbligations	-	113	-	**113**	-	**113**
Total comprehensive income and expenses	**-**	**1,089**	**(6,124)**	**(5,035)**	**(3)**	**(5,038)**
Capital reduction	3,218	(62)	-	**3,156**	-	**3,156**
Transaction related to the own shares	-	-	(84)	**(84)**	-	**(84)**
Transactions with shareholders	**3,218**	**(62)**	**(84)**	**3,072**	**-**	**3,072**
Balance as at 31 December 2015	**(88,772)**	**(11,069)**	**(39,998)**	**(139,840)**	**(30)**	**(139,870)**

The notes on pages 76 to 98 are an integral part of these Consolidated Financial Statements.

CAVOTEC SA & SUBSIDIARIES
Statement of Cash Flows - Indirect Method

EUR 000's	2015	2014
Profit for the year	**6,124**	**10,230**
Adjustments for:		
Net interest expenses	1,096	1,536
Current taxes	6,990	7,208
Depreciation and amortisation	4,768	4,468
Deferred tax	(295)	(1,219)
Provision for risks and charges	2,887	1,211
Capital gain or loss on assets	(45)	(121)
Other items not involving cash flows	(5,688)	(5,028)
Interest paid	(1,114)	(1,546)
Taxes paid	(6,088)	(6,435)
	2,511	**74**
Cash flow before change in working capital	**8,635**	**10,304**
Impact of changes in working capital		
Inventories	(5,393)	(1,355)
Trade receivables	(3,774)	(12,222)
Other current receivables	(621)	(2,027)
Trade payables	5,138	1,221
Other current liabilities	978	2,246
Long term receivables	(5,231)	1,078
Impact of changes involving working capital	**(8,903)**	**(11,059)**
Net cash inflow /(outflow) from operating activities	**(268)**	**(755)**
Financial activities		
Preceeds of loans and borrowings	10,097	454
(Repayments) of loans and borrowings	(2,308)	(14,491)
Capital increase	-	20,260
Capital reduction	(3,777)	(2,918)
Acquisition of non controlling interest	-	(232)
Increase of loans to non controlling interest	-	(26)
Net cash inflow /(outflow) from financial activities	**4,012**	**3,047**
Investing activities		
Investments in property, plant and equipment	(3,173)	(2,155)
Investments in intangible assets	(651)	(1,010)
Sales of non-current financial assets	(25)	18
Disposal of assets	1,767	303
Net cash outflow from investing activities	**(2,082)**	**(2,844)**
Cash at the beginning of the year	17,071	13,928
Cash flow for the year	1,662	(552)
Currency exchange differences	1,877	3,695
Cash at the end of the year	**20,610**	**17,071**
Cash comprises:		
Cash and cash equivalents	20,812	17,071
Bank overdrafts	(202)	-
Total	**20,610**	**17,071**

The notes on pages 76 to 98 are an integral part of these Consolidated Financial Statements.

Consolidated Financial Statements

Notes to the Financial Statements

NOTE 1. GENERAL INFORMATION

Cavotec is a global engineering Group that manufactures power transmission, distribution and control technologies that form the link between fixed and mobile equipment in the Ports & Maritime, Airports, Mining & Tunnelling and General Industry sectors. All engineering and most manufacturing of Cavotec's products and systems take place at eight specialised engineering Centres of Excellence in Germany (two), Sweden, Norway, Italy, the United States (two) and New Zealand. Cavotec has fully owned sales companies spread across the world which monitor local markets and co-operate with Cavotec's Centres of Excellence.

The Financial Statements of the Cavotec Group for 2015 reflect the business activities of Cavotec SA.

Cavotec SA is the ultimate Parent company of the Cavotec Group, its registered office is Via Serafino Balestra 27, CH-6900 Lugano, Switzerland. Cavotec SA shares are listed on NASDAQ OMX in Stockholm, Sweden.

These Financial Statements were approved by the Board of Directors on 25 February 2016. The report is subject to approval by the Ordinary General Meeting on 22 April 2016.

NOTE 2. BASIS OF PREPARATION

The consolidated Financial Statements of Cavotec Group are prepared in accordance with International Financial Reporting Standard (IFRS).

Historical Cost Convention

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through statement of comprehensive income.

Adoption of new standards and interpretations

No new standard or interpretation have been adopted during the year, the group. The group has adopted the annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle without impacts.

New standards, amendments and interpretations not yet adopted

The Group is currently assessing the potential impacts of other new and revised standards and interpretations that will be effective from 1 January 2016 and beyond. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is currently assessing the impact of IFRS 15 on its Financial Statements going forward.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 will require impairments to be based on a forward-looking model; will change the approach to hedging financial exposures and related documentation and the recognition of certain fair value changes. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess the possible impact of IFRS 9 going forward.

IFRS 16: IFRS 16 Leases 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. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The Group is currently assessing the impact of adopting IFRS 16.

Critical accounting estimates

The preparation of the Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in note 4.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the periods presented, namely, 31 December 2015 and 2014.

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the related entity operates ('the functional currency'). The Financial Statements are presented in Euros, which is the Group's presentation currency and Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet.
- Income and expenses for each Statement of Comprehensive Income are translated at average exchange rates.
- All resulting exchange differences are recognised as a separate component of equity.
- The Consolidated Statements of Cash Flow are translated at average exchange rates during the period, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Statement of Comprehensive Income, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Contingent consideration is valued based on the probability that the consideration will be paid and changes in the fair value are recognised in profit or loss. Acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred.

(ii) Transactions with non-controlling interest

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Financial Statements

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies by the Group.

(iv) Scope of Consolidation

The consolidated Financial Statements include the statements at 31 December 2015 of the companies included in the scope of consolidation, which have been prepared in accordance with IFRS adopted by the Group. Below is a list of companies consolidated on a line by line basis and the respective shares held either directly or indirectly by Cavotec SA:

Name	Registered office	Type of Business	Controlled through	% Group ownership	
				Direct	Indirect
Cavotec (Swiss) SA	Switzerland	Services	Cavotec SA	100%	
Cavotec Australia Pty Ltd	Australia	Sales company	Cavotec Group Holdings NV		100%
Cavotec Brasil Comercio de Sistemas Industriais Ltda.	Brazil	Sales company	Cavotec Group Holdings NV		100%
Cavotec Canada Inc.	Canada	Sales company	Cavotec Group Holdings NV		100%
Cavotec Connectors AB	Sweden	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Dabico US Inc.	United States of America	Centre of Excellence	Cavotec US Holdings Inc		100%
Cavotec Danmark AS	Denmark	Sales company	Cavotec Group Holdings NV		100%
Cavotec Germany GmbH	Germany	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Engineering Services Ltd	India	Engineering	Cavotec Group Holdings NV		100%
Cavotec Finland OY	Finland	Sales company	Cavotec Group Holdings NV		100%
Cavotec France RMS SA	France	Sales company	Cavotec Group Holdings NV		100%
Cavotec Group Holdings NV	The Netherlands	Holding	Cavotec MoorMaster Ltd		100%
Cavotec Hong Kong Ltd	China	Sales company	Cavotec Group Holdings NV		100%
Cavotec Iberica S.L.	Spain	Sales company	Cavotec Group Holdings NV		100%
Cavotec India Ltd	India	Sales company	Cavotec Group Holdings NV		100%
Cavotec Inet US Inc.	United States of America	Centre of Excellence	Cavotec US Holdings Inc		100%
Cavotec International Ltd	United Kingdom	Services	Cavotec Group Holdings NV		100%
Cavotec Korea Ltd	Korea	Sales company	Cavotec Group Holdings NV		100%
Cavotec Latin America	Argentina	Sales company	Cavotec Group Holdings NV		90%
Cavotec Latin America	Argentina	Sales company	Ipalco BV		10%
Cavotec Micro-control AS	Norway	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Micro-control GmbH	Germany	Centre of Excellence	Cavotec Germany GmbH		100%
Cavotec Middle East FZE	U.A.E.	Sales company	Cavotec Group Holdings NV		100%
Cavotec MoorMaster Ltd	New Zealand	Engineering	Cavotec SA	100%	
Cavotec Nederland BV	The Netherlands	Sales company	Cavotec Group Holdings NV		100%
Cavotec Norge AS	Norway	Sales company	Cavotec Group Holdings NV		100%
Cavotec Middle East Trading & Contracting WLL	State of Qatar	Sales company	Cavotec Group Holdings NV		40%
Cavotec Realty France SCI	France	Services	Ipalco BV		100%
Cavotec Realty Germany BV	The Netherlands	Services	Ipalco BV		100%
Cavotec Realty Norway AS	Norway	Services	Ipalco BV		100%
Cavotec Realty USA LLC	Unites States of America	Services	Ipalco BV		100%
Cavotec Russia OOO	Russia	Sales company	Cavotec Group Holdings NV		100%
Cavotec SA	Switzerland	Holding	-	100%	
Cavotec Sonjiang	China	Sales company	Cavotec Shanghai Ltd	100%	
Cavotec Shanghai Ltd	China	Sales company	Cavotec Group Holdings NV		100%
Cavotec Singapore Pte Ltd	Singapore	Sales company	Cavotec Group Holdings NV		100%
Cavotec South Africa Pte Ltd	South Africa	Sales company	Cavotec Group Holdings NV		100%
Cavotec Specimas SpA	Italy	Centre of Excellence	Cavotec Group Holdings NV		100%
Cavotec Sverige AB	Sweden	Sales company	Cavotec Group Holdings NV		100%
Cavotec UK Ltd	United Kingdom	Centre of Excellence	Cavotec International Ltd		100%
Cavotec US Holdings Inc.	United States of America	Holding	Cavotec SA	100%	
Cavotec USA Inc.	Unites States of America	Sales company	Cavotec US Holdings Inc		100%
Ipalco BV	The Netherlands	Holding/Services	Cavotec Group Holdings NV		100%

During the year the consolidation area had the following variations:

• a new sales company, Cavotec Sonjiang, was incorporated in May 2015, controlled directly by Cavotec Shanghai Ltd. (100%).

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer jointly supported and assisted by the Senior Management Team.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Fixed assets held for sale and operations that are being closed down are reported as Non-current Assets Held for Sale and Discontinued Operations if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, fixed assets held for sale are stated at the lower of fair value less selling expenses and the carrying amount and, following reclassification, the assets are no longer depreciated.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using a straight line method so as to expense the cost of the assets over their useful lives. The rates are as follows:

	Annual Percentage
Industrial buildings	4
Building improvements	20
Plant and machinery	10 to 20
Laboratory equipment and miscellaneous tools	20
Furniture and office machines	20
Motor vehicles	20
Computer hardware	33

Capital work in progress is not depreciated until commissioned. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

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

LEASES

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is not amortised. Instead goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the Market Unit level.

Notes to the Financial Statements

(ii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocable to a specific product.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets at cost and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which varies from 3 to 5 years.

(iii) Patents

Patents acquired in a business combination are recognised at fair value at acquisition date. Patents are amortised on a straight line basis over the period over which they are valid (not exceeding 20 years) or their estimated useful life if shorter.

(iv) Marketing and customer related intangible assets

Marketing and customer related intangibles such as customer relations and other similar items acquired in a business combination are recognised at fair value at acquisition date. They are amortised on a straight line basis over the period over which they are valid or their estimated useful life if shorter.

INVENTORIES

Inventories are measured at the lower of acquisition cost (generally the weighted average cost) or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labour, direct engineering, production and tooling and other non-recurring costs and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated variable costs necessary to make the sale.

Inventoried costs include amounts relating to programs and contracts with long-term production cycles, a portion of which is not expected to be realized within one year.

Cavotec MoorMaster and Micro-control inventories include deferred production costs that represent actual costs incurred for production of early units that exceed the estimated average cost of all units in the program accounting quantity. Units produced early in a program require substantially more effort (labour and other resources) than units produced later in a program because of volume efficiencies and the effects of learning. The deferred costs are expected to be fully recovered when all units included in the accounting quantity are delivered as the expected unit cost for later deliveries is below the estimated average cost of all units in the program.

Provisions are made for inventories with a lower market value or which are slow-moving. If it becomes apparent that such inventory can be reused, provisions are reversed with inventory being revalued up to the lower of its net realizable value or original cost. Unsaleable inventory is fully written off.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are accounted at trade date, which is the day when the Group contractually commits to acquire or dispose of the assets. Trade receivables are recognised on issuance of invoices. Liabilities are recognised when the other party has performed and there is a contractual obligation to pay.

Derecognition (fully or partially) of a financial asset occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been removed from the Group. The Group derecognises (fully or partially) a financial liability when the obligation specified in the contract is discharged or otherwise expires.

A financial asset and a financial liability is offset and the net amount presented in the Balance Sheet when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Measurement and classification

Financial instruments are, at initial recognition, measured at fair value with addition or deduction of transaction costs in the case of a financial asset or a financial liability not measured at fair value through statement of comprehensive income. Financial instruments, upon initial recognition, are classified in accordance with the categories in IAS 39 based on the purpose of the acquisition of the instrument. The financial instruments are classified as follows:

- Financial instruments are designated at fair value through statement of comprehensive income if the Group manages such investments and makes purchase and sale decisions based on their fair value. They are included in "Current or non-current financial assets". Financial instruments at fair value through profit and loss are measured at fair value and changes therein are recognised in profit and loss.

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in "trade receivables", "other current & non-current receivables", and "non-current financial assets" in the Balance Sheet. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables, and on a prudent basis, on past due accounts. The amount of the provision is the difference between the asset's carrying amount and realisable value. The amount of the change in provision is recognised in the Statement of Comprehensive Income. The fair value of loans and receivables is the same as the carrying amount since they are not discounted given the short expected time to payment.

- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held to maturity investments are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

- Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. Subsequent to initial recognition, they are measured at fair value and changes there are recognised in other comprehensive income except for impairment losses which are recognised in profit and loss. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit and loss.

- Derivative instruments are measured at fair value. For derivatives which are not part of hedge accounting (classified as financial assets or liabilities held for trading), changes in fair value are reported as operating or financial income or expense based on the purpose of the use of the derivatives and whether the instruments relate to operational or financial items. Fair value changes on derivatives are recognised in statement of comprehensive income unless the derivatives are designated as hedging instruments in cash flow or net investment hedges (see section below about hedge accounting).

Hedge accounting

In order to qualify for hedge accounting according to IAS 39, the hedging relationship must be designated, the hedge expected to be highly effective and the hedge relationship documented. The Group assesses, evaluates and documents effectiveness both at hedge inception and on an on-going basis. The method of recognising a gain or loss resulting from hedging instruments is dependent on the type of hedge relationship, i.e. which type of risk exposure that is secured by the hedging instrument.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. These changes in the fair value of the hedged asset or liability are recognised in profit and loss to offset the effect of gain or loss on the hedging instrument.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective and the accumulated changes in fair value are recognised as a separate component in equity. To the extent that the hedge is ineffective, changes in fair value are recognised in profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity via other comprehensive income remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity via other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity via other comprehensive income is transferred to profit and loss in the same period that the hedged item affects profit and loss.

Gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. Gain or loss relating to the ineffective portion is recognised immediately in profit and loss. Gains and losses accumulated in other comprehensive income are included in profit and loss on disposal of foreign operations.

Impairment of financial assets

Financial assets, except for such assets classified at fair value through profit and loss, are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In respect of an available for sale financial asset, impairment is recognised in the profit and loss in case of significant and prolonged decrease of fair value. If the reasons for write-down should cease to exist, the value of the asset is restored up to the value it would have if no impairment had been recognised, except for equity instruments.

Notes to the Financial Statements

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of an undrawn loan facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of liabilities for at least 12 months after the Balance Sheet date.

BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The amount recognised is the best estimate of the cost required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows at a rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Provisions for restructuring cover expenses that arise directly from restructuring measures, are necessary for restructuring and are not related to future business operations. Such expenses include severance payments to employees and compensation payments in respect of rented property that can no longer be used. Restructuring measures may include the sale or termination of business units, site closures, relocations of business activities or fundamental reorganisations of business units. The respective provisions are established when a detailed restructuring plan has been drawn up, resolved upon by the responsible decision-making level of management and communicated to the employees and / or their representatives.

Provisions for warranties are recognised at the time the products are sold based on the estimated cost using historical data for level of repairs and replacements.

Provisions for onerous contracts are recognised when the expected economic benefits to be derived from a contract are lower than the cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value added taxes, goods and service tax (GST), rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

The Group offers multiple element arrangements to meet its customers' needs. These arrangements may involve the delivery of multiple products and/or performance of services (such as installation, commissioning and training) and the delivery and/or performance may occur at different points in time or over different periods. Deliverables of such multiple element arrangements are evaluated to estimate the selling price that reflects at inception the Group's best estimate of what the selling price would be if the elements were sold on a stand-alone basis. Such arrangements generally include industry-specific performance and termination provisions, such as in the event of substantial delays or non-delivery.

(i) Sales of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which in most cases occurs in connection with delivery. When the products are sold subject to installation and this constitutes a significant portion of the contract, revenue is recognised when the installation is completed.

(ii) Sales of services

Service revenue reflects revenues earned from the Group's activities in providing services to customers primarily subsequent to the sale and delivery of a products or complete systems. Such revenues consist of maintenance-type contracts, field service activities that include personnel and accompanying spare parts, and installation and commissioning of products as a stand-alone service or as part of a service contract. Revenue from service transactions is recognised as services are performed. For long-term service contracts, revenue is recognised on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided or accepted.

(iii) Long term contracts

Contract revenues and related costs from contracts involving complete construction project solutions achieved through system integration are recognised on the percentage of completion method when the outcome of the contract can be measured reliably. Completion is generally measured by reference to the cost incurred to date as a percentage of the estimated total project costs. The milestone output method is applied when the nature of the individual projects indicates that a milestone method is the most applicable measure of progress.

Billings that exceed revenues recognised under percentage of completion are recorded as advances from customers. Revenues recognised under percentage of completion method that exceed billings are booked as unbilled receivables.

Recognised revenues and profits are subject to revisions during the project life span in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period when such revisions become known and measurable. Losses on projects are recognised immediately when known and measurable.

Claims for extra work or change in scope of work may be included in contract revenues when collection is highly probable.

VALUE ADDED TAX (VAT) AND GOODS AND SERVICES TAX (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of VAT or GST. All items in the Balance Sheet are also stated net of VAT or GST, with the exception of receivables and payables, which include VAT or GST invoiced.

EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Cavotec SA and Cavotec (Swiss) SA operate a pension scheme via the employee benefits foundation and are affiliated with the Swiss Life Collective BVG Foundation based in Zurich. All benefits in accordance with the regulations are reinsured in their entirety with Swiss Life Ltd within the framework of the corresponding contract and determined by actuarial calculations for the first time as of 31 December 2011. These schemes are defined benefit plans due to the fact that Cavotec can be requested to pay restructuring contributions in the case of a shortfall. Although these schemes are defined benefit plans, defined contribution accounting was applied to the schemes in prior years due to materiality reasons. Starting as of 31 December 2011 the accounting was changed to defined benefit accounting.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

(ii) Share-based payments

The Group has share-based incentive programs, which have been offered annually to certain employees based on position and performance, consisting of a performance component and a retention component. The accumulated expense recognised equals the expected cash amount to be paid at settlement (or liability amount transferred to equity when employees have a choice and choose to settle in shares).

DIVIDENDS AND OTHER DISTRIBUTIONS

Distributions to the shareholders are recognised as a liability in the Group's Financial Statements in the period in which they are approved by the Ordinary General Meeting.

TREASURY SHARES

Treasury shares are deducted from consolidated equity at the acquisition value. Differences between this amount and the amount received for disposing of treasury shares are recorded in consolidated retained earnings.

Notes to the Financial Statements

INCOME TAX

The income tax expense for the period is the tax payable on the current years taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit and loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity or in OCI are also recognised directly in equity or in OCI respectively.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Critical accounting policies and estimates in the period relate to the valuation of deferred tax assets, the estimation of the outcome of legal proceeding and the assumptions used in the goodwill impairment test. As of the Balance Sheet dates the Group has no other significant estimates and assumptions that have a significant risk of causing a material adjustment to causing a material adjustment to the carrying amount of assets and liabilities within the foreseeable future.

DEFERRED TAXES

Deferred tax assets are recognised for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The Group records deferred tax assets based upon management's estimates of future taxable profit in different tax jurisdictions. The estimations of the recoverability of deferred tax assets on losses carried forward are based on business plans, and include the taxable profits that are more probable than not until the expire of tax losses, this results in lower estimates for years in the distant future. The actual results may differ from these estimates, due to changes in the business climate and changes in tax legislation or by variances from the business plans used on the models. See notes 19 and 25 for additional information.

LEGAL PROCEEDINGS

The Group recognises a liability when it has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the Financial Statements. These reviews consider the factors of the specific case through the use of outside legal counsel and advisors when necessary. To the extent that management's assessment of the factors considered are not reflected in subsequent developments, the Financial Statements could be affected. See note 34 for additional information.

GOODWILL IMPAIRMENT TEST

The Group allocates the Goodwill to the cash-generating units (CGU's) identified according to the Market Units.

EUR 000's	Net book value as of 31/12/2014	Translation differences and other	Acquisitions and dispositions	Impairment	Net book value as of 31/12/2015
Ports & Maritime	23,421	(47)	-	-	23,374
Airports	33,418	3,074	-	-	36,492
Mining & Tunnelling	530	-	-	-	530
General Industry	6,432	6	-	-	6,438
Total	**63,801**	**3,033**	**-**	**-**	**66,834**

For the purpose of estimating the value in use of the MUs, cash flows were projected for the next five years based on past experiences, actual operating results, budgets, business plans, and management's best estimate about future developments and market assumptions. In Ports & Maritime MU, most of the goodwill is related to the EMEA operating segment while in the Airports MU most of it relates to the AMER and EMEA operating segments.

The value in use is mainly driven by the terminal value, which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Terminal value growth rates are related to industry specific trends with the support of external macroeconomic sources of data and an assessment as to the ability of the Company to take advantage of these markets taking into account orders received, commercial negotiations currently in place and future expectations.

The following table presents the key assumptions used to determine the value in use for impairment test purposes:

Terminal value growth rate	2015	2014
Ports & Maritime	2.0%	2.0%
Airports	2.0%	2.0%
Mining & Tunnelling	1.0%	1.0%
General Industry	1.5%	1.5%

The pre-tax weighted average cost of capital used for impairement test purpose was 8.1% (2014: 8.1%).

Based on the estimated cash flows these MUs are expected to generate from their businesses, discounted back to their present value using the above mentioned discount rate, management concluded that goodwill allocated to these MUs remained recoverable at 31 December 2015.

In its review of the carrying amounts of goodwill of year-end 2015, management specifically considered the goodwill allocated to the Airports MU due to the sensitivity to the estimations. The business plan forecasts a significant growth of the revenue in the Airport MU over the next 5 years.

The sensitivity analysis shows that a reduction in gross margin of 2.7% or a rise of the WACC to 11.0% would remove the remaining headroom.

NOTE 5. LONG TERM CONTRACTS

EUR 000's	2015	2014
Revenues recognised	14,400	3,737
Cost incurred and recognised	(8,774)	(2,383)
Unbilled work in progress	2,462	2,039

At 31 December, 2015 all costs sustained have been recognized as an expense. The unbilled work in progress has been included in the other current receivables.

NOTE 6. OTHER INCOME

EUR 000's	2015	2014
Carriage, insurance and freight	3,679	3,395
Own work capitalised	821	568
Exchange gains and losses	(459)	(322)
Other miscellaneous income	1,941	1,805
Total	**5,982**	**5,446**

NOTE 7. EMPLOYEE BENEFIT COSTS

EUR 000's	2015	2014
Salaries and wages	(54,368)	(54,523)
Social security contributions	(7,637)	(7,523)
Other employee benefits	(6,127)	(5,854)
Total	**(68,132)**	**(67,900)**

The employee benefit costs are based on an average workforce of 1,063 full time equivalents (2014: 1,019). The increase in the average number of employees derives mainly from strengthening the production capabilities in the Americas operating segment.

Since 2012 the Company has implemented on a yearly basis a Long Term Incentive Plan ("LTIP") for selected employees of the Group in the form of annually offered share matching plan. The purpose of the LTIP is to provide selected key employees with an opportunity to become shareholders of Cavotec. The plan is implemented, centrally administered and maintained by Board of Directors and the Remuneration Committee is responsible for its structuring and operation.

A participant in the LTIP (the "Participant") has the possibility, but is not obligated, to purchase shares at fair value in the stock-market ("Co-investment Shares")

Notes to the Financial Statements

during a defined period for the respective plan. The maximum number of shares that can qualify as Co-investment Shares are determined by the Board of Directors at its sole discretion, but is capped at 10 per cent of the Participant's annual base salary.

The Co-investment Shares purchased under the plan are subject to a holding period of approximately 3 years (the date when the holding period ends will be known as the "Matching Date"). The Participant is entitled to obtain a bonus (the "Matching Incentive") according to the terms and conditions of the plan, provided that the Participant is employed in the Group on the Matching Date. Cavotec SA shall make available the required amount in cash and the required number of shares for the Matching Incentive, which the Participants may acquire, based on the plan.

The amount of the Matching Incentive depends on the number of Co-investment Shares still held by the Plan Participant on the Matching Date, as well as, on the achievement of the Revenue Target and the EBIT Margin Target. The Group accounts reflect the plan's costs based on the assessment of the probability of reaching each level of targets for all plans, the number of shares outstanding and the shares market price.

At inception, the maximum number of shares granted to employees in Cavotec as a result of each plan is one per cent.

The cost for the Group for all plans (excluding social security payments) was EUR 155 thousands (2014: 196), the total outstanding shares were 359,727 shares (2014: 336,622).

NOTE 8. OPERATING EXPENSES

EUR 000's	2015	2014
Transportation expenses	(2,313)	(2,537)
External services	(12,230)	(12,891)
Travelling expenses	(6,479)	(5,694)
General expenses	(12,148)	(9,349)
Rent and leasing	(5,817)	(5,087)
Credit losses	(2,307)	(242)
Warranty costs	(2,836)	(4,210)
Total	**(44,130)**	**(40,010)**

NOTE 9. NON-RECURRING ITEMS

EUR 000's	2015	2014
Restructuring costs	353	1,673
Litigation costs	2,965	3,522
Total operating costs	**3,318**	**5,195**

Non recurring items totalled EUR 3,318 thousands (2014: 5,195). The majority of the non recurring costs relates to the on-going litigation with Mike Colaco, see note 34.

NOTE 10. NET FINANCIAL COSTS

EUR 000's	2015	2014
Interest income	52	49
Interest expense	(1,148)	(1,585)
Change of derivatives fair value	14	(5)
Amortisation of issuance costs	(178)	(820)
Interest expenses - net	**(1,260)**	**(2,361)**
Currency exchange difference - net	**6,484**	**6,018**
Total	**5,224**	**3,657**

NOTE 11. INCOME TAXES

EUR 000's	2015	2014
Current tax	(6,960)	(6,777)
Deferred tax	295	1,219
Other taxes	(30)	(430)
Total	**(6,695)**	**(5,988)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities as follows:

EUR 000's		2015		2014
Tax on consolidated pre-tax income at group rate	**25.5%**	**(3,273)**	**24.5%**	**(3,977)**
Tax effect of losses included in consolidated pre-tax income		(5,220)		(4,808)
Tax effect of non-taxable income included in profit before tax		1,249		369
Tax on non-deductible expenses or not related to income		(615)		(628)
Tax on Controlled Foreign Corporation		(349)		(638)
Effects of tax losses/credits utilised		161		545
Utilization of previously unrecognised DTA		34		1,285
Effects of different tax rates in countries in which the group operates		1,053		1,075
Total	**54.3%**	**(6,960)**	**41.8%**	**(6,777)**

The Group operates in many jurisdictions where statutory tax rates vary from 0% to 40%. The weighted average applicable tax rate was 25.5% (2014: 24.5%).

NOTE 12. TRADE RECEIVABLES

EUR 000's	2015	2014
Trade receivables	68,599	64,824
Provision for doubtful debts	(6,168)	(3,836)
Trade receivables, net	**62,431**	**60,988**

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

Opening balance	**(3,836)**	**(3,510)**
Provision recorded in the year	(2,909)	(467)
Provision used in the year	367	287
Provision reversed not used in the year	585	245
Currency exchange difference	(375)	(391)
Closing balance	**(6,168)**	**(3,836)**

NOTE 13. TAX ASSETS

EUR 000's	2015	2014
Tax assets	192	554
VAT recoverable	843	437
Total	**1,035**	**991**

NOTE 14. OTHER CURRENT RECEIVABLES

EUR 000's	2015	2014
Short term investments	12	11
Deposits	421	324
Prepayments	2,076	2,427
Other receivables	4,830	3,960
Total	**7,339**	**6,722**

NOTE 15. INVENTORIES

EUR 000's	2015	2014
Raw materials	4,157	3,550
Work in progress	2,654	2,554
Finished goods	41,858	37,181
Provision for slow moving inventories	(3,604)	(2,501)
Total	**45,065**	**40,784**

Notes to the Financial Statements

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

EUR 000's	2015	2014
Opening balance	**(2,502)**	**(2,006)**
Provision used during the year	4	1,923
Provision recorded in the year	(1,099)	(2,376)
Provision reversed not used in the year	54	30
Currency exchange difference	(61)	(73)
Closing balance	**(3,604)**	**(2,502)**

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

EUR 000's	Land & buildings	Plant & equipment	Fixtures & fittings	Total
Year ended 31 December 2014				
Opening net book value	17,595	4,991	4,275	26,861
Additions	593	1,564	130	2,287
Disposals	-	(125)	(1)	(126)
Depreciation	(641)	(1,661)	(719)	(3,022)
Currency exchange differences	(71)	115	282	326
Closing net book value	**17,476**	**4,884**	**3,967**	**26,326**
At 31 December 2014				
Cost	21,358	18,685	7,256	47,298
Accumulated depreciation	(3,882)	(13,801)	(3,289)	(20,972)
Net book amount	**17,476**	**4,884**	**3,967**	**26,326**
Year ended 31 December 2015				
Opening net book value	17,476	4,884	3,967	26,326
Additions	22	2,309	1,239	3,570
Disposals	(4)	(376)	(27)	(407)
Depreciation	(697)	(1,760)	(828)	(3,285)
Currency exchange differences	154	93	285	532
Closing net book value	**16,951**	**5,150**	**4,636**	**26,736**
At 31 December 2015				
Cost	21,573	19,028	9,152	49,753
Accumulated depreciation	(4,622)	(13,878)	(4,516)	(23,017)
Net book amount	**16,951**	**5,150**	**4,636**	**26,736**

During 2015, the sale of one of the German building was completed with a loss recognised in the Statement of Comprehensive Income equal to EUR 200 thousands.

NOTE 17. INTANGIBLE ASSETS

EUR 000's	Goodwill	Patents & trademarks	R&D and other	Total
Year ended 31 December 2014				
Opening net book value	60,479	3,411	2,361	66,251
Additions	-	8	683	691
Disposals	-	(56)	-	(56)
Amortisation	-	(488)	(676)	(1,164)
Currency exchange differences	3,322	41	68	3,432
Closing net book value	**63,801**	**2,917**	**2,436**	**69,154**
At 31 December 2014				
Cost	63,801	7,110	4,926	75,837
Accumulated amortisation	-	(4,193)	(2,490)	(6,683)
Net book amount	**63,801**	**2,917**	**2,436**	**69,154**
Year ended 31 December 2015				
Opening net book value	63,801	2,917	2,436	69,154
Additions	-	35	649	684
Disposals	-	-	(46)	(46)
Amortisation	-	(465)	(818)	(1,283)
Currency exchange differences	3,033	(13)	5	3,025
Closing net book value	**66,834**	**2,474**	**2,226**	**71,534**
At 31 December 2015				
Cost	66,834	7,126	5,476	79,436
Accumulated amortisation	-	(4,652)	(3,250)	(7,902)
Net book amount	**66,834**	**2,474**	**2,226**	**71,534**

The goodwill impairment test has been considered in note 4.

NOTE 18. NON-CURRENT FINANCIAL ASSETS

EUR 000's	2015	2014
Financial receivables	250	225
Financial assets at fair value	39	39
Total	**289**	**264**

NOTE 19. DEFERRED TAX ASSETS

EUR 000's	2015	2014
Deferred tax assets to be recovered within 12 months	3,770	3,664
Deferred tax assets to be recovered after more than 12 months	15,235	13,532
Closing balance	**19,005**	**17,196**

EUR 000's	2015	2014
Provisions for warranty, inventory, doubtful accounts and others	2,944	2,323
Losses carried forward	13,487	12,216
Depreciation and amortisation	263	236
Unrealized exchange differences	3	4
Accrued expenses not currently deductible	390	840
Mark-to-market on derivatives	12	18
Others temporary differences	1,906	1,559
Total	**19,005**	**17,196**

The deferred tax assets arose as a consequence of the recognition of temporary differences on provisions relative to doubtful accounts, slow moving inventories and warranties, which are not tax deductible currently and become deductible for tax purposes when utilised, as well as to tax losses. The losses carried forward expire in 20 years in the US and never expire in Germany. The Group did not recognise deferred income tax assets on losses carried forward of EUR 27,664 thousands (2014: 10,565). Further explanation on the estimations of the recoverability of deferred tax assets on losses carried forward are given on note 4.

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NOTE 20. OTHER NON-CURRENT RECEIVABLES

Other non-current receivables include, in accordance with US Legislation, advance payments of opponent's legal costs related to the Mike Colaco litigation.

NOTE 21. LOANS AND BORROWINGS

EUR 000's	2015	2014
Bank overdraft	(202)	-
Other current financial liabilities	(2,661)	(1,738)
Credit facility non-current portion	(41,373)	(31,453)
Other non-current financial liabilities	(3,283)	(3,892)
Unamortised issuance costs	1,311	-
Total	**(46,208)**	**(37,083)**

Cavotec SA entered into EUR 95 million financing facility in July 2015. The agreement incorporates a committed EUR 70 million senior revolving credit facility, and EUR 25 million senior revolving bank guarantee facility, which can be extended to EUR 100 million and EUR 30 million respectively. Syndication costs and upfront fees of EUR 1,477 thousands were paid during the year and will be amortized over the extended duration of the facility.

Positive mark-to-market on derivatives for EUR 14 thousands is included in other non-current liabilities. Financial leasing liabilities for EUR 31 thousands (2014: 82) are included in other current liabilities and EUR 120 thousands (2014: 83) in other non-current liabilities.

EUR 000's	2015	2014
Bank overdrafts	2.56%	-
Short term debt	1.84%	2.33%
Long term debt	1.90%	1.44%
Interest bearing liabilities	**1.90%**	**1.49%**

The average cost of the interest bearing liabilities at the end of 2015 was higher compared to the previous year due to the utilisation of bank overdraft facility.

NOTE 22. TRADE PAYABLES

EUR 000's	2015	2014
Trade payables	(29,414)	(29,428)
Advances from customers	(8,634)	(3,403)
Total	**(38,048)**	**(32,831)**

NOTE 23. TAX LIABILITIES

EUR 000's	2015	2014
Tax liabilities	(2,262)	(1,753)
VAT payable	(1,750)	(1,312)
Total	**(4,012)**	**(3,065)**

NOTE 24. OTHER CURRENT LIABILITIES

EUR 000's	2015	2014
Employee entitlements	(7,278)	(8,855)
Accrued expenses and other	(7,871)	(5,527)
Total	**(15,149)**	**(14,382)**

NOTE 25. DEFERRED TAX LIABILITIES

EUR 000's	2015	2014
Deferred tax liabilities to be released within 12 months	(380)	(395)
Deferred tax liabilities to be released after more than 12 months	(5,979)	(5,336)
Total	**(6,359)**	**(5,731)**

EUR 000's	2015	2014
Depreciation and amortisation	(5,049)	(4,392)
Unrealized exchange differences	(260)	(214)
Pensions	-	(4)
Untaxed reserves	(930)	(939)
Other	(120)	(182)
Total	**(6,359)**	**(5,731)**

NOTE 26. PROVISION FOR RISKS AND CHARGES

EUR 000's	2015	2014
Provision for risk and charges, current	(5,484)	(5,359)
Provision for risk and charges, non-current	(4,632)	(5,191)
Total	**(10,116)**	**(10,550)**

Provision for pensions	(2,928)	(2,513)
Provision for warranty	(3,836)	(4,182)
Provision for litigation	(10)	(70)
Provision for restructuring	(401)	(1,297)
Provision for taxation	-	(513)
Other provisions	(2,941)	(1,975)
Total	**(10,116)**	**(10,550)**

EUR 000's	Dec 31, 2014	Recorded	Used	Reversed not used	Exchange diff	Dec 31, 2015
Provision for pensions	(2,513)	(783)	473	24	(129)	(2,928)
Provision for warranty	(4,182)	(1,475)	896	1,138	(213)	(3,836)
Provision for litigation	(70)	-	60	-	-	(10)
Provision for restructuring	(1,297)	(526)	1,359	64	(1)	(401)
Provision for taxation	(513)	-	-	562	(49)	-
Other provisions	(1,975)	(2,858)	976	1,158	(242)	(2,941)
Total	**(10,550)**	**(5,642)**	**3,764**	**2,946**	**(634)**	**(10,116)**

Provision for pensions refers to compensation payable to employees upon termination of employment for any reason. A major part of this provision, in the normal course of events, is long term in nature. The warranty provision reflects historic experience of the cost to repair or replace defective products, as well as certain information regarding product failure experienced during production, installation or testing of products. Provision for restructuring primarily includes actions taken as part of Cavotec's cost reduction programme started last year. Other provisions includes mainly the provisions for one onerous contracts in US.

An amount of EUR 5,484 thousands is expected to be used within twelve months.

NOTE 27. PENSION PLAN

The Group operates defined benefit pension plans in Switzerland, in Italy and U.A.E.

The Swiss entities, Cavotec SA and Cavotec (Swiss) SA, are affiliated to the the Swiss Life Collective BVG Foundation based in Zurich. This pension solution fully reinsures also the risks of disability, death and longevity. Swiss Life invests the vested pension capital and provides a 100% capital and interest guarantee. Certain features of Swiss pension plans required by law preclude the plans being categorised as defined contribution plans.

In Italy, the provisions for benefits upon termination of employment, accrued for employee retirement, are determined using actuarial techniques and regulated by the Italian Civil Code. The benefit is paid upon retirement as a lump sum, the amount of which corresponds to the total of the provisions accrued during the employees' service period based on payroll costs as revalued until retirement.

In U.A.E., the Service Gratuity Plan is a defined benefit plan. Benefits under these plans are paid upon termination of employement and consist of payments based on seniority.

EUR 000's	2015				2014
	Switzerland	Italy	U.A.E.	Total	Total
Present value of defined benefit obligation	(1,928)	-	-	**(1,928)**	**(1,810)**
Fair value of plan assets	1,198	-	-	**1,198**	**1,311**
Deficit of funded plans	**(730)**	**-**	**-**	**(730)**	**(499)**
Present value of unfunded obligations	-	(1,011)	(1,017)	**(2,028)**	**(1,878)**
Liability in the Balance Sheet	**(730)**	**(1,011)**	**(1,017)**	**(2,758)**	**(2,377)**

In addition the Group has liabilities from defined contribution plan for an amount EUR 171 thousands.

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

EUR 000's	2015				2014
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	(1,810)	(1,070)	(808)	(3,688)	(1,384)
Reclassification of pension scheme	-	-	-	-	(1,491)
Service cost:					
- Current service cost	(142)	-	(96)	(238)	(221)
- Past service cost	-	-	-	-	(102)
Interest expenses	(21)	(18)	(29)	(68)	(79)
Cash flow:					
- Benefit payments from plan assets	395	-	-	395	(55)
- Benefit payments from employer	-	5	47	52	110
- Participant contributions	(106)	-	-	(106)	(118)
- Insurance premium for risk benefits	18	-	-	18	20
Remeasurements:					
- Effect of changes in financial assumptions	(101)	53	-	(48)	(378)
- Effect of experience adjustements	39	19	(37)	21	115
Exchange differences	(200)	-	(94)	(294)	(105)
At 31 December	**(1,928)**	**(1,011)**	**(1,017)**	**(3,956)**	**(3,688)**

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

EUR 000's	2015				2014
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	1,311	-	-	1,311	996
Interest expenses	16	-	-	16	20
Cash flow:					
- Employer contributions	106	5	47	158	229
- Participant contributions	106	-	-	106	118
- Benefit payments from plan	(395)	-	-	(395)	55
- Benefit payments from employer	-	(5)	(47)	(52)	(111)
- Administrative expenses paid from plan assets	(13)	-	-	(13)	(13)
- Insurance premium for risk benefits	(18)	-	-	(18)	(20)
Remeasurements:					
- Return on plan assets (excluding interest income)	(64)	-	-	(64)	12
Exchange differences	149	-	-	149	25
At 31 December	**1,198**	**-**	**-**	**1,198**	**1,311**

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

EUR 000's	2015				2014
	Switzerland	Italy	U.A.E.	Total	Total
Service cost:					
- Current service cost	142	-	96	238	221
- Past service cost	-	-	-	-	102
Total Service cost	**142**	**-**	**96**	**238**	**323**
Net interest cost:					
- Interest expense on DBO	21	18	29	68	79
- Interest (income) on plan assets	(16)	-	-	(16)	(20)
Total net interest cost	**5**	**18**	**29**	**52**	**59**
Administrative expenses and/or taxes (not reserved within DBO)	14	-	-	14	-
Defined benefit cost included in the Income Statement	**161**	**18**	**125**	**304**	**382**
Effect of changes in financial assumptions	101	(53)	-	48	334
Effect of experience adjustments	(39)	(19)	38	(20)	(110)
Return on plan assets (excluding interest income)	62	-	-	62	(12)
Effect of deferred taxes	23	-	-	23	2
Total remeasurements included in Other Comprehensive Income	**147**	**(72)**	**38**	**113**	**215**

The principal actuarial assumptions were as follows:

	2015			2014		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate	0,70%	1.90%	3.75%	1.10%	1.70%	3.75%
Salary increases	1.50%	n/a	3.00%	1.50%	n/a	3.00%
Inflation	0.00%	1.50%	n/a	0.00%	2.00%	n/a

The principal demographic assumptions were as follows:

	2015			2014		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Life expectancy	M21.08/F23.56	n/a	n/a	M21.08/F23.56	n/a	n/a
Retirement age	M65/F64	66 all employees	normal (maximum) retirement age of 60	M65/F64	66 all employees	normal (maximum) retirment age of 60
Benefit at retirement	60% pension / 40% lump sum	n/a	-	60% pension / 40% lump sum	n/a	-
Voluntary turnover	-	-	6.00%	-	-	6.00%
Involuntary turnover (including death and disability)	-	-	1.00%	-	-	1.00%

The following table presents a sensitivity analysis showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity applies to the defined benefit obligation only, and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

	2015			2014		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate +0.25%	-	(986)	-	-	(1,044)	(724)
Discount rate -0.25%	-	(1,037)	-	-	(1,098)	(748)
Discount rate +0.50%	(1,774)	-	(963)	(1,672)	-	-
Discount rate -0.50%	(2,107)	-	(1,033)	(1,968)	-	-

NOTE 28. SHARE CAPITAL

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

EUR 000's	No of ordinary shares (Fully paid)	Share capital
Balance at 1 January 2015	**78,536,000**	**(91,990)**
Capital increase	-	-
Capital reduction	-	3,218
Balance at 31 December 2015	**78,536,000**	**(88,772)**

The Ordinary General Meeting held on 22 April, 2015 approved the reduction of the nominal value of the registered shares from CHF 1.43 to CHF 1.38.

NOTE 29. OTHER RESERVES

EUR 000's	2015	2014
Currency translation reserves	1,837	860
Share premium reserve	(13,565)	(13,565)
Own shares reserve	14	75
Actuarial reserve	645	533
Total	**(11,069)**	**(12,097)**

The currency translation reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations into Euro. The movement of currency translation reserve was due to the weakening of the Euro against USD and its strengthening against NZD.

The share premium reserve was created following the Contribution Agreement dated 3 October 2011 between Cavotec SA and the former shareholders of Cavotec MSL, the change was due to the capital increase made in 2014.

The own shares reserve was created in 2011 when Cavotec SA bought back its shares from the former Parent company Cavotec MSL. The movement of the year was due to the transfer of shares to employees matched the LTIP.

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NOTE 30. EARNINGS PER SHARE

Both the basic and diluted earnings per share are calculated using the net results attributable to shareholders of Cavotec SA & Subsidiaries as the numerator.

EUR 000's	2015	2014
Profit for the year	6,124	10,230
Attributable to:		
Equity holders of the Group	6,124	10,258
Non-controlling interest	-	(29)
Total	**6,124**	**10,230**
Weighted-average number of shares outstanding	78,475,939	73,444,997
Basic and diluted earnings per share attributed to the equity holders of the Group	0.078	0.140

There are no instruments in place to dilute the current shares. Therefore basic and diluted shares are the same.

NOTE 31. SEGMENT INFORMATION

Operating segments have been determined on the basis of the Group management structure in place and on the management information and reports received and used by the CODM to make strategic and management decisions.

The Group organisation is based on geographic regions and each region is headed by a COO. The principal regional groupings which constitute operating segments are:

AMER: This region includes the US, Canada, Mexico, Central and South America
EMEA: This region includes all of Europe, including Russia, Middle East and Africa
APAC: This region includes East Asia, South Asia, South East Asia including Singapore and Oceania
HQ: This segment includes the Parent, the sub-holdings and the service companies

While the primary focus of the CODM in managing the business is directed at geographic regions, attention is also directed at the level of product penetration and third party revenues generated in the various regions for the various product groupings. In addition, the CODM organises the marketing effort and evaluates new acquisitions under four MUs: Ports & Maritime, Airports, Mining & Tunnelling and General Industry. Third party revenues, by product grouping, for each operating segment are summarised later in this note.

Information by operating segment for the year ended 31 December, 2015 for each operating segment is summarised below:

Year ended 31 December, 2015 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Revenue from sales of goods and services	51,930	201,865	81,065	-	(102,637)	**232,223**
Other income	722	7,634	5,806	4,622	(12,802)	**5,982**
Operating expenses before depreciation and amortisation	(62,809)	(198,511)	(77,727)	(2,437)	115,642	**(225,842)**
Gross Operating Result	**(10,157)**	**10,988**	**9,144**	**2,185**	**203**	**12,363**

Information by operating segment for the year ended 31 December, 2014 for each operating segment is summarised below:

Year ended 31 December, 2014 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Revenue from sales of goods and services	51,364	208,952	70,249	6	(95,114)	**235,457**
Other income	922	7,982	6,237	2,387	(12,083)	**5,446**
Operating expenses before depreciation and amortisation	(60,327)	(197,995)	(68,953)	(2,493)	105,894	**(223,874)**
Gross Operating Result	**(8,041)**	**18,939**	**7,533**	**(100)**	**(1,303)**	**17,029**

The CODM assesses the performance of the operating segments based on adjusted gross operating result. This measurement basis excludes the effects of non-recurring expenditure from operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated non-recurring event.

A reconciliation of adjusted gross operating result to profit before income tax is provided as follows:

EUR 000's	2015	2014
Gross operating result for operating segments	12,160	18,331
Inter-Group elimination	203	(1,302)
Depreciation	(3,285)	(3,022)
Amortisation	(1,283)	(1,164)
Assets held for sales	(200)	(282)
Financial costs - net	5,224	3,657
Profit before income tax	**12,819**	**16,218**

Assets at 31 December 2015 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Total current assets	36,879	99,421	64,124	54,240	(117,982)	**136,682**
Intangible assets	29,887	16,740	24,729	178	-	**71,534**
Total non-current assets	24,046	24,003	2,216	5,100	(3,604)	**51,761**
Asset held for sale	-	-	-	-	-	**-**
Total assets	**90,812**	**140,164**	**91,069**	**59,518**	**(121,586)**	**259,977**

Assets at 31 December 2014 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Total current assets	31,136	86,408	47,536	81,573	(120,098)	**126,555**
Intangible assets	26,888	16,940	24,985	341	-	**69,154**
Total non-current assets	16,346	24,098	1,968	5,518	(3,630)	**44,300**
Asset held for sale	-	1,800	-	-	-	**1,800**
Total assets	**74,370**	**129,246**	**74,489**	**87,432**	**(123,728)**	**241,809**

Operating segments' assets are reconciled to total assets as follows:

EUR 000's	2015	2014
Segment assets for operating segments	381,563	365,537
Inter-Group elimination	(121,586)	(123,728)
Total assets	**259,977**	**241,809**

The amounts provided to the CODM with respect to total liabilities are measured in a manner consistent with that of the Financial Statements. These liabilities are allocated based on the operations of the segment. The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

Liabilities at 31 December 2015 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Total current liabilities	(55,606)	(81,762)	(32,119)	(8,416)	112,347	**(65,556)**
Total non-current liabilities	(4,774)	(12,717)	(1,049)	(40,938)	4,927	**(54,551)**
Total liabilities	**(60,380)**	**(94,479)**	**(33,168)**	**(49,354)**	**117,274**	**(120,107)**

Liabilities at 31 December 2014 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Total current liabilities	(80,528)	(66,380)	(18,743)	(6,056)	114,332	**(57,375)**
Total non-current liabilities	(4,800)	(12,704)	(1,668)	(32,396)	5,037	**(46,531)**
Total liabilities	**(85,328)**	**(79,084)**	**(20,411)**	**(38,452)**	**119,369**	**(103,906)**

Operating segments' liabilities are reconciled to total liabilities as follows:

EUR 000's	2015	2014
Segment liabilities for operating segments	(237,381)	(223,275)
Inter-Group elimination	117,274	119,369
Total liabilities	**(120,107)**	**(103,906)**

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

Year ended 31 December 2015 EUR 000's	AMER	EMEA	APAC	Total
Ports & Maritime	19,854	47,699	36,820	**104,373**
Airports	19,320	27,726	18,879	**65,925**
Mining & Tunnelling	1,407	16,159	11,903	**29,469**
General Industry	3,313	23,315	5,828	**32,456**
Total	**43,894**	**114,899**	**73,430**	**232,223**

Year ended 31 December 2014 EUR 000's	AMER	EMEA	APAC	Total
Ports & Maritime	18,165	62,234	34,554	**114,953**
Airports	17,773	32,425	7,116	**57,314**
Mining & Tunnelling	2,162	13,092	12,215	**27,469**
General Industry	2,892	26,208	6,621	**35,721**
Total	**40,992**	**133,959**	**60,506**	**235,457**

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

NOTE 32. RELATED PARTY DISCLOSURE

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

The Group's key management personnel comprises the Chief Executive Officer and the members of Senior Management Team (SMT). Their total remuneration, including salary and other short term benefits, amounted to a total of EUR 3,597 thousands (2014: 2,419). The total compensation also includes compensation from SMT members' related parties.

Please refer to the Compensation Report at page 51 for the remuneration of the Board Members and page 48 for the description of the long-term incentive plan.

Year ended 31 December 2015					
EUR 000's	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Share-based payment	Total
Chief Executive Officer	668	242	-	-	910
Executive Management	2,424	263	-	-	2,687
Total remuneration	**3,092**	**505**	**-**	**-**	**3,597**

Year ended 31 December 2014					
EUR 000's	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Share-based payment	Total
Chief Executive Officer	564	25	-	-	589
Executive Management	1,726	104	-	-	1,830
Total remuneration	**2,290**	**129**	**-**	**-**	**2,419**

The following table summarises the Group's transactions with its related parties, which are controlled or influenced by some Board members:

EUR 000's					Revenues		Costs	
Company	Country	Receivables	Payables	Guarantees	Goods and services	Others	Goods and services	Others
Aivot AB	Sweden	-	-	-	-	-	85	-
Lastminute.com group NV	Netherlands	35	-	-	(12)	-	-	-
Mantisien Group	Finland	-	-	-	(255)	-	-	-
Port Equipment Manufacturing Association (PEMA)	Belgium	-	-	-	-	-	-	3
Soliden Sagl	Switzerland	-	-	-	-	-	124	-
Total		**35**	**-**	**-**	**(267)**	**-**	**209**	**3**

NOTE 33. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the entity, its related practices and non-related audit firms.

EUR 000's	2015	2014
Audit services		
PricewaterhouseCoopers	650	599
Other auditor firms	124	119
Total	**774**	**718**
Other assurance services:		
Taxation		
PricewaterhouseCoopers	121	60
Other auditor firms	21	11
Total	**142**	**71**
Other assurance services*		
PricewaterhouseCoopers	45	18
Other auditor firms	7	3
Total	**52**	**21**
Total	**193**	**92**

* Other assurance services includes legal services, transfer pricing and EU VAT consultancy fees.

NOTE 34. LEGAL RISKS

As a global company with a diverse business portfolio, the Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and tax assessments.

The outcome of any current or future proceedings cannot be predicted. It is therefore possible that legal or regulatory judgments or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings.
Legal proceedings currently considered to involve material risks are outlined below.

Mike Colaco litigation

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. The jury rejected Colaco's claim in his lawsuit that Cavotec, the Chairman and the CEO owed him USD 3.8 million pursuant to agreements that were allegedly breached. The jury instead determined that Colaco breached his fiduciary duties to Cavotec with malice, oppression and fraud, and, that, as a result, must pay compensatory and punitive damages totalling USD 3.3 million to Cavotec subsidiary, Cavotec INET US Inc. ("Cavotec INET"). The verdict entitled Cavotec to file a motion with the Court to obtain reimbursement from Colaco of the Company's attorneys' fees and costs, which was granted for an amount of USD 4.7 million. Mr. Colaco has filed a Notice of Appeal. The appeal process could continue into 2017. The company has taken a prudent approach and has not recorded any income from the June verdict in its 2015 financials.

NOTE 35. CONTINGENCIES

EUR 000's	2015	2014
Bonds	12,776	17,322
Financial guarantees	251	245
Other guarantees	3,902	2,876
Total	**16,929**	**20,443**

The items listed under Contingencies are mainly performance and advance payment bonds to customers in the Middle East region, India and China. On the total of contingencies EUR 8,998 thousands will expire within one year. Based on the historical experience there isn't any expectation to have any significant cash outflow from these bonds.

Notes to the Financial Statements

NOTE 36. COMMITMENTS

The following details commitments associated with Cavotec SA & Subsidiaries.

EUR 000's	2015	2014
Rental commitments		
Within one year	3,475	3,128
Later than one, not later than two years	3,179	2,638
Later than two, not later than five years	6,704	5,737
Later than five years	3,372	4,543
Total	**16,730**	**16,046**

The Group leases various properties under non-cancellable lease agreements. These lease terms are generally between one and six years.

Operating lease commitments		
Within one year	272	248
Later than one, not later than two years	150	187
Later than two, not later than five years	78	79
Later than five years	(2)	-
Total	**498**	**514**

Capital commitments		
Within one year	-	-
Later than one, not later than two years	-	-
Later than two, not later than five years	-	-
Later than five years	-	-
Total	**-**	**-**

NOTE 37. SECURITIES AND COLLATERALS

Real estate related loans amounting to EUR 3,761 thousands at 31 December, 2015 (2014: 4,392) are secured by mortgages on land and buildings in Italy, Germany, Norway, Sweden and France. The decrease of the year is due to the repayment of the current portion of the loans.

NOTE 38. SUBSEQUENT EVENTS

There have been no events subsequent to the Balance Sheet date which require adjustment of, or disclosure in, the Financial Statements or notes.

Ports of Lavik & Oppedal, Norway

Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board sets the policy for the Group's centralised treasury operation and its activities are subject to a set of controls commensurate with the magnitude of the borrowings and investments and group wide exposures under its management. The treasury function's primary role is to manage liquidity, funding, investments and counterparty credit risk arising with financial institutions. It also manages the Group's market risk exposures, including risks arising from volatility in currency and interest rates. The treasury function is not a profit centre and the objective is to manage risk at optimum cost.

The financial risk management of exposures arising from trading related financial instruments, primarily trade receivables and trade payables, is managed at the Group and regional level through a series of set policies and procedures. COO's apply these policies and procedures and perform review processes. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of interest rate risk and currency risk while ageing analyses of receivables is used to assess credit risk.

MARKET RISK

Currency risk

Generally, the Group offers customers the option of paying in local currencies through our global sales organisation. As a result, the Group is continuously exposed to currency risks in accounts receivables denominated in foreign currency and in future sales to foreign customers. This issue of international pricing is under constant attention at the highest levels of management. As the Group trades across many countries, purchasing and selling in various currencies, there is a natural hedge within the Group's overall activities.

The exchange rates listed here below are used to prepare the Financial Statements:

Currency	Average rate	Year end rate
AED	0.24527	0.25023
ARS	0.09727	0.07103
AUD	0.67675	0.67128
BRL	0.27024	0.23193
CAD	0.70494	0.66155
CHF	0.93645	0.92293
DKK	0.13407	0.13400
EUR	1.00000	1.00000
GBP	1.37772	1.36249
HKD	0.11626	0.11852
INR	0.01405	0.01388
KRW	0.00080	0.00078
NOK	0.11174	0.10413
NZD	0.62773	0.62802
RMB	0.14340	0.14163
RUB	0.01469	0.01240
SEK	0.10691	0.10882
SGD	0.65553	0.64863
USD	0.90130	0.91853
ZAR	0.07056	0.05899

At 31 December 2015, had the Euro weakened/strengthened by 10% against foreign currencies to which the Group is exposed, with all other variables held constant, profit for the year and equity would have been EUR 1,240 thousands higher/lower (2014: 5,609 thousands). This is mainly as a result of foreign exchange gains/losses on translation of financial assets and liabilities denominated in currencies other than the Euro and in respect of operations in non-Euro jurisdictions for financial assets and liabilities not in their local currency.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future moves. In order to assess the potential impact on the Income Statement assets and liabilities in the same currency used by the relevant entity in its reporting were excluded from the sensitivity analysis.

	2015		2014	
EUR 000's	EUR -10%	EUR +10%	EUR -10%	EUR +10%
Receivables	372	(372)	196	(196)
Payables	(141)	141	(86)	86
Financial assets	2,304	(2,304)	6,240	(6,240)
Financial liabilities	(1,295)	1,295	(741)	741
Total increase / (decrease)	**1,240**	**(1,240)**	**5,609**	**(5,609)**

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

	2015		2014	
EUR 000's	Receivables	Payables	Receivables	Payables
EUR	25,832	(20,943)	18,253	(21,538)
USD	12,026	(7,907)	17,589	(4,693)
RMB	9,945	(2,337)	8,099	(1,617)
AED	4,652	(1,988)	4,265	(729)
GBP	1,234	(693)	535	(487)
SEK	257	(480)	486	(296)
NOK	857	(222)	2,973	(502)
AUD	2,492	(1,229)	3,199	(2,030)
CHF	-	(169)	-	(197)
HKD	797	(116)	1,031	(218)
Other	4,339	(1,964)	4,558	(524)
Total	**62,431**	**(38,048)**	**60,988**	**(32,831)**

Financial assets and financial liabilities held at year end are held in the following currencies:

	2015		2014	
EUR 000's	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
EUR	11,532	(32,265)	8,534	(28,680)
USD	3,305	(12,859)	3,450	(7,413)
RMB	669	-	335	-
AED	373	-	790	-
GBP	86	-	130	-
SEK	283	(790)	289	(894)
NOK	210	(123)	628	-
AUD	555	-	1,210	(61)
CHF	129	(93)	211	-
HKD	62	-	11	-
Other	3,608	(78)	1,483	(35)
Total	**20,812**	**(46,208)**	**17,071**	**(37,083)**

Interest rate risk

Interest rate risk management is aimed at balancing the structure of the debt, minimising borrowing costs over time and limiting the volatility of results. The Group is party to fixed interest rate loan agreements in the normal course of business in order to eliminate the exposure to increases in interest rates in the future in accordance with the Group's financial risk management policy approved by the Board. The amount of floating rate debt is the main factor that could impact the Statement of Comprehensive Income in the event of an increase in market rates. At 31 December, 2015 92% of the Net Debt was floating rate (2014: 87%).

The impact of a 1% increase/decrease in interest rates will result in a decrease/increase of interest expenses for the year of EUR 435 thousands (2014: 323 thousands).

Trade payables, trade receivables and other financial instruments do not present a material exposure to interest rate volatility.

Fair value estimation

Financial assets and liabilities recorded at fair value in the Consolidated Financial Statements are categorised based upon the level of judgement associated with the inputs used to measure their fair value. There are three hierarchical levels, based on an increasing amount of subjectivity associated with the inputs to derive fair valuation for these assets and liabilities, which are as follows:

- Level 1: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable
- Level 3: Determination of fair value based on valuation models with inputs for the asset or liability that are not based on observable market data

The following table presents the Group's financial instruments that are measured at fair value by valuation method including those measured at amortised cost or at cost at 31 December, 2015:

EUR 000's	Level 1	Level 2	Level 3	Valued at amortised cost	Total
Assets					
Current financial assets	12	-	-	-	12
Non-current financial assets	-	-	39	-	39
Long-term loans	-	-		250	250
Total assets	**12**	**-**	**39**	**250**	**301**
Liabilities					
Current trading derivatives	-	-	-	-	-
Non-current trading derivatives	-	(49)	-	-	(49)
Total liabilities	**-**	**(49)**	**-**	**-**	**(49)**

There is no change in the valuation of level 3 assets.

See note 16 for disclusures on the disposal of assets held for sales that are measured at fair value.

CREDIT RISK

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions and it is managed on a Group basis. A fundamental tenet of the Group's policy of managing credit risk is customer selectivity. The Group has a large number of customers in its various geographies and therefore there is no concentration of credit. The Group's largest customers are prominent international companies and, while none of these represent a material percentage of total sales, outstanding receivables from these are regularly monitored and contained within reasonable limits. Large value sales require customers to pay a deposit or pay in advance, and are authorised by the COOs or the CEO. The Group has a credit policy which is used to manage this credit exposure ensuring minimal credit losses in past years.

After the global turmoil in the international markets, the Company has introduced stringent practices to evaluate exposure to doubtful debts; the Group requires that provisions be recorded not only to cover exposure relative to specific accounts in difficulty but also for accounts receivables balances which are past due for periods in excess of normal trading terms. As at 31 December, 2015 total past due trade receivables were at the same level of the end of 2014. The ageing of the trade receivables is as follows:

EUR 000's	2015	2014
Overdue up to 30 days	10,896	11,772
Overdue up to 30 and 60 days	4,658	4,942
Overdue up to 60 and 90 days	1,786	2,014
Overdue up to 90 and 120 days	1,332	2,082
Overdue up to 120 and 150 days	517	284
Overdue more than 150 days	10,763	9,060
Total	**29,952**	**30,154**

At 31 December, 2015 EUR 6,168 thousands (2014: 3,836) has been provisioned against impaired financial receivables. The amount of written-off receivables recognised in 2015 was EUR 351 thousands (2014: 208).

Provision for impaired financial receivables by operating segment

EUR 000's	2015	2014
AMER	(3,628)	(2,762)
EMEA	(1,511)	(544)
APAC	(1,029)	(530)
Total	**(6,168)**	**(3,836)**

NET DEBT

Net Debt is defined as financial liabilities minus cash and cash equivalents and current financial assets.

EUR 000's	2015	2014
Cash and cash equivalents	20,812	17,071
Current financial assets	12	11
Bank overdraft	(202)	-
Short-term debt	(2,661)	(1,738)
Long-term debt	(44,656)	(35,345)
Total	**(26,695)**	**(20,002)**

LIQUIDITY RISK

Liquidity risk is managed by the Group Treasury unit, which ensures adequate coverage of cash needs by entering into short, medium and long-term financial instruments to support operational and other funding requirements. The Board reviews and approves the maximum long-term funding of the Group and on an on-going basis considers any related matters on at least an annual basis. Short and medium-term requirements are regularly reviewed and managed by the centralised treasury operation within the parameters set by the Board.

The Group's liquidity and funding management process includes projecting cash flows and considering the level of liquid assets in relation thereto, monitoring Balance Sheet liquidity and maintaining a diverse range of funding sources and back-up facilities. The Board reviews Group forecasts, including cash flow forecasts, on a quarterly basis. The centralised treasury operation reviews cash flows more frequently to assess the short and medium-term requirements. These assessments ensure the Group responds to possible future cash constraints in a timely manner. Operating finance requirements of group companies are met, whenever possible, from the centralised treasury which is responsible for investing liquid asset surplus's which are not immediately required by operating companies.

In July 2015 the Group signed its EUR 95 million financing facility agreement and maturing in 2020. The agreement incorporates a committed EUR 70 million senior revolving credit facility, and EUR 25 million senior revolving bank guarantee facility, which can be extended to EUR 100 million and EUR 30 million respectively.

The syndicated loan facility bears interest for each interest period at a rate per annum equal to EURIBOR plus a variable margin which will be adjusted every quarter to reflect any changes in the ratio of net debt to consolidated EBITDA as determined on a rolling basis, with a minimum margin of 1.35% per annum. The loans are subject to certain restrictive covenants, including, but not limited to, additional borrowing, certain financial ratios, limitations on acquisitions and disposals of assets. If the financial covenants are not met and their breach is not remedied within a certain period or the lenders do not waive the covenants, there may grounds for termination under the conditions of the credit facility. The Group is in compliance with all existing loan covenants as of December 31, 2015.

As of December 31, 2015, the Group's total available credit facilities, which related to the above mentioned syndicated loan facility agreement and to other credit facilities with local banks, amounted to EUR 73.7 million, of which EUR 47.5 million was utilised. The table below analyses the Group's financial liabilities, excluding trade payables, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date against the cash and cash equivalent balances.

As of December 31, 2015, the Group has also bank guaranties facilities amount to EUR 31.0 million of which EUR 12.0 million was utilised.

	2015		2014	
EUR 000's	**Less than 1 year**	**1 and 5 years**	**Less than 1 year**	**1 and 5 years**
Bank overdrafts and short-term debt	(2,863)	-	(1,738)	-
Long-term debt	-	(44,656)	-	(35,345)
Total	**(2,863)**	**(44,656)**	**(1,738)**	**(35,345)**
Cash and cash equivalents	20,812	-	17,071	-

	Credit facilities	
EUR 000's	**Total**	**Used**
Bank overdrafts	(4,768)	(202)
Current financial liabilities	(2,661)	(2,661)
Non-current financial liabilities	(66,296)	(44,656)
Total cash	**(73,726)**	**(47,519)**

CAPITAL RISK MANAGEMENT

The Group and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that reduces the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of its debt to equity ratio calculated by comparing Net Debt to Total equity. During 2015, the Group's strategy, which was unchanged, compared to previous years, was to maintain a debt to equity ratio of no more than 75%. In monitoring the level of indebtness, on-going attention is also given by management to the level of interest cover calculated as Operating Result divided by Net Financial Costs and to the leverage ratio defined as Net Debt divided by Gross Operating Result (EBITDA).

The debt equity ratios, interest cover and leverage ratio at 31 December, 2015 and 31 December, 2014 were as follows:

EUR 000's	2015	2014
Total interest bearing liabilities	(47,519)	(37,083)
Cash and cash equivalents	20,812	17,071
Current financial assets	12	11
Net debt	**(26,695)**	**(20,002)**
Total equity	**(139,870)**	**(137,903)**
Debt equity ratio	19.1%	14.5%
Interest cover	6.0	5.3
Leverage ratio	2.16	1.17

Report of the statutory auditor
to the General Meeting of
Cavotec SA
Lugano

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Cavotec SA, which comprise the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 72 to 103), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

PricewaterhouseCoopers SA, via della Posta 7, casella postale, CH-6901 Lugano, Switzerland
Telefono: +41 58 792 65 00, Fax: +41 58 792 65 10, www.pwc.ch

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Daniel Ketterer	Efrem Dell'Era
Audit expert Auditor in charge	Audit expert

Lugano, 25 February 2016

STATUTORY FINANCIAL STATEMENTS

For the period ended 31 December 2015

Please note that all reported amounts in this report are in CHF.

Statutory Financial Statements

CAVOTEC SA
Income statement

CHF	2015	2014
Net proceeds of services	3,606,207	1,767,571
Staff cost	(1,045,335)	(1,397,908)
External services	(1,082,996)	(1,189,640)
Travelling expenses	(41,354)	(41,067)
General expenses	(245,702)	(362,972)
Operating result	**1,190,820**	**(1,224,016)**
Finance costs - net	(26,460)	(27,587)
Foreign exchange - net	(639,030)	(30,913)
Translation differences	(11,552,504)	(408,723)
Profit/(loss) before taxes	**(11,027,174)**	**(1,691,239)**
Income taxes	(40,061)	(32,881)
Profit/(loss) for the year	**(11,067,235)**	**(1,724,120)**

CAVOTEC SA
Balance Sheet

Assets CHF	Notes	2015	2014
Current assets			
Cash and cash equivalents		67,182	3,550,185
Other short-term receivables		2,339,578	1,479,937
from group companies		*2,339,578*	*1,479,937*
Accrued income and prepaid expenses		57,012	40,931
Total current assets		**2,463,772**	**5,071,053**
Non-current assets			
Investments in subsidiary companies	3	168,616,126	118,372,874
Total non-current assets		**168,616,126**	**118,372,874**
Total assets		**171,079,898**	**123,443,926**

Liabilities CHF	Notes	2015	2014
Short-term liabilities			
Other short-term liabilities		(303,001)	(207,956)
to third parties		*(114,472)*	*(201,736)*
to group companies		*(188,529)*	*(6,220)*
Short-term interest-bearing liabilities	8	(63,850,817)	(1,124,244)
due to investments		*(63,850,817)*	*(1,124,244)*
Accruals and deferred income		(161,623)	(198,004)
Accruals and deferred income		*(145,038)*	*(180,039)*
Tax provision		*(16,585)*	*(17,965)*
Other liabilities		(405,220)	(319,833)
Total short-term liabilities		**(64,720,661)**	**(1,850,038)**
Long-term liabilities			
Other Long-term liabilities		-	(316,291)
to third parties		*-*	*(316,291)*
Total long-term liabilities		**-**	**(316,291)**
Total liabilities		**(64,720,661)**	**(2,166,329)**

Equity CHF	Notes	2015	2014
Share capital	4	(108,379,680)	(112,306,480)
Share premium reserve		(16,709,216)	(16,709,216)
Profit/(loss) brought forward	4	7,645,835	5,921,715
Result for the period	4	11,067,235	1,724,120
Treasury shares	4,5	16,590	92,264
Total equity		**(106,359,237)**	**(121,277,597)**
Total equity and liabilities		**(171,079,898)**	**(123,443,926)**

Statutory Financial Statements

CAVOTEC SA
Notes to Statutory Financial Statements

NOTE 1. GENERAL
Cavotec SA (the "Company") is the ultimate parent company of the Cavotec Group.

Cavotec is a global engineering Group that manufactures power transmission, distribution and control technologies that form the link between fixed and mobile equipment in the Ports & Maritime, Airports, Mining & Tunnelling and General Industry sectors. All engineering and most manufacturing of Cavotec's products and systems take place at eight specialised engineering Centres of Excellence in Germany (two), Sweden, Norway, Italy, the United States (two) and New Zealand. Cavotec has fully owned sales companies spread across the world which monitor local markets and cooperate with Cavotec's Centres of Excellence.

Cavotec SA is listed on NASDAQ OMX in Stockholm, Sweden.

The Consolidated Financial Statements are of overriding importance for the purpose of the economic and financial assessment of the Company. The unconsolidated Statutory Financial Statements of the Company are prepared in accordance with Swiss law, the Code of Obligations (SCO), and serve as complementary information to the Consolidated Financial Statements.

NOTE 2. ACCOUNTING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS
The financial statement have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (SCO - art. 957 to 963b co, effective since 1 January 2013). In accordance with the SCO, Cavotec SA elected to restate the 2014 financial statements to be comparable with the 2015 presentation. This resulted in changes to the presentation of the income statement and balance sheet and the reclassification of treasury shares held by Cavotec SA from marketable securities to equity. This reclassification reduced the 2014 previously reported total assets, total equity by CHF 92 thousands. Significant balance sheet items are accounted for as follows:

Exchange rate differences – The Company keeps its accounting records in Euro and translates them into Swiss Francs (CHF) for statutory reporting purposes. The Euro Statutory Financial Statements have been translated into Swiss Francs as follows:

Assets and liabilities	closing rate
Own shares and shareholders' equity	historical rate
Income and expenses	average rate

Translation gains are deferred and translation losses are included in the determination of net income.

Current assets and liabilities – Current assets and liabilities are recorded at cost less adjustments for impairment of value.

Financial assets – Financial assets are recorded at acquisition cost less adjustments for impairment of value.

Treasury shares – Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of resale, the gain or loss is allocated or charged to equity.

Revenue from sale of goods and services – Revenue from services is recorded as at invoicing. Once the service has been rendered it is invoiced, at the latest at the end of each quarter.

NOTE 3. INVESTMENT IN SUBSIDIARY COMPANIES

Company name	Purpose	Domicile	Ownership interest	Curr.	Share Capital
Cavotec (Swiss) SA	Services Company	Switzerland	100%	CHF	200,000
Cavotec MoorMaster Ltd	Holding & engineering	New Zealand	100%	NZD	10,000,000
Cavotec US Holdings Inc	Holding	USA	100%	USD	68,000,000

NOTE 4. SHAREHOLDERS' EQUITY

Description	Date	Shares	Share capital (CHF)
Incorporation	14 June 2011	100,000	100,000
Consolidation of shares - step 1	29 September 2011	100,006	100,006
Consolidation of shares - step 2	3 October 2011	64,520	100,006
Scheme of Arrangement	3 October 2011	71,397,220	110,665,691
Listing on NASDAQ OMX Stockholm	19 October 2011	71,397,220	110,665,691
Reduction share capital	4 May 2012	71,397,220	109,237,747
Reduction share capital	23 April 2013	71,397,220	105,667,886
Reduction share capital	23 April 2014	71,397,220	102,098,025
Increase share capital	19 September 2014	78,536,000	112,306,480
Reduction share capital	22 April 2015	78,536,000	108,379,680

Cavotec SA was established by Cavotec MSL in Lugano, Switzerland on 14 June 2011 with an initial share capital of CHF 100,000 fully paid up and divided into 100,000 registered shares. The shares' par value was CHF 1.00.

Prior to the Scheme of Arrangement, Cavotec SA's outstanding shares were consolidated into 64,520 shares and the shares' par value was increased to CHF 1.55. The consolidation process induced a share capital increase of CHF 6.00.

Cavotec SA, as of Contribution Agreement dated 3 October 2011, assumed from the shareholders in Cavotec MSL, the option right in 71,332,700 registered shares of Cavotec MoorMaster, for a total amount of CHF 112,705,666 and accepted by the Company for this amount. This capital increase was registered with the relevant Swiss authority on 3 October 2011. CHF 110,565,685 has been imputed on the share capital, whereas CHF 2,139,981 as share premium reserve, for an equivalent to the contributor of 71,332,700 fully paid up registered shares with a par value of CHF 1.55 each of the Company.

The AGM held on 4 May, 2012 approved a reduction of the nominal value of the registered shares from CHF 1.55 to CHF 1.53. The nominal value reduction was used for the repayment to the shareholders.

The AGM held on 23 April, 2013 approved a reduction of the nominal value of the registered shares from CHF 1.53 to CHF 1.48. The nominal value reduction was used for the repayment to the shareholders.

The OGM held on 23 April, 2014 approved a reduction of the nominal value of the registered shares from CHF 1.48 to CHF 1.43. The nominal value reduction was used for the repayment to the shareholders.

The Board of Directors meeting held on 15 September, 2014 approved an increase of share capital of CHF 10,208,455, through the insurance of 7,138,780 shares and an increase of Share Premium Reserve by CHF 14,573,752. The share capital as of 31 December 2014 is divided into 78,536,000 shares at a par value CHF 1.43 each.

The OGM held on 22 April, 2015 approved a reduction of the nominal value of the registered shares from CHF 1.43 to CHF 1.38. The nominal value reduction was used for the repayment to the shareholders.

CHF	Share Capital	Legal Reserve Treasury shares	Share Premium Reserve	Prior Year Retained Earnings	Result for the period	Total Shareholder's equity
Opening balance at January 1, 2014	**105,667,886**	**95,490**	**2,039,975**	**(5,257,113)**	**(664,602)**	**101,881,635**
Reduction share capital	(3,569,861)	(3,226)	3,226	-	-	**(3,569,861)**
Result of the period	-	-	-	-	(1,724,120)	**(1,724,120)**
Increase share capital	10,208,455	-	14,573,752	-	-	**24,782,207**
Allocation prior year result	-	-	-	(664,602)	664,602	**-**
Restatement	-	(184,527)	92,264	-	-	**(92,264)**
Balance at December 31, 2014	**112,306,480**	**(92,264)**	**16,709,216**	**(5,921,715)**	**(1,724,120)**	**121,277,597**
Opening balance at January 1, 2015	**112,306,480**	**(92,264)**	**16,709,216**	**(5,921,715)**	**(1,724,120)**	**121,277,597**
Sales of Treasury shares	-	72,447	-	-	-	**72,447**
Reduction share capital	(3,926,800)	3,226	-	-	-	**(3,923,574)**
Result of the period	-	-	-	-	(11,067,235)	**(11,067,235)**
Allocation prior year result	-	-	-	(1,724,120)	1,724,120	**-**
Balance at December 31, 2015	**108,379,680**	**(16,590)**	**16,709,216**	**(7,645,835)**	**(11,067,235)**	**106,359,237**

The 2015 AGM approved the creation of a contingent share capital of 785,360 shares, in connection with employees' participation to 2015 Long Term Incentive Plan (LTIP). The total amount of contingent shares refers to 2013, 2014 and 2015 Long Term Incentive Plan (LTIP). The balance of authorised shares, approved by 2013 AGM, will expire on 23 April 2016.

Share capital as of December 31, 2015	No of registered shares	Par value	Total (CHF)
Issued shares	78,536,000	CHF 1.38	108,379,680
Contingent shares	2'213'304	CHF 1.38	3,054,360
Authorised shares	7'140'664	CHF 1.38	9,854,116

NOTE 5. TREASURY SHARES

Treasury shares held at 31 December were 12,022, equal to 0.02% of the total share capital. During the year, according to the 2012 Long Term Incentive Plan, 52,498 shares were allocated to the employees of Cavotec Group. The average selling price was EUR 2.97 each.

Statutory Financial Statements

CAVOTEC SA
Notes to Statutory Financial Statements

NOTE 6. SIGNIFICANT SHAREHOLDERS
The end of the year and based on the available information, the shareholders with holdings in excess of 5% of the shares are:

Year ended 31 December 2015			
Shareholders		**Number**	**%**
Bure Equity AB	Financial institution	10,248,970	13.0%
Michael Colaco	Shareholder	7,703,844	9.8%
Fabio Cannavale (Nomina SA)	Board member	6,948,046	8.8%
Fjärde AP-Fonden	Investment Fund	6,599,733	8.4%
Stefan Widegren & family(1)	Chairman & Founder shareholder	6,150,867	7.8%
Total		**37,651,460**	**47.8%**

Year ended 31 December 2014			
Shareholders		**Number**	**%**
Bure Equity AB	Financial institution	8,248,970	10.5%
Michael Colaco	Shareholder	7,703,844	9.8%
LCL International Life Assurance Ltd	Financial institution	7,200,000	9.2%
Stefan Widegren & family(1)	Chairman & Founder shareholder	6,954,264	8.9%
Fabio Cannavale (Nomina SA)	Board member	6,948,046	8.8%
Total		**37,055,124**	**47.2%**

(1) The amount includes the shares owned by Stefan Widegren, Lotten Widegren and Kristina Widegren.

NOTE 7. SHARE OWNERSHIP – BOARD OF DIRECTORS AND SENIOR MANAGEMENT TEAM
Based on publicly available information, the ownership by members of the Board and Senior Management Team is as follow:

Shareholders as of 31 December 2015		Number	%
Fabio Cannavale (Nomina SA)	Board member	6,948,046	8.8%
Stefan Widegren & family*	Chairman & Founder	6,150,867	7.8%
Ottonel Popesco & family	CEO	2,450,224	3.1%
Leena Essén (Anelea Holdings Ltd)	Board member	2,189,607	2.8%
Lakshmi Khanna	Board member	263,406	0.3%
Erik Lautmann	Board member	107,802	0.1%
Patrick Rosenwald	SMT member	87,293	0.1%
Michael Scheepers	SMT member	73,000	0.1%
Juergen Strommer	SMT member	55,635	0.1%
Giorgio Lingiardi	SMT member	55,727	0.1%
Gustavo Miller	SMT member	43,277	0.1%
Christer Granskog (Oy Piceum Ab)	Board member	25,000	0.0%
Yann Duclot	SMT member	22,512	0.0%
Ester Cadau	SMT member	9,727	0.0%
Total		**18,482,123**	**23.4%**

** The amount includes the shares owned by Stefan Widegren, Lotten Widegren, Kristina Widegren and Thomas Widegren.*

NOTE 8. SHORT-TERM INTEREST BEARING LIABILITIES
Cavotec SA is the borrower under certain debt securities including the Group syndacated credit facilities signed with UBS Switzerland AG, Banca IMI S.p.A., SEB AG and HSBC Bank plc and the credit facility signed with Cornér Bank. As of year-end the main amount, CHF 61,632 thousands, was related to the Group Cash Pooling balance, and CHF 2,118 thousands was the utilization of Corner bank facilities.

NOTE 9. GUARANTEES AND COMMITMENTS
Cavotec SA is a guarantor for the existing EUR 95 million syndicated credit facility.

Cavotec SA carries joint liability in respect of the federal tax authorities for value added tax liabilities of its Swiss subsidiary.

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

CHF	31 December 2015	31 December 2014
Advance payment bonds		1,772,764
Performance bond		1,462,670
Letter of credits		-
Other guarantees		-
Total		3,235,434

NOTE 10. RISK ASSESSMENT DISCLOSURE

Cavotec SA, as the ultimate parent company of Cavotec Group, is fully integrated into the Company-wide internal risk assessment process.

The Company-wide internal risk assessment process consists of regular reporting to the Board of Directors of Cavotec SA on identified risks and management's reaction to them. The procedures and actions to identify the risks, and where appropriate remediate, are performed by specific corporate functions as well as by the operating companies of the Group. It also adopted and deployed Group-wide the Internal Control System ("ICS").

The ICS is designed to identify, communicate, and mitigate risks in order to minimise their potential impact on the Group. A risk assessment analysis was performed by the Board of Directors. This analysis provided a high-level mapping of risks to allow Group Management to make appropriate decisions on the future of the Group. This map identified the following main areas of risks related to:

- Information and Consolidated Reporting
- Engaging the Group, Protecting its Assets, Compliance
- The Group's Industry
- The Group's Business
- Information, Subsidiary Reporting, Social Security and Tax
- Engaging Subsidiaries, Protecting their Assets, Local Compliance.

Financial risks management is described in more detail in the Risk Management note of the Consolidated Financial Statements.

NOTE 11. RELATED PARTY TRANSACTIONS

As of 31 December 2015, the company has granted no loans, advances, borrowings or guarantees in favour of member of the Board of Directors and members of the Senior Management Team or parties closely related to such persons.

NOTE 12. SIGNIFICANT EVENTS

There are no significant events after the Balance Sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

NOTE 13. LEGAL RISKS

The outcome of any current or future proceedings cannot be predicted. It is therefore possible that legal or regulatory judgments or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings. Legal proceedings currently considered to involve material risks are outlined below.

Mike Colaco litigation

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. The jury rejected Colaco's claim in his lawsuit that Cavotec, the Chairman and the CEO owed him USD 3.8 million pursuant to agreements that were allegedly breached. The jury instead determined that Colaco breached his fiduciary duties to Cavotec with malice, oppression and fraud, and, that, as a result, must pay compensatory and punitive damages totalling USD 3.3 million to Cavotec subsidiary, Cavotec INET US Inc. ("Cavotec INET"). The verdict entitled Cavotec to file a motion with the Court to obtain reimbursement from Colaco of the Company's attorneys' fees and costs, which was granted for an amount of USD 4.7 million. Mr. Colaco has filed a Notice of Appeal. The appeal process could continue into 2017. The company has taken a prudent approach and has not recorded any income from the June verdict in its 2015 financials.

NOTE 14. FULL TIME EQUIVALENTS

The number of full-time equivalents, as well as the previous year, did not exceed 10 on an annual average basis.

Statutory Financial Statements

CAVOTEC SA
Notes to Statutory Financial Statements

CAVOTEC SA
Proposed appropriation of available earnings

The Board of Directors proposes to the shareholders the following appropriation:

CHF	31 December 2015	31 December 2014
Profit / (Loss) brought forward	(7,645,835)	(5,921,715)
Profit / (Loss) for the year	(11,067,235)	(1,724,120)
Total earnings	**(18,713,070)**	**(7,645,835)**
Appropriation to general statutory reserves (retained earnings)	-	-
Appropriation to other reserves	-	-
Proposed balance to be carried forward	**(18,713,070)**	**(7,645,835)**

In lieu of a dividend the Board of Directors will propose to the Ordinary General Meeting, to be held on 22 April 2016, a reduction in par value of the shares by CHF 0.03 to CHF 1.35.

Maher Terminal, Port of New York/New Jersey pwc

Report of the statutory auditor
to the General Meeting of
Cavotec SA
Lugano

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Cavotec SA, which comprise the balance sheet, income statement and notes (pages 107 to 111), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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Telefono: +41 58 792 65 00, Fax: +41 58 792 65 10, www.pwc.ch

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Daniel Ketterer	Efrem Dell'Era
Audit expert Auditor in charge	Audit expert

Lugano, 25 February 2016

Where our companies are located*

Argentina
Australia
Bahrain
Belgium
Brazil
Canada
China
Denmark
Finland
France
Germany
Hong Kong
India
Italy
The Netherlands
New Zealand
Norway
Russia
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland
UAE
UK
USA

Cavotec's Centres of Excellence

CAVOTEC ALFO
Overath, Germany

CAVOTEC CONNECTORS
Staffanstorp, Sweden

CAVOTEC FLADUNG
Dietzenbach, Germany

CAVOTEC DABICO/INET
Cypress, CA, USA

CAVOTEC MICRO-CONTROL
Hell, Norway

CAVOTEC MOORMASTER
Christchurch, New Zealand

CAVOTEC SPECIMAS
Nova Milanese, Italy

Sales offices
Centres of Excellence

* **Branch offices and agents are not included on this map.**

Headquarters

Cavotec SA
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+41 91 911 40 10
cavotec.com

Financial definitions

Financial key figures

Dividend yield Dividend as a percentage of the market price.

Dividend per share (DPS) Dividend for the period divided by the total number of shares outstanding.

Earnings per share Profit/loss attributable to equity holders of the Group divided by the average number of shares for the period.

Equity/assets ratio Total equity as a percentage of total assets.

FY FY stands for Full Year.

Leverage ratio Net debt divided by operating result before depreciation and amortisation.

LTM LTM stands for Last Twelve Months.

Net debt Borrowings plus other financial liabilities, less cash and cash equivalents and current financial investments.

Debt/equity ratio Net debt as a percentage of total equity.

Return on equity (ROE) Net profit after tax (rolling 12 months) divided by total equity less minority interests calculated on the average of quarterly values.

Total equity Shareholders' equity including minority interests.

Operating key figures

Average capital employed Total assets minus current liabilities calculated on their average of quarterly values.

Average number of employees Average number of employees during the year based on hours worked. Does not include insourced staff.

EBITDA Operating result excluding depreciation and amortisation of PPE and intangible assets.

EBITDA margin EBITDA excluding profit from participations in joint venture/associated companies as a percentage of net sales.

Gross operating margin Operating result before depreciation and amortisation as a percentage of the period's revenue from sales of goods.

Interest coverage Operating result divided by net interest expenses.

Net debt/EBITDA Net debt divided by EBITDA.

Number of employees at year-end Including insourced staff and temporary employees.

Operating cash flow EBITDA excluding non-cash items, capital expenditures, divested PPE and changes in working capital, but excluding cash flow pertaining to restructuring.

Operating margin Operating result after depreciation and amortisation as a percentage of the period's revenue from sales of goods.

Operating result EBIT as stated in the income statement.

Order intake Value of orders received during the period.

Profit before income tax margin Profit/loss before income tax as a percentage of the period's revenue from sales of goods.

Return on average capital employed (ROACE) Net operating profit after tax (rolling 12 months) divided by average capital employed.

Glossary

AMP Alternative Maritime Power, is Cavotec's version of shore-to-ship electrical power that allows vessels in port to switch off their engines that run on board services, thus cutting emissions and improving air quality in ports. More generally known as shore-to-ship power or 'cold ironing', a term coined in 1950s when US Navy vessels that plugged into shore side electrical power were described as 'cold irons'.

APAC Asia-Pacific or Asia Pacific is the part of the world in or near the Western Pacific Ocean. The region varies in size depending on context, but it typically includes much of East Asia, South Asia, Southeast Asia, and Oceania.

ATEX ATEX consists of two EU directives on equipment and working environments for applications at risk of explosion. ATEX is derived from the French: Apparails destinés à être utilisés en Atmosphéres Explosibles.

DX-Boost Direct Expansion, (DX-Boost), cools aircraft at the gate using a liquid-chilled first stage followed by up to three refrigerated cooling stages using high pressure centrifugal blowers and compressors that are fully controlled by variable frequency drives and liquid chilled condensers.

EMEA Europe, the Middle East and Africa, usually abbreviated as EMEA, is a regional designation used for government, marketing and business purposes. It is particularly common amongst North American companies.

E-RTGs Electrically Powered Rubber-tyred Gantry cranes, a specialty of Cavotec's Ports & Maritime Market Unit, are increasingly widely adopted at ports, as operators seek to power more and more equipment electrically, rather than using diesel engines, motors and generators that tend to create more greenhouse gas emissions than electricity produced by power stations.

HOI Human Operator Interface systems enable the remote control of machinery with real time video links and system status information.

IATA The International Air Transport Association is an international trade body, representing some 230 airlines, airport operators and suppliers. Cavotec joined the organisation as a Strategic Partner in 2008.

IEC The International Electrotechnical Commission is the world's leading organisation that prepares and publishes standards for all electrical and related technologies. Cavotec equipment, where applicable hold IEC rating.

IMO The International Maritime Organisation is the United Nations agency with responsibility for the safety and security of shipping and the prevention of marine pollution by ships.

IP CODE International Protection Rating are electrical safety ratings defined by the IEC, (see above), that classify the degrees of protection against objects, dust and water in electrical enclosures.

MWT Cavotec's Multi Way Technology connector pins are components of Cavotec heavyduty power connectors and sockets. They provide high electrical current capacity and are used at ports, airports, in the mining, tunnelling, steel and aluminium sectors, general and automation industries and the energy and offshore sectors.

NOx Nitrogen oxide – one of the primary pollutants associated with ship emissions. See also SOx.

PCA Pre-conditioned Air refers to air generated by Cavotec's systems that cools air for aircraft. Fitted to mobile caddies or to in-ground supply units, Cavotec's PCA systems mean pilots can shut off aircraft engines sooner, thus helping to reduce emissions at airports.

PEMA The Port Equipment Manufacturers Association provides a forum and public voice for the global port equipment and technology sectors, reflecting their critical role in enabling safe, secure, sustainable and productive ports and thereby supporting world maritime trade. Cavotec CEO, Ottonel Popesco, currently serves as President of the Association.

RRC Radio Remote Controls are used in a vast variety of applications across the Ports & Maritime, Mining & Tunnelling and General Industry sectors. Cavotec supplies a comprehensive range of RRC units: some are designed for complex operations, others for basic tasks – all are durable and easy to use.

SOx Sulphur oxide – one of the primary pollutants associated with ship emissions from the burning of HFO. See also NOx.

Notes

Colophon

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Print production assistance:
Winning Associati (Bernareggio, MB - Italy)

Printing:
A.G. Bellavite (Missaglia, LC - Italy)

This publication has been printed
on FSC certified paper.

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Cavotec SA is listed on the
NASDAQ OMX