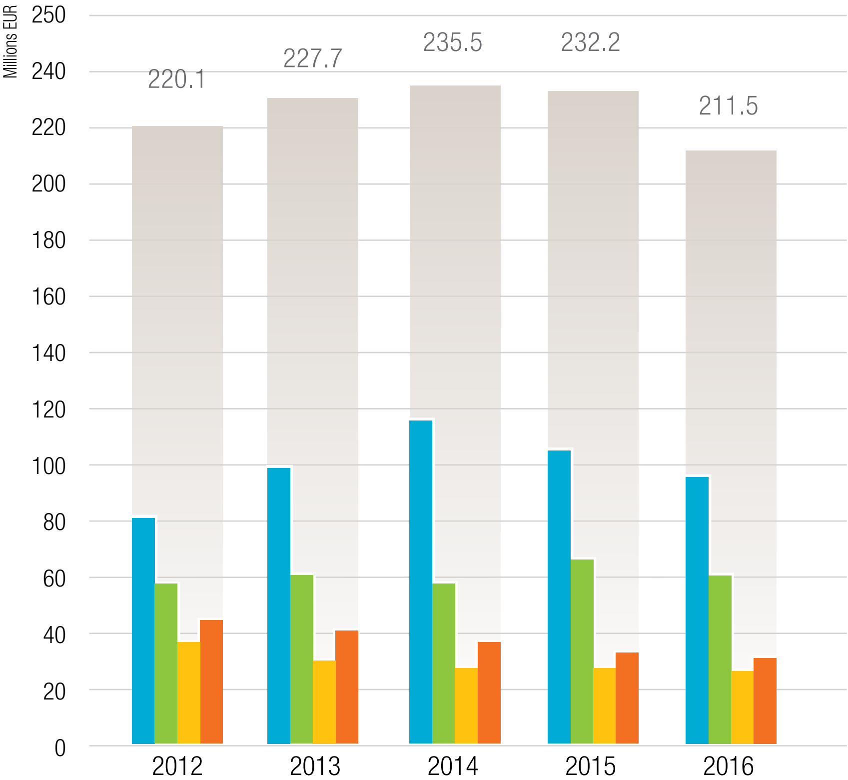
Annual Report 2016

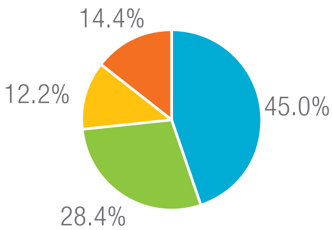
CAVOTEC
Inspired Engineering

Five-year overview

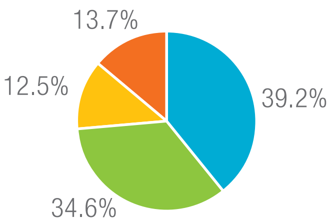
Key figures on our performance and operations, and an overview of our financial results over the past five years.



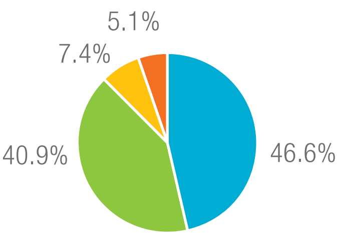
EUR 000's	2016	2015
Accumulated Revenues		
Ports & Maritime	95,094	104,373
Airports	60,040	65,925
Mining & Tunnelling	25,858	29,469
General Industry	30,526	32,456
Total	**211,518**	**232,223**
Accumulated Order Intake		
Ports & Maritime	84,736	98,238
Airports	74,784	68,634
Mining & Tunnelling	26,996	30,724
General Industry	29,880	32,103
Total	**216,396**	**229,699**
Order Book		
Ports & Maritime	48,162	58,520
Airports	42,279	27,536
Mining & Tunnelling	7,596	6,457
General Industry	5,288	5,930
Total	**103,325**	**98,443**



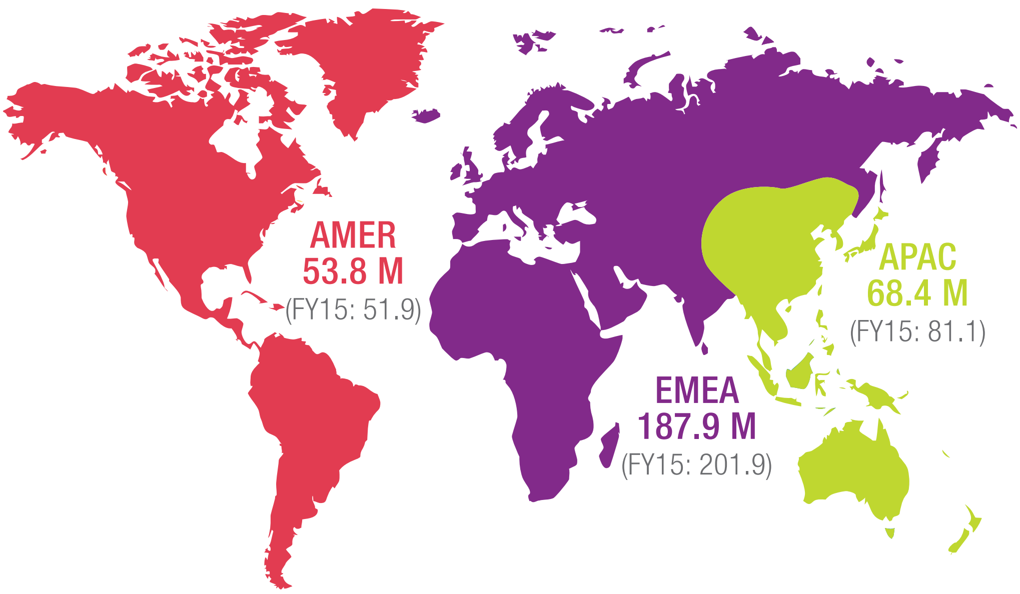
Accumulated Revenues



Accumulated Order Intake



Order Book



Revenues by Region (Millions EUR)

- AMER: The Americas.
- EMEA: Europe, the Middle East, and Africa.
- APAC: Asia Pacific.

- Ports & Maritime
- Airports
- Mining & Tunnelling
- General Industry
- Total Revenues

Financial information in summary

Cavotec SA & Subsidiaries		2016	2015	2014	2013	2012
EUR 000's						
INCOME STATEMENT ITEMS						
Revenue from sales of goods and services		211,518	232,223	235,457	229,418	220,072
Gross Operating Result (EBITDA)		**17,375**	**12,363**	**17,029**	**15,027**	**21,736**
Operating Result (EBIT)		**12,281**	**7,595**	**12,561**	**10,506**	**17,978**
Profit for the year		**6,484**	**6,124**	**10,230**	**10,453**	**12,192**
Total comprehensive income		7,774	5,038	11,956	4,718	13,018
BALANCE SHEET ITEMS						
Non-current assets		125,671	123,295	113,453	108,696	106,141
of which Goodwill		67,273	66,834	63,801	60,479	61,646
Current assets		98,980	115,870	109,485	97,013	94,271
Assets held for sales		3,953	-	1,800	2,213	-
Cash and cash equivalents		14,982	20,812	17,071	13,928	10,313
Total assets		**243,586**	**259,977**	**241,809**	**219,637**	**210,725**
Total equity		(145,450)	(139,870)	(137,903)	(108,769)	(106,829)
Interest-bearing liabilities		(36,753)	(46,208)	(37,083)	(50,007)	(34,828)
Non-interest-bearing liabilities		(61,383)	(73,899)	(66,823)	(60,861)	(69,067)
Total equity and liabilities		**(243,586)**	**(259,977)**	**(241,809)**	**(219,637)**	**(210,725)**
CASH FLOW ITEMS						
Cash flow from operating activities		10,130	(268)	(755)	(713)	11,900
Cash flow from financial activities		(12,410)	4,012	3,047	14,056	(5,035)
Cash flow from investing activities		(3,981)	(2,082)	(2,844)	(5,103)	(12,183)
Cash flow for the year		**(6,261)**	**1,662**	**(552)**	**8,240**	**(5,318)**
PROFITABILITY AND PROFITABILITY-RELATED KEY FIGURES						
Order intake		216,396	229,699	220,706	245,961	224,984
Gross operating margin		8.2%	5.3%	7.2%	6.6%	9.9%
Operating margin		5.8%	3.3%	5.3%	4.6%	8.2%
Interest coverage		9.2x	6.0x	5.3x	8.6x	14.2x
Return on average capital employed (ROACE)		3.4%	3.2%	5.8%	6.3%	8.3%
Return on equity (ROE)		4.7%	4.4%	8.4%	9.7%	12.0%
CAPITAL STRUCTURE AND CAPITAL STRUCTURE-RELATED KEY FIGURES						
Net debt		(22,713)	(26,695)	(20,002)	(36,070)	(24,511)
Net debt/equity ratio		15.6%	19.1%	14.5%	33.2%	22.9%
Equity/asset ratio		59.7%	53.8%	57.0%	49.5%	50.7%
Leverage ratio		1.3x	1.7x	1.2x	2.4x	1.1x
STOCK PERFORMANCE*						
Number of shares issued		78,536,000	78,536,000	78,536,000[2]	71,397,220	71,397,220
Closing price	SEK	21.50	24.40	26.00	31.40	24.00
Closing price[1]	EUR	2.25	2.66	2.77	3.54	2.80
Market cap[1] (million)	EUR	176.8	208.9	217.4	253.1	199.7
Dividend[1]	EUR	0.047	0.028	0.042	0.041	0.041
EPS[1]	EUR	0.083	0.078	0.140	0.147	0.173

[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.*

Business model

VISION

Cavotec's vision is to be world leading experts in the engineering and supply of systems that connect, electrify and automate ships, aircraft 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, and are expected to achieve, structural, above market growth. In addition, as part of our long-term growth strategy, we are actively expanding 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.

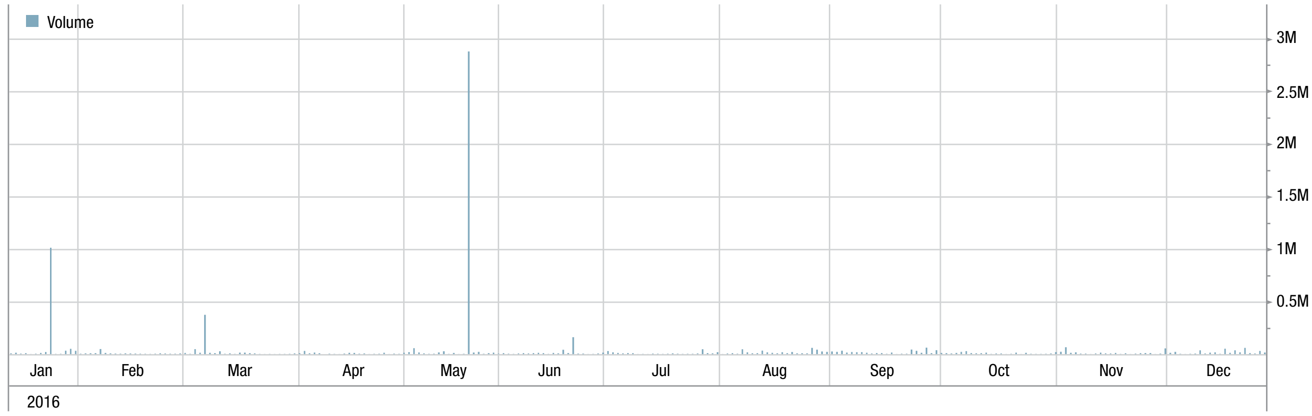
Continued international expansion

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.

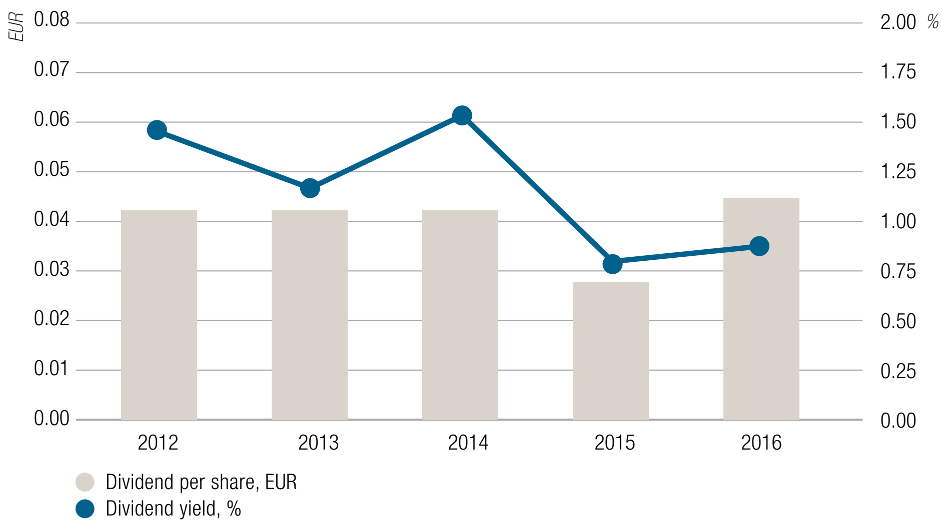
STOCK PERFORMANCE



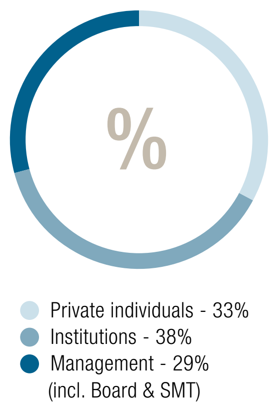
FIVE LARGEST SHAREHOLDERS

Year ended 31 December 2016			
Shareholders		**Number of shares held**	**%**
Bure Equity AB	Financial institution	12,988,970	16.5%
Fjärde AP-Fonden	Investment Fund	7,608,721	9.7%
Fabio Cannavale (Nomina SA)	Board member	7,298,046	9.3%
Stefan Widegren & family	Chairman & Founder shareholder	5,800,867	7.4%
Lars Hellman (LCL life & Pension)	Founder shareholder	5,200,000	6.6%
Total		38,896,604	49.5%

DIVIDEND PER SHARE, YIELD



OWNERSHIP STRUCTURE



Cover photograph:
Glaciar Upsala, Patagonia (Argentina)
Photographer: Nicolás García Biale, Cavotec Latin America

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The Chairman's perspective

THE START OF A NEW CHAPTER IN CAVOTEC'S HISTORY

After several years of "crab walking ", we now see clear positive signs of a trend change, resulting in positive developments for the Cavotec business. This is mainly because we have now resolved difficulties relating to Inet, overcome other major challenges, while also preparing the company for a healthy return to growth and improved profitability. We already partially see this in our 2016 results, where stronger gross margins and lower operational costs resulted in an improvement of our operational margin of some 62 per cent. We achieved this despite a reduction of more than EUR 20 million in revenues, mainly due to the reduction of our oil and gas business and continued postponements and delays in major projects.

In recent years, we have overcome many challenges such as the long legal battle in the US with the former owner of Cavotec Inet, and the immediate need to execute a turnaround in Inet operations. Furthermore, we had to tackle some macro-economic challenges due to continued softening of some of our traditional markets such as Mining, General Industry and Oil & Gas, the learning experience of major project management, and finally our shift move from product sales to system sales.

Today, we see a somewhat slow – but clearly visible – recovery in the mining and industry sectors, as well as a strengthening of the investment climate for infrastructure projects and investments, the latter being of particular significance for our most important growth areas, i.e. Ports and Airports. In fact, we have booked a number of larger projects in these areas – to a value exceeding some EUR 50 million – since November last year alone.

Moreover, we note a more widespread acceptance of our innovative solutions such as:

- MoorMaster™ automated mooring solutions
- Alternative Maritime Power (AMP) for the supply of shore power to ships and ferries
- Human Operating Interface (HOI) for the control of machines and industrial processes
- Ground Support Equipment (GSE) for efficient and environmentally aircraft servicing

LAST STEPS OF A GENERATIONAL CHANGE AND HANDOVER

As we informed the market in November last year, we are now completing an important generational change in the company. The rejuvenation process that started in 2007 has previously involved some 20 key senior managers, and now includes the CEO, reference shareholders and myself. The main reason why we do this now is that we are confident that we have resolved all major obstacles that prevented us from growing, and that we are now ready to move forward with confidence and determination. Since Cavotec is our creation and lifetime commitment, it is important to us that we hand over the company in good shape and at a time of renewed growth and value creation.

MIKAEL NORIN NEW CEO

As I write this message, our Board of Directors has just appointed Mikael Norin as the new CEO of the Cavotec Group. Mikael will start at Cavotec on May 1st, 2017 and use a transition period of two months to get to know Cavotec, its managers and organisation, as well as partners, major customers, key suppliers and other important stakeholders. On July 1st, 2017, Mikael will take over as CEO from Ottonel, who will continue to serve the Group as a non-executive Board member with special strategic assignments. We are all delighted to have Mikael on board, and we wish him every success in his new role.

Personally, I feel very privileged and happy to have had the opportunity to plan and execute a well thought through generational change to ensure the best possible future for our company. I am also very fortunate and thankful to have a lifelong colleague such as Ottonel, who, with great courage and commitment has assisted me in facilitating these important changes for the company.

NEW FIVE-YEAR STRATEGIC PLAN

One of Mikael's first priorities will be to implement the new Strategic Plan for the Group. This plan aims to double our revenues in the next five years, and to significantly improve our profitability. We will achieve these important goals by a number of basic actions.

Firstly, we will capitalise on our uniquely innovative and technical base and strong market position that we have developed over the years and particularly in the past decade.

Secondly, and perhaps even more importantly, we will focus on what we do best and were we can bring most added value to our customers. Consequently, we have organised our sales operations into two Business Units, Ports & Maritime and Airports & Industry, where we clearly see our most significant growth potential.

Last, but not least, we will work with a global Supply Chain, where we will implement a strategy based on quality, efficiency, and timely execution. This will be achieved primarily by streamlining our design and production activities with the aim of offering more customer friendly and modular solutions.

As we all know, there is still a lot concern and hesitation in the world economy, as well as in our own specific markets. The trends are positive, but change is sluggish. Therefore, we still need to be vigilant and prudent, and not count on much support from general economic developments. Instead, we can – and should – rely on our own strength and the opportunities we have at hand in order to make 2017 a year of genuine success.

Lugano, February 2017

Stefan Widegren
Chairman

The CEO's report

A CHALLENGING YEAR
Since the beginning of 2016, markets in general have been characterised by volatility, with forecasts for the world economy relatively uncertain. Markets sensitive to the oil price and low commodity prices have tended to register negative growth. Furthermore, on a Group-level, several large ports and airports projects were postponed by end-users towards the end of 2016 and the beginning of 2017.

In response to these developments, our management took concerted mitigating action by, for example, implementing organisational restructuring at Cavotec businesses in several countries, including Norway, Germany and the US, as well as introducing general cost reductions. In fact, with revenues almost nine per cent lower compared to 2015, we were able, through cost reductions, to achieve higher EBIT profitability, which reached 2016, EUR 12.3 million, (an increase of 62 per cent).

We were also able to reduce our senior net debt by almost EUR 4 million, to EUR 22.8 million, decrease our working capital by EUR 6 million and reach a comfortable net leverage ratio of 1.3x. All other covenants – interest coverage ratio (9.2x) and equity ratio (60 per cent) – are following the same favourable financial trend.

Not the least our Operating Cash Flow was positive at EUR 10.1 million which is a great improvement from 2015 EUR -0.3 million.

MILESTONES FOR THE YEAR
In 2016 we received several strategically significant orders for our advanced aircraft servicing systems, with highlights being two major projects at airports in Turkey and Hong Kong. For the Hong Kong International Airport Midfield Apron Project, we are supplying 400Hz converters and electrical pit systems, deck loader power supply pits, fuel vault access covers and fuel hydrant pits.

The Port of Salalah in Oman renewed their commitment to our automated mooring technology, MoorMaster™ with the purchase of 16 units, along with a three-year maintenance contract. Cavotec and Salalah have worked closely on the development of MoorMaster™ since its first trial at the port in 2006.

Our Ports & Maritime unit also registered its first full retrofit order for electrified rail-mounted gantry (RMG) cranes from leading port operator DP World. As port operators switch from diesel- to electrically-powered equipment, this is an area where we anticipate strong future potential.

We also successfully delivered our first two retrofitted AMPTainer systems at one application in Europe and the other in Asia.

Regarding Cavotec Inet operations in Cypress, California, our full programme of reorganisation was finalised with production of the new range of our advanced 400Hz 2500 type converter underway and approaching high capacity levels. We have also worked hard on the standardisation of our PCA products, and are ready to deliver new orders recently received from customers in the US, the Middle East and the Far East.

Cavotec Specimas has driven the development of some of our most innovative technologies – motorised cable reels, MoorMaster™ automated mooring, and Alternative Maritime Power systems – so it is important that we continue to invest in such a valuable assets, which is why we started the construction of a new Cavotec Specimas building in Nova Milanese, Italy in 2016.

Once complete, in 2017 the new building will offer some 16,000sqm engineering, manufacturing and office space. The premises also allow for future expansion with a further 5,000sqm of workshop area available.

The new facility will be fitted with the latest energy-saving and environmentally friendly equipment, including in-ground heating in the workshop, and an air conditioning system for the office space that adheres to the latest standards in energy efficiency and environmental performance. The roof of the facility will be fitted with 230kW solar energy panels.

OUTLOOK
In our main markets – ports and airports – projections of macro-economic growth remain positive, on average, at around three to four per cent or above. These two sectors are driven by cost reduction pressure from shipping companies and airlines respectively, where there is a continued move towards automation, electrification and sustainability. These represent our main opportunities, and although 2017 will be a transitional year, we need to continue investments in strategic areas, while making general cost reductions, and increase our efficiency and gross margin.

At the end of November we announced Cavotec's new Strategic Plan (SP). The SP will ensure that the company becomes even stronger, and create value for our clients and partners in the years ahead.

The SP sets out a series of guidelines, approved by the Board, for the coming five years. Its two primary goals are to achieve revenues of EUR 500 million, and EBIT profitability of more than >12 per cent.

It includes several organisational changes, the most important of which is the introduction of two Business Units (BU) that will have full P&L responsibility, in contrast to our previously more geographically based approach. The two new BU are:

- Ports & Maritime under the responsibility of Gustavo Miller (BU COO)
- Airports & Industry under the responsibility of Juergen Strommer (BU COO)

We are also increasing our supply chain focus and investments in production. Patrick Rosenwald, our CTO, took on the role of the Supply Chain COO, responsible of all Cavotec engineering and manufacturing entities.

Furthermore, the arrival of a new CEO Mikael Norin on July 1st 2017, and our new management team to support the implementation of the SP will allow me to focus on strategic Board assignments such as M&A, special projects, and industry associations. I am convinced that after 17 years heading the Group, we leave a strong reliable legacy for the new management team.

I am also confident that our new organisational structure and other operational improvements will see Cavotec continue to grow to the benefit of all stakeholders.

Lugano, February 2017

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.

1974

- Incorporation of Specimas AB in Sweden.

1984

- Acquisition of Specimas SpA in Italy.

1997

- Acquisition of Alfo Apparatebau GmbH in Germany.

1999

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

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.

2007

- Listing of Cavotec MSL on the New Zealand Stock Exchange.
- Group corporate offices open in Switzerland.
- Reverse acquisition of MSL.

2008

- Acquisition of the Dabico Group in US and UK.
- Acquisition of Meyerinck GmbH in Germany.
- Divestment of Gantrex operations.

2011

- Acquisition of Inet Group in the US.
- Cavotec SA listed on NASDAQ OMX Stockholm.

2012

- Acquisition of Combibox in Sweden.

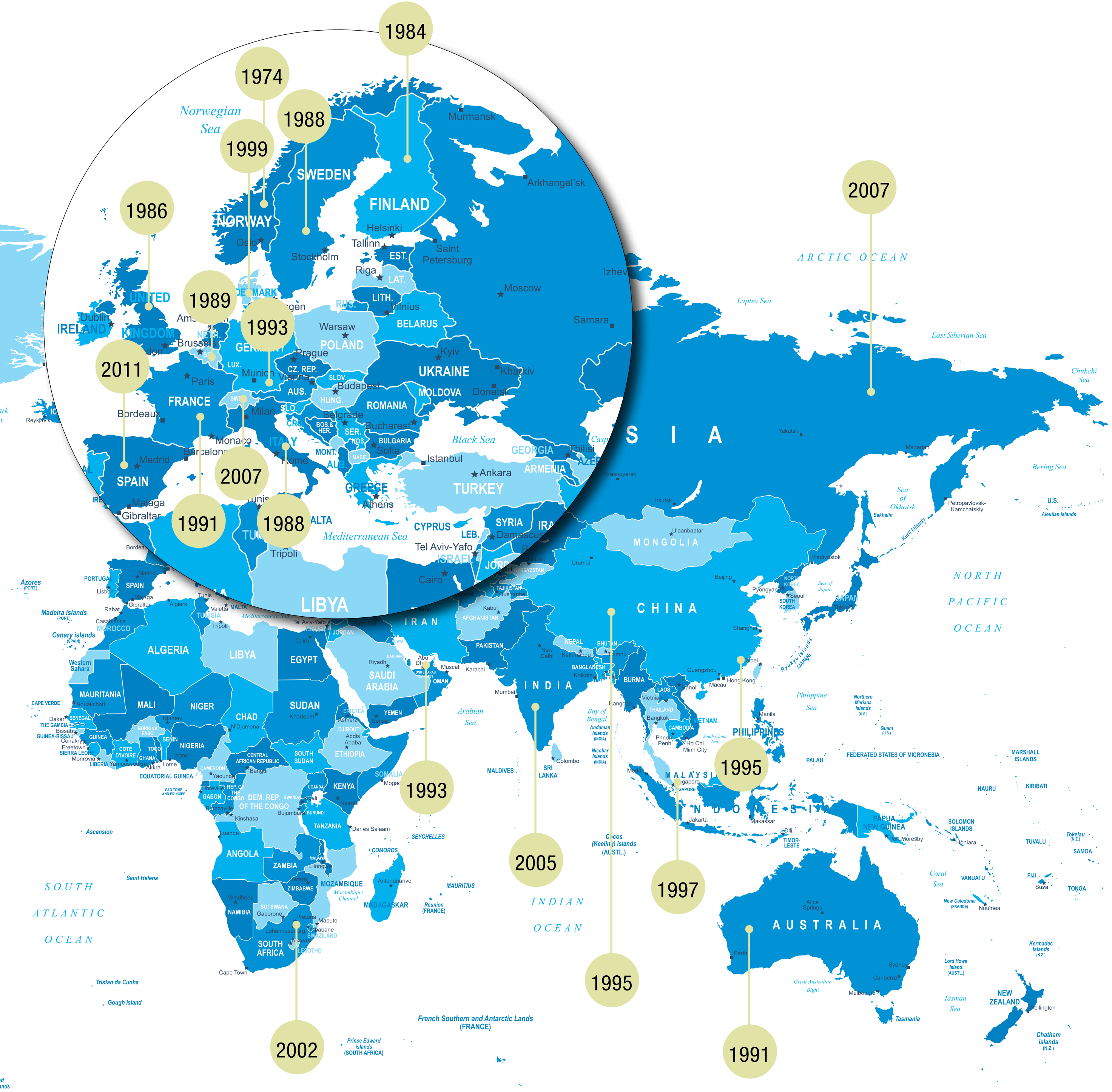
2015

- Cavotec presents new Senior Management Team.

2016

- The Group achieved several milestones in 2016, including breakthroughs for its key Airports and Ports & Maritime technologies, as well as preparing important organisational improvements that will pave the way for future growth.

- Completion of At Sea Demonstrations of the US Navy's Advanced Mooring System saw Cavotec's MoorMaster™ automated mooring technology record yet another crucial stage in his continued development in ship-to-ship operations.



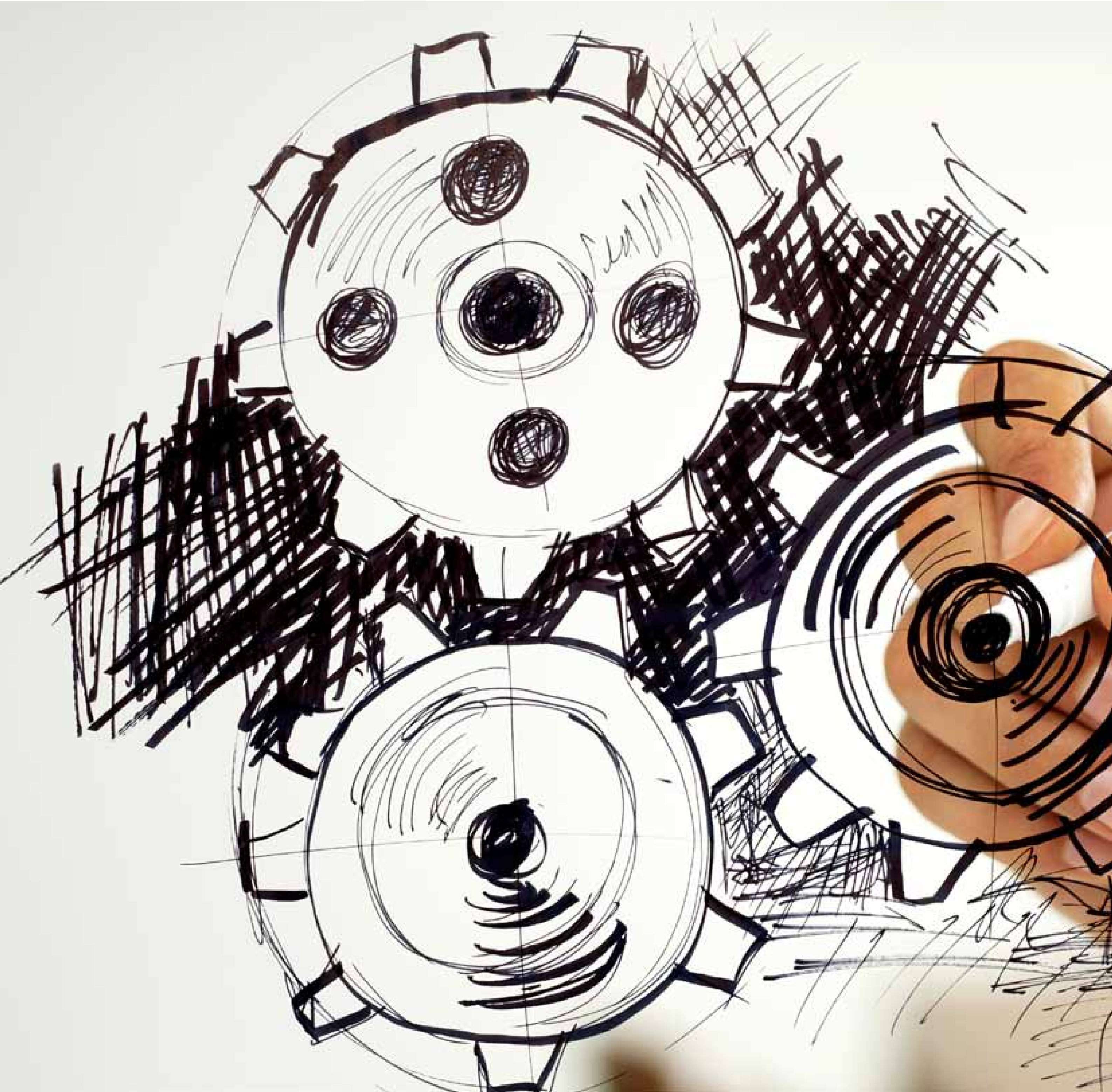
- There was also a second order for combined MoorMaster™ and battery charging systems for a hybrid passenger ferry application in Norway. Cavotec's capacity to combine mooring and shore power technologies is set to be a pivotal offering in this fast-growing segment.

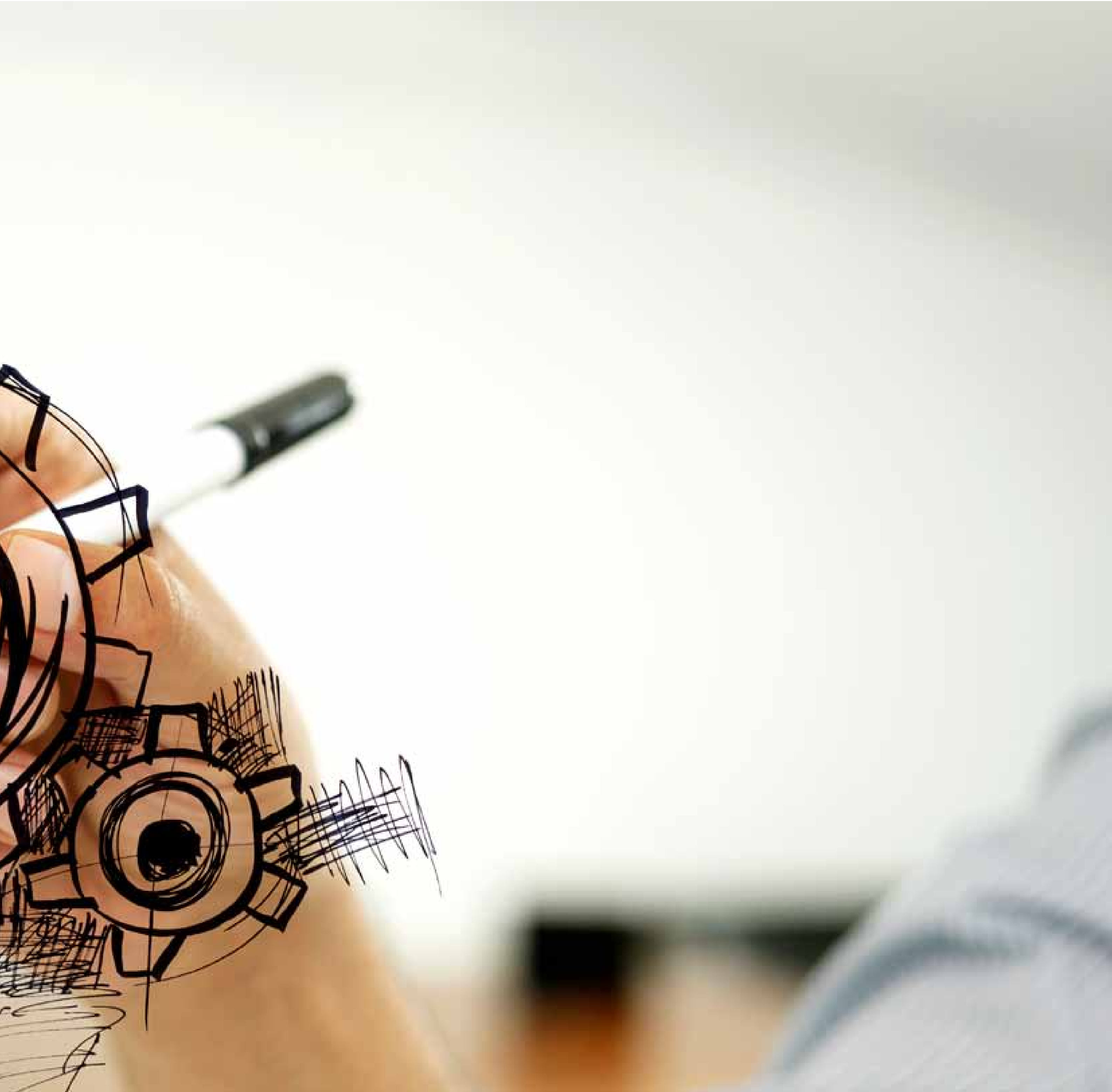
- On the Airports side of the business, the Group's innovative Series 2500+ power unit continued to register considerable success. In December, the Airports unit announced orders worth a total of EUR 11m for a variety of systems at airports in Asia Pacific, Europe and the Americas.

- Cavotec's Strategic Plan was also prepared ahead of its introduction on January 1 2017. The Strategic Plan is an indispensable tool for the continued profitable development of the Cavotec Group as a whole.

INSPIRED ENGINEERING

CAVOTEC'S UNIQUE OFFERING





Innovation –
A unique capacity for innovation

With innovations ranging from MoorMaster™ automated mooring and Automatic Plug-in System (APS), to an extensive range of in-ground aircraft utility systems and Human Operator Interface (HOI) units, Cavotec consistently expands the boundaries of innovation and technological achievement. Cavotec engineers identify fresh approaches and new technologies that enable our customers to achieve their goals.

Cavotec has become synonymous in its segments with problem solving and engineering excellence - applying advanced technologies, often adapted from other industrial segments, and extensive know-how to tackle complex challenges.

"We apply the necessary knowledge, experience and innovation to drive projects forward."

LEADING HOI INNOVATION

Cavotec has long been a major innovator in radio remote control (RRC) technologies. The Group is now applying knowledge gained in the RRC segment to its growing range of HOI systems.

Top innovations in 2016 included HOI systems for global mining group Atlas Copco, and mining equipment supplier RamBooms.

Cavotec continued to develop its RRC technologies in 2016, including an entirely new 'pistol' terminal design.

For more on our advances in HOI technologies, and other developments, please see pages 22-25 in this section.

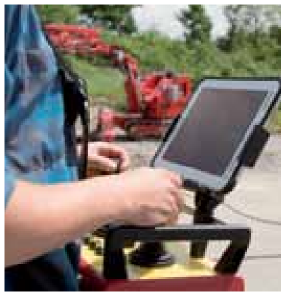
"Our engineers have the skills, imagination and engineering insight that it takes to successfully implement the solutions we need, to improve our operations."

PORT AUTOMATION

MoorMaster™ continues to gain acceptance in the global ports market. There are currently some 200 MoorMaster™ units in service, which have performed a total of an estimated 230,000 mooring operations to date.

Cavotec also continued to focus on its electrification technologies in 2016, further advancing its offering in, for example, APS powered Automatic Guided Vehicles. APS provides electrical power to cranes, ships and other mobile equipment with cable reels.

1.



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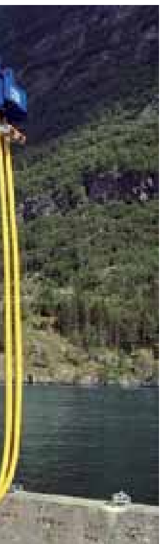


1. *Cavotec HOI system*
2. *Cavotec APS tower*
3. *Cavotec Radio Remote Control system*
4. *Cavotec AMPDispenser*

POWERING INNOVATION AT AIRPORTS

Our Series 2500+ ground power unit registered several important developments in 2016. The 2500+ powers parked aircraft, allowing auxiliary power units to be switched off. The unit delivers substantially greater performance levels than the current industry standard, making it a highly attractive proposition for airports looking to serve the rapidly growing power demands of the next generation of passenger aircraft.

Innovations in 2016 included a new C-Reeler unit, a new 400Hz connector plug and an improved Power Pack.

CENTRES OF EXCELLENCE

Much of Cavotec's work on developing new technologies is conducted at its eight Centres of Excellence. For details of these facilities, please see pages 110-111.

Essential know-how

"We continue to expand our scope of innovation with new technologies, new designs and new ways of meeting the challenges our customers face."

– Dirk Moll, Market Unit Director, Industry (since 01 January 2017)

Productivity –
Advanced technologies that drive growth

Cavotec technologies are critical to the efficient operation of installations and machinery all over the world, and in a wide variety of sectors. Our advanced systems and expertise help our customers to minimise costs, maximise operational efficiency, and thereby continue to grow.

EXPANDING THE POTENTIAL OF EXISTING SYSTEMS

Cavotec has long been a leading supplier of motorised cable reels for container cranes and other applications. As the global shipping industry grapples with the introduction of vast container vessels, ports need larger and faster container cranes to service these ships.

In 2016, Cavotec announced the manufacture of what is believed to be the world's largest ever monospiral cable reels. The reels – part of a series of orders for a major crane manufacturer – were so large that they required the development of a new gearbox. The reels operate at higher speeds, carry containers greater distances, and from higher start positions: all capabilities necessary for operators to improve productivity.

BUILDING AIRPORTS OF THE FUTURE

According to the International Air Transport Association, between USD 5 and 10 billion damage is caused to parked aircraft every year. Much of this damage if caused bY vehicles hitting aircraft during turnaround at the gate. By using Cavotec's innovative pit systems, we can reduce the number of vehicles around aircraft and ensure planes are serviced safely and efficiently.

Cavotec's E³ Gate system provides six services through four pit systems: 400Hz electrical power, pre-conditioned air, portable water, blue water, sewage, and fuel.

Despite the emergence of new-build airports, with the worldwide aircraft fleet set to double in the next 20 years, existing airport infrastructure will need to be better used to reduce turn around times. With Cavotec's innovative in-ground systems, operators are able to get aircraft back in the air quicker than with conventional vehicle-based servicing.

3.

RRC DRIVE OPERATIONAL EFFICIENCY

Our RRC units enable operators to control greater numbers of machines and automated vehicles, thereby generating considerable operational efficiencies - and all at a safe distance. Typical applications include mining and tunnelling and offshore installations.

Cavotec remains focused on developing technologies that drive productivity and contribute to customers' operational efficiency. We continue to innovate existing systems, as well as bring new technologies to the market to meet the operational and cost challenges our customers face.

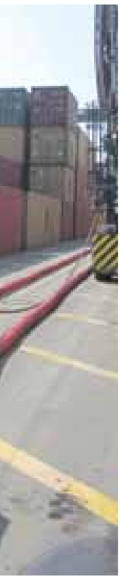
1. Cavotec APS & E-RTG

2. Cavotec spring reel

3. APM Terminals

4. Cavotec motorised cable reel

1.



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Further improvements to the Cavotec offering

"Throughout 2016, our various engineering teams around the world have focused on product modularisation.

"We're working towards having configurator-based standard characteristics for our products, thereby making manufacturing more efficient, and improving quality."

*– **Peter Grönholm**, Head of Operations (since 01 January 2017)*

"This also means that we don't have to re-engineer products every time a product with a new feature is requested. We achieved a great deal in terms of product modularisation in 2016, and this is certainly an area on which we'll focus more going forward."

Safety –

Improving safety at applications worldwide

Through its focus on advanced remote control technologies, Cavotec has become a vital actor in the realisation of safe, operator-friendly workplaces at some of the most demanding industrial applications on the planet. Crucially, Cavotec underpins its strong technical offering with expertise in regulatory requirements, international standards, evaluation, standardisation, and certification.

RADIO REMOTE CONTROL AND HUMAN OPERATOR INTERFACE

Cavotec's range of RRC and HOI systems allow personnel to operate one or more machines remotely, away from hazardous areas and, where necessary, in climate controlled environments. This minimises risk in terms of personal injury and operational accuracy, which in turn contributes to improved operational efficiency.

"Cavotec technologies and competence ensure that our customers minimise risk and enhance operator comfort."

Our HOI and RRC systems are used with trucks, ships and cranes, and in highly demanding applications such as oil platforms, where operators often need to control equipment at a safe distance, and have an overview of a given task. Recent innovations include the fitting of high resolution video and touch-screen operation for our HOI and RRC units.

Furthermore, as with Cavotec's range of control chairs and control desks, our HOI and RRC systems are designed with ergonomics in mind: lightweight, user-friendly and flexibility make these units an ideal tool.

A TRUSTED PARTNER

"Not only does Cavotec offer the technical know-how, it provides the industry awareness and regulatory knowledge that our customers are looking for."

MAKING PORTS….

By removing heavy mooring lines from the process of mooring ships, Cavotec's MoorMaster™ automated mooring system makes dramatic improvements in vessel handling. For more information on MoorMaster™, please see pages 22-23.

….AND AIRPORTS SAFER

At many airports, all over the world, Cavotec's spring-loaded pit systems reduce physical strain on personnel by making otherwise heavy pit covers easy and quick to lift. And Cavotec's aircraft fuelling systems make this critical operation safer and quicker.

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1. Cavotec hatch pit

2. Cavotec Radio Remote Control

3. Cavotec MoorMaster 400E

4. Cavotec Dabico fuel pit system

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4.

As safety remains a primary area of concern for customers – and society as a whole – the Group continues to work closely with customers to develop systems and technologies that reduce operational risk and make operations safer.

In many cases, these efforts extend to improving the working conditions of personnel through ergonomic design and systems that enable operators to do their jobs in controlled environments. Cavotec will continue to focus on safety as an integral element of our overall offering.

Ensuring safer operations worldwide

"We continue to develop systems and technologies that make airports and maintenance hangars all over the world safer."

– ***Gary Matthews****, Market Unit Director, Airports (since 01 January 2017)*

Environment –

A key player in improving environmental performance

Shore power connection for ships, pop-up pits for aircraft, and charging systems for cars, cranes and trucks – just three areas where Cavotec's innovative technologies enable customers to reduce environmental impact.

Our automation and electrification systems enable customers to achieve clean, quiet, efficient operations – and meet increasingly strict regulatory requirements. Today, Cavotec is widely recognised as a key partner for improving environmental performance.

ELECTRIC VEHICLES

Through close co-operation with customers, suppliers and industry bodies, Cavotec develops electric vehicle (EV) charging station systems for the commercial car segment. We take knowledge gained in other sectors, for example aviation, and apply it to the EV market, to make it easier, and more attractive for motorists to switch from conventionally powered cars to EVs.

CRANES, SHIPS AND TRUCKS

In the global ports and terminals sector, Cavotec develops systems that power cranes, ships and trucks. Cavotec's 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.

Our Alternative Maritime Power, (AMP), systems are used to connect ships to shore side electricity, allowing operators to switch off ships' diesel generators, thereby reducing emissions.

Furthermore, Cavotec MoorMaster™ automated mooring cuts emissions in port areas by dramatically reducing the use of tugs throughout the mooring process.

AIRCRAFT

In the airports segment, Cavotec systems enable the connection of aircraft to ground power, among other services, allowing aircraft auxiliary power units (APU) to be shut off. APU are considered to be one of the most serious sources of emissions at airports. In addition, the provision of a whole range of utilities such as water, fuel, power and potable water via Cavotec's pit and tunnel systems significantly reduces the number of diesel powered vehicles needed to service aircraft, thereby further reducing emissions.

MINING & TUNNELLING EQUIPMENT

Cavotec electrification systems also reduce the use of diesel-operated equipment at mining and tunnelling applications worldwide, as has been the case for many years with the Group's long-standing OEM customers such as Atlas Copco, RamBooms and Sandvik.

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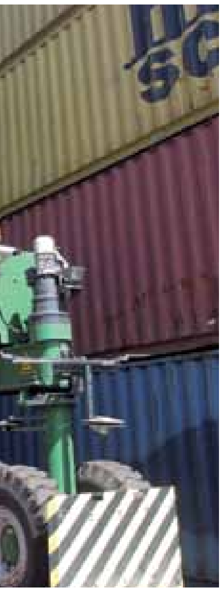

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Supporting customers to reduce environmental impact

"In 2016, we further expanded our electrification systems offering for cranes and ships, thereby supporting our customers' efforts to reduce the environmental impact of their operations,"

– ***Luciano Corbetta***, *Market Unit Director, Ports & Maritime (since 01 January 2017)*

" Highlights for the year included the opening of two new container terminals that use our APS to power Electrified Rubber Tyred Gantry cranes (ERTG) using cable reels.

" We also added a comprehensive retrofit solution to our already extensive AMP offering. Two ultra-large container vessels owned by a leading European operator were fully converted to AMP; and we installed shore power systems at a Chinese shipyard.

" And finally, we introduced an entirely new solution for the automated connection of hybrid and fully battery-powered cargo handling equipment at ports – a vital market that we believe is set for future growth as operators look to reduce costs and minimise their environmental footprint."

1. APS for ERTG

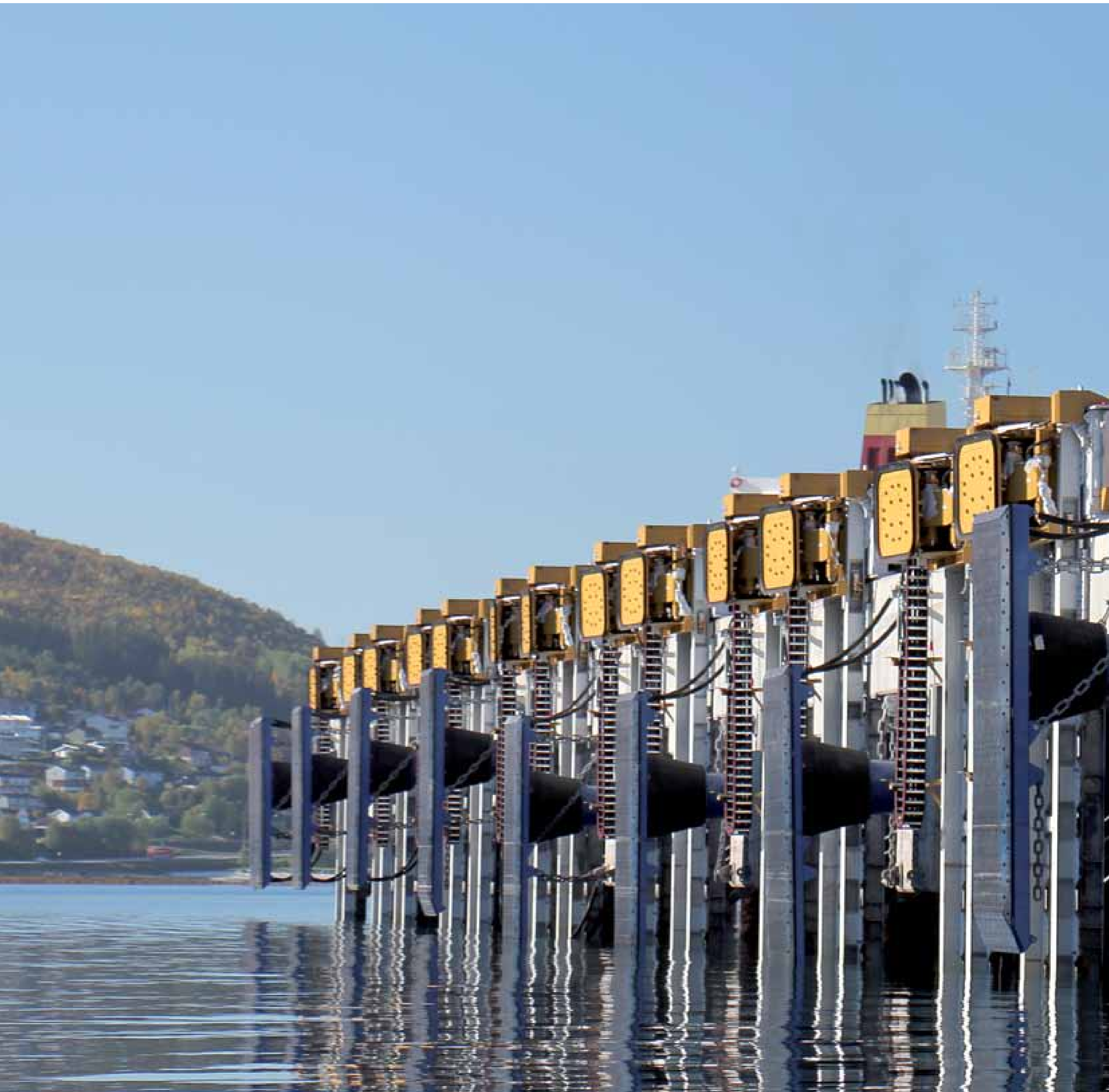
2. Cavotec EV charging station

3. AMPTainer

4. Port of Los Angeles, TraPac Terminal

MARKET FOCUS

AN OVERVIEW OF CAVOTEC'S FOUR MARKET UNITS



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.

CUSTOMERS

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.

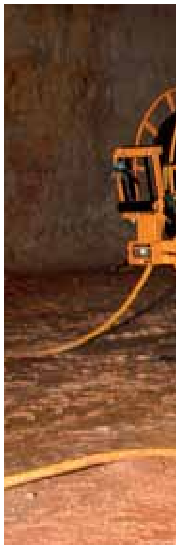
Airports

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.

CUSTOMERS

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.

CUSTOMERS

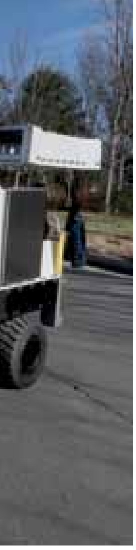
Atlas Copco; BHP Billiton; Caterpillar; DHI; FAM; FMG; Herrenknecht; LKAB; Normet; Rambooms; Rio Tinto; Robbins; Sandvik; Tenova TAKRAF; ThyssenKrupp; Vale.

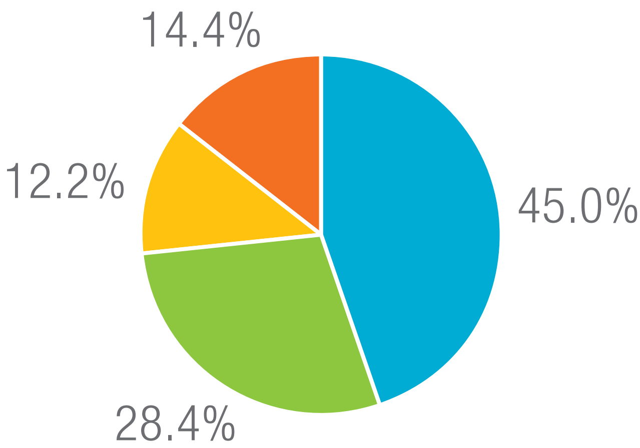
General Industry

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, RRC, slip ring columns, power connectors, rotating electrical connectors, and spring driven cable reels.

CUSTOMERS

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





Accumulated revenues

Ports & Maritime: 45.0%
EUR 95,094 thousands (FY15: 104,373)

-8.9%

Airports: 28.4%
EUR 60,040 thousands (FY15: 65,925)

-8.9%

Mining & Tunnelling: 12.2%
EUR 25,858 thousands (FY15: 29,469)

-12.3%

General Industry: 14.4%
EUR 30,526 thousands (FY15: 32,456)

-5.9%

Accumulated order intake

Ports & Maritime: 39.2%
EUR 84,736 thousands

Airports: 34.6%
EUR 74,784 thousands

Mining & Tunnelling: 12.5%
EUR 26,996 thousands

General Industry: 13.7%
EUR 29,880 thousands

Order book

Ports & Maritime: 46.6%
EUR 48,162 thousands

Airports: 40.9%
EUR 42,279 thousands

Mining & Tunnelling: 7.4%
EUR 7,596 thousands

General Industry: 5.1%
EUR 5,288 thousands

Niche innovations

Here we look at how some of Cavotec's key innovations ensure that the world's ports and airports operate safely, efficiently and sustainably.

ENABLING PORTS TO FACE THEIR KEY CHALLENGES

The Group's Ports & Maritime unit helps port authorities and shipping lines tackle the primary challenges they face, including the movement of goods, the berthing of ships, data and control communication, as well as safety and the environment. As a niche actor in the supply chain for the ports sector, and the maritime industry more broadly, Cavotec is carving out a role for itself as an enabler between the main market players, and supporting value creation by developing comprehensive system offers.

MOVEMENT OF GOODS

Cavotec has invested in automation and semi-automation technologies that enable the movement of goods in faster, more efficient ways. This includes loading and offloading at bulk and container handling applications. Our systems increase the speed and reliability of horizontal movement of cranes and other lifting machinery, and improve the planning of load management and operations.

For example, the Group develops electrical solutions to ensure that cranes dimensioned for large container vessels can sustain higher speeds and greater mechanical stress, and feature monitoring tools. This helps to relieve some of the pressure created on ports by the emergence of such ships.

In terminals, Cavotec is supporting the industry with innovations such as its Automatic Plug-in System (APS) that automates the connection of electrically powered cranes, trucks and Automated Guided Vehicles (AGV) to electrical power, and reach higher speeds when moving containers. We also develop solutions for remote operations, increasing the efficiency of ground operators controlling multiple ports assets from remote positions.

MOORING

Cavotec's MoorMaster™ automated mooring technology uses vacuum pads instead of conventional mooring lines to moor ships. This innovative technology is providing a solution for enhancing ship-shore interfacing and currently mooring 19,200 TEU vessels. 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 using conventional mooring techniques.

MoorMaster™ makes dramatic improvements in safety and operational efficiency, and in some cases allows ports to make infrastructure savings. MoorMaster™ units at bulk and container handling, Ro/Ro, dredging, ship-to-ship and lock applications around the world have completed some 230,000 moorings to date.

Faster mooring times lead to faster turnaround times, which in turn supports higher berth occupancy, higher throughput, and improved scheduling reliability. At container handling applications, this also improves quay crane output.

DATA AND CONTROL

Cavotec engineers are developing ways to make our systems more pro-active and more responsive. We are increasingly integrating sophisticated communication components in our systems, for example Human Operator Interface (HOI) and APS, which transfer data

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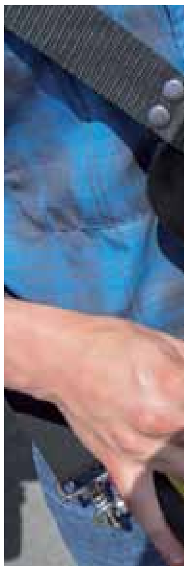

1. Cavotec MoorMaster™

2. Cavotec Panzerbelt system

3. Cavotec APS Tower

4. Cavotec AMPMobile

5. Cavotec RMG cable reels

6. Cavotec HOI system

and imagery as well as electrical power. Fitted to Electrically-powered Rubber Tyred Gantry (E-RTG) cranes, for example, APS not only automatically connects cranes to the grid but also transmits data and video to Terminal Operating Systems.

SAFETY AND THE ENVIRONMENT

The Group has long supported customer objectives to improve safety and environmental performance – reducing risk and ensuring operators meet regulatory requirements. Our HOI and Radio Remote Control (RRC) systems enable the safe, remote operation of complex equipment, even in potentially hazardous areas, from safe distances or control centres.

Cavotec's Panzerbelt cable management protection system ensures the safe operation of container cranes, and MoorMaster™, (see above), by removing mooring lines from the berthing process makes mooring ships far safer.

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The benefits of MoorMaster™ are primarily related to safety and improved operational efficiency. However, the technology also has a positive environmental impact because it reduces the amount of time tugs are required to position vessels prior to mooring, thereby reducing emissions by an estimated 90 per cent during berthing operations. In addition, it also accelerates the electrical connection to Cavotec shore power systems.

Technologies such as APS, (for ferries, E-RTG, E-trucks and AGV), and of course our range of Alternative Maritime Power (AMP) shore power systems reduced the use of diesel-powered equipment and ships in and around ports. Cavotec is also an active participant in industry organisations that develop safety and environmental standards. Our latest AMP innovation – AMPBattery (fitted with a battery pack) – ensures zero emissions while moving the shore power caddy along the quay side.

GROUND SUPPORT EQUIPMENT HUB FOR AIRPORTS

Cavotec is a leading systems integrator of advanced ground support equipment (GSE) for the global airports sector. Our in-ground systems minimise tarmac congestion, improve efficiency and reduce environmental impact, and thereby help airlines and airports to enhance passenger movement, improve the use of data and control systems, and achieve safety and environmental targets. In-ground systems ensure collision avoidance between GSE and aircraft. The Group's new Airports & Industry business unit is also set on becoming an expert Electrical GSE systems provider. There are currently some 40,000 Cavotec aircraft pit systems installed worldwide.

PASSENGER MOVEMENT

Airports are continually looking for ways to improve the accuracy of their operations to improve service performance for airlines and passengers. Cavotec supports these aims with systems that ensure critical aircraft services are available directly at the gate, guaranteeing that aircraft are serviced quickly and efficiently. For example, our E3 Gate system provides an unrivalled range of underground units for servicing aircraft, including 400Hz power, pre-conditioned air (PCA), potable and blue water, sewage and fuel.

DATA AND CONTROL

Cavotec has produced a number of control systems for airport gates, such as Cavotec Skyway, which are connected directly to airports' Business Management Systems, and enable the remote monitoring of operations, data recording, and send push email alerts on system status. These solutions support the overall efficient management of aircraft gates, thus reducing waste and downtime.

SAFETY AND THE ENVIRONMENT

Our systems for airports also improve safety and reduce environmental impact. For example, our PCA and electrical converter systems allow pilots to switch off aircraft engines sooner at the gate – as opposed to running aircraft auxiliary power units to generate power

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for aircraft systems – reducing air and noise pollution. Cavotec fuelling access covers and environmental fuel hydrant pits reduces the risk of fuel leaking into the soil.

At Bahrain International Airport, as at a number of other applications, we are connecting our pit systems to aircraft Visual Docking Guidance Systems (VDGS) to enable aircraft pilots to see whether a pit hatch is (incorrectly) open on approach to the gate. Cavotec also holds a patent for our sub-freeze PCA connector for monitoring the pressure and temperature at the aircraft inlet. This system makes supplying PCA to aircraft safer (and more efficient).

And finally, as in the ports and maritime segment, Cavotec supports the development of international safety and environmental standards for the aviation industry.

1. Cavotec Pit systems

2. Cavotec PCA Converter

3. Cavotec Dabico fuel pit system

4. Cavotec aircraft connector

5. Cavotec PCA pit system

3.

5.

CSR REPORT

Powering sustainable, responsible operations worldwide

A MULTI-LAYERED COMMITMENT

As a leading global engineering group, with operations in many parts of the world, Cavotec considers the continued development of its CSR goals and initiatives as integral elements to the Group's future success. We actively seek to conduct business responsibly, ensuring that we contribute to a more sustainable and more equitable world. To this end, we are committed to meeting our CSR objectives towards our customers, suppliers, employees, investors and society as a whole.

In December 2015, the Cavotec Board of Directors formulated a new vision and business concept that incorporated an updated Code of Conduct based on the UN Global Compact, underlining the Group's commitment to CSR. Cavotec's vision is to provide world-leading expertise in the engineering and supply of systems that connect, electrify and automate ships, aircraft and mobile equipment. Our business concept is to design, engineer and supply innovative products and systems that enable a wide variety of industrial sectors to improve safety, efficiency and environmental sustainability.

We believe that a responsible approach to business is a decisive factor in determining the long-term success of the company. To realise our goals, we consider the promotion of environmental and social responsibility in all possible aspects of the business.

CLEAR BUSINESS ETHICS

We believe that sound business ethics play an integral role in all our transactions and relationships with customers, suppliers, and others. As a multinational group, it is crucially important 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.

Policy structure

Our commitment

↓

Code of Conduct

↓

Main topics								
Product quality & client confidentiality	*Ethical conduct*		*Working environment*	*Health & Safety*	*Environment*	*Human rights*	*Role in the community*	
Corporate policies								
Quality policies	Anti-fraud policy	Anti-bribery policy	Equal opportunities & diversity policy	OHS policy	Environmental policy	Policy on Human Rights	"Cavotec in society"	Whistleblower policy
Global guidelines & management systems								
Quality Manual and systems		IOR	Guidelines for equal opportunities and diversity	Workplace safety guidelines	Guidelines for environmental management	Guidelines for freedom of association	Guidelines for sponsoring, charity, political contributions	
Certifications								
ISO 9001				ISO 18001	ISO 14001			

Cavotec employees are issued with the Cavotec Code of Conduct that provides detailed guidelines on ethical standards, cultural differences and business practices. All Cavotec CSR policies, requirements and guidelines will be included in an on-boarding package for all new employees. Management intends to run a company-wide CSR awareness campaign and hold e-learning sessions on specific topics with selected employees throughout the Group.

In 2016, this commitment was further strengthened with the incorporation of these values into the Group's new five-year Strategic Plan that came into effect on January 1, 2017. The Plan includes the pledge: "to be a trusted partner in global and innovation excellence, delivering value creation with advanced, sustainable systems for ports and airports."

These policies further strengthen and formalise our commitment to all stakeholders. Policy areas include:

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

To support the implementation and fulfilment of the above-mentioned policies, Cavotec has also implemented a whistleblower system.

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 Code of Conduct outlines the principles and standards that Cavotec expects and requires all its employees and directors to observe and uphold. It summarises the internal policy documents related to business ethics, quality, and social and environmental responsibility.

Key targets and performance indicators in terms of CSR objectives are defined at a Group level and implemented through a steering committee drawn from the SMT and key business and product managers throughout the Group.

Once fully in place, Cavotec's CSR reporting system will comply with the EU Directive on non-financial information. Work on the implementation of the Group's CSR reporting system continued throughout 2016.

PROGRESS IN 2016

Throughout 2016, Cavotec took steps to implement these policies into its daily operations and long-term strategies. One step to support the implementation of the above mentioned policies, is the implementation of a whistleblower system during the year. Work also continues on developing guidelines and action plans, for example setting targets on a Group level, and for local manufacturing and sales companies. Progress has similarly been made on establishing a reporting system that will allow us to follow up and measure performance.

All Cavotec businesses continued to maintain or work towards relevant ISO and other safety and environmental classifications, as well as Business Management System implementation.

Wherever possible, we ensure that we reduce waste, recycle materials, or responsibly dispose of materials and substances that cannot be readily recycled. We seek to minimise the environmental impact of shipping our products as much as possible.

While travel, naturally, is an important part of building and maintaining business relationships, we attempt to use conference calling facilities and similar communication tools to limit emissions caused by road and rail travel.

As part of efforts to support the Group's commitment to sustainable operations, Cavotec opened a new, state-of-the-art facility in Stockton-On-Tees in the UK, which will also extend our engineering and manufacturing capacities of environmentally friendly airport systems. The premises were officially opened on April 1, 2016 by local MP and Government minister, James Wharton, during a ceremony attended by local dignitaries, officials and the media. The new facility provides a unique manufacturing environment for Cavotec's advanced aircraft fuelling equipment systems, which are marketed worldwide and meet the latest environmental standards.

Rt Hon Theresa May, UK Prime Minister

Cavotec is also actively promoting its programme to make electric vehicle (EV) charging stations available at its office and manufacturing sites, of which the Group is a leading technological supplier. In 2016, charging stations were made available at Cavotec UK's new-build facilities in Stockton-On-Tees, along with three stations at Cavotec Connectors in southern Sweden. Additional stations are also to be installed at our two Centres of Excellence in Germany. Cavotec INET in the US was the first Cavotec facility to introduce EV charging stations.

Cavotec continued to support a wide variety of cultural, sporting and educational events and initiatives in 2016, including charity fun-runs and environmental awareness campaigns. Since its establishment in 2011, Cavotec has supported the Orchestra dei Popoli in Milan. The orchestra works for the social inclusion of Roma children living in Milan.

Local member of parliament
and Government minister, James Wharton

Gene Seroka, Executive Director of
the Port of Los Angeles

INNOVATIVE TECHNOLOGIES FOR A SUSTAINABLE WORLD

Cavotec technologies help expand the use of automation and electrification at applications worldwide, thereby making a significant contribution to reducing emissions and improving safety. Cavotec is also a key enabler for its customers in meeting legislation regarding environmental targets, for example in terms of reducing emissions of pollutants such as NOx, SOx and particulate matter.

Our range of Alternative Maritime Power systems, for example, now widely used in Asia, Europe, and the US, are helping port authorities and shipping lines significantly reduce emissions from ships in port. Our Automatic Plug-in System is increasing the use of electrically powered cranes, ships, and other equipment thereby reducing emissions.

Our innovative pit systems for airports reduce the use of petrol and diesel-powered service vehicles required to service aircraft, and our power units enable aircraft auxiliary power units to be switched off, further reducing emissions and noise pollution.

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.

WILL orphanage, China

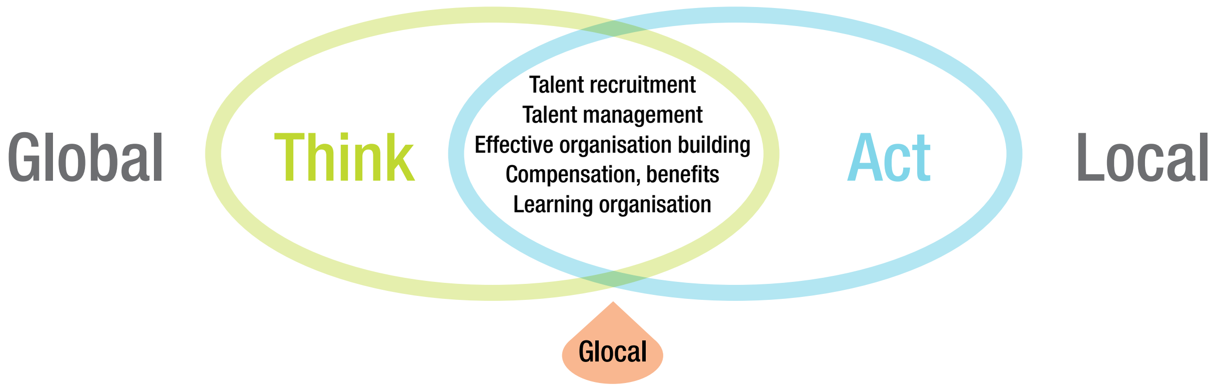
Human Resources

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.

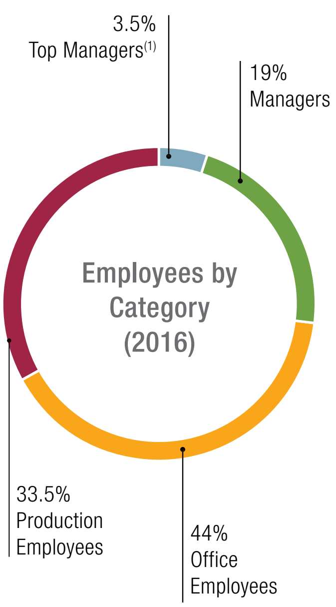
Cavotec is flexible and dynamic, yet never abandons its responsibilities and commitments. Our open working environment fosters the free exchange of ideas and mutual respect.

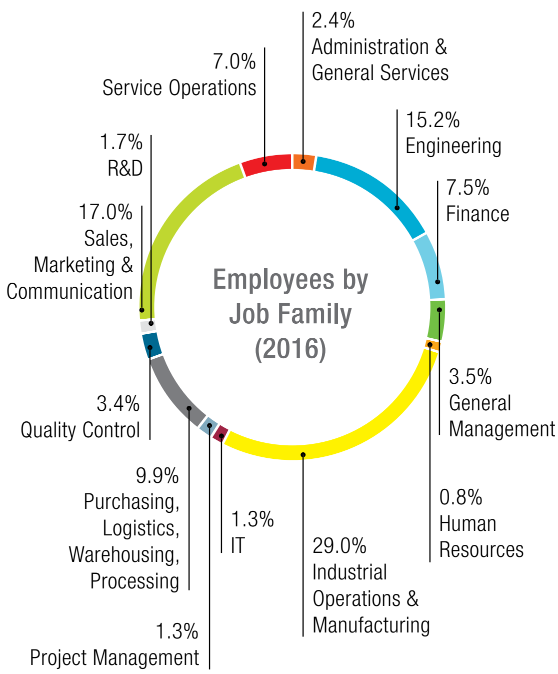


THINK GLOBAL, ACT LOCAL

Following the restructuring of Cavotec Corporate HR in early 2013, our focus was on 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. Between 2015 and 2016, 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.





(1) Including Group CEO and C-level managers
(2) Including Lugano Corporate office (2%)

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 2017 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 internally paid (end period)

	2011	2012	2013	2014	2015	2016
Total	890	866*	916*	923*	962*	953*

**Headcount:*
Cavotec internally paid employees, not full-time equivalent (including part-time): 953.
Cavotec internally paid employees, full time equivalent: 942.
Please note, Cavotec had 61 external employees in 2016.

CAVOTEC'S DEMOGRAPHICS

The composition of the Cavotec team reflects the Group's international, multicultural and interdisciplinary character. At the end of 2016, Cavotec employed 953 people, (not full-time equivalent and internally paid). More than 97 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 17 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 7 per cent to meet the growing needs of the business and market in general.

Cavotec employees have a low average age, with more than 44 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 35 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.

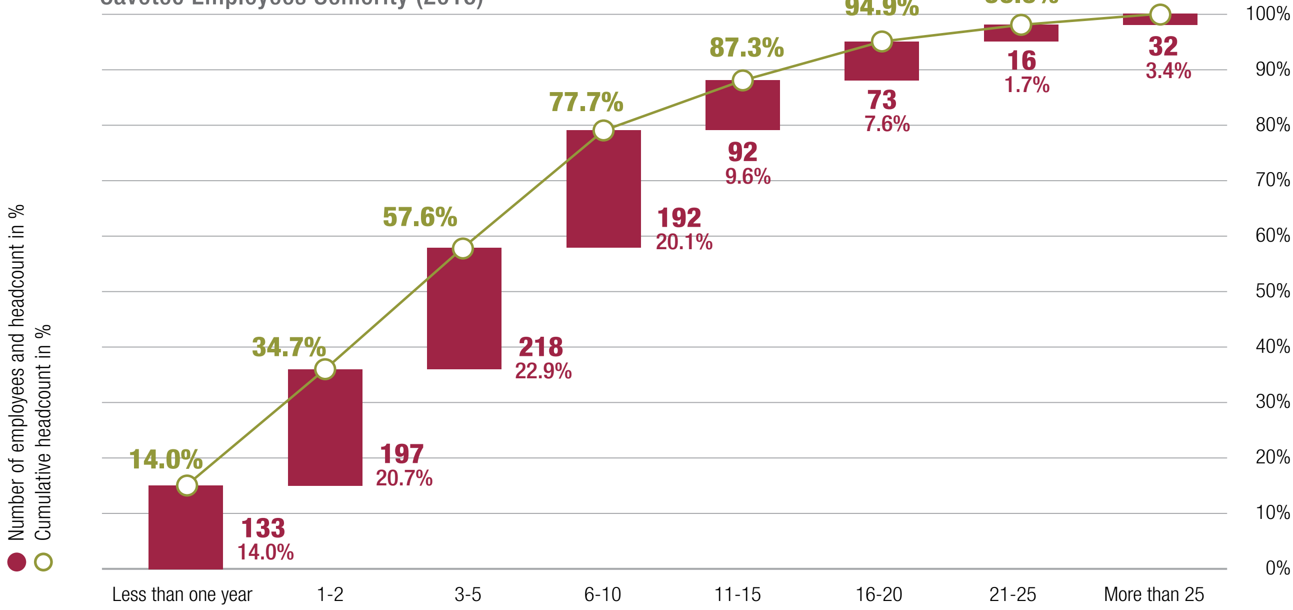
LOCAL PRESENCE

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".

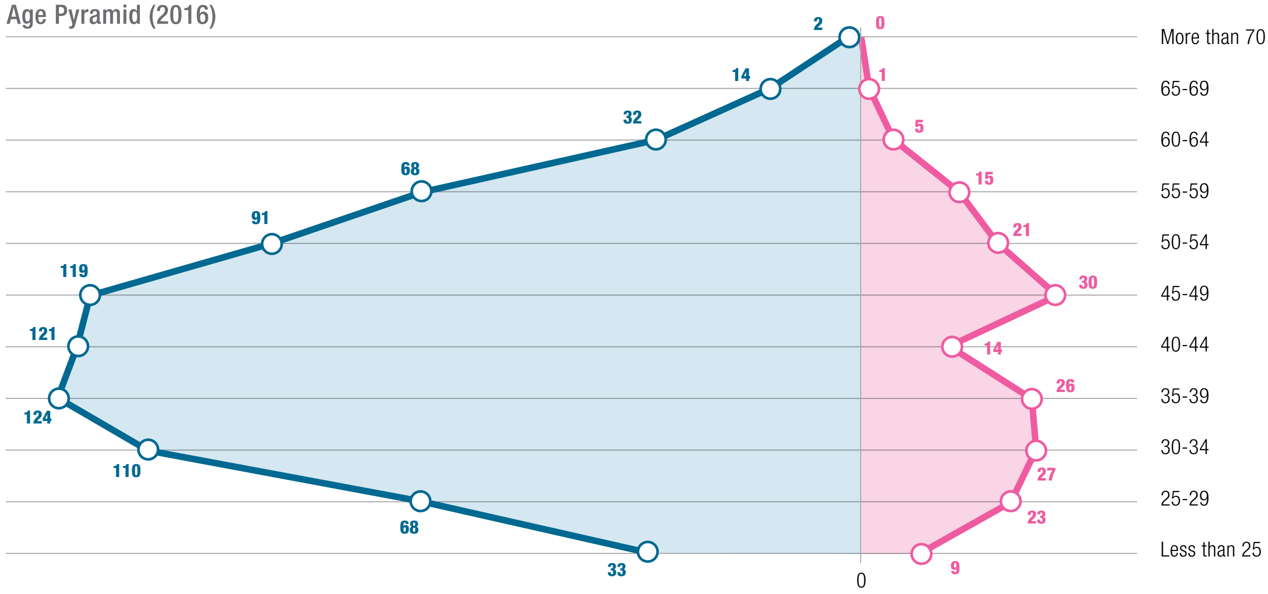
Our local strength enables us to work closely with our customers, gain a better understanding of their requirements and solve challenges they face more effectively. For partners and suppliers, the local presence and familiarity with local markets make Cavotec a valuable and intrinsically competent business 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.

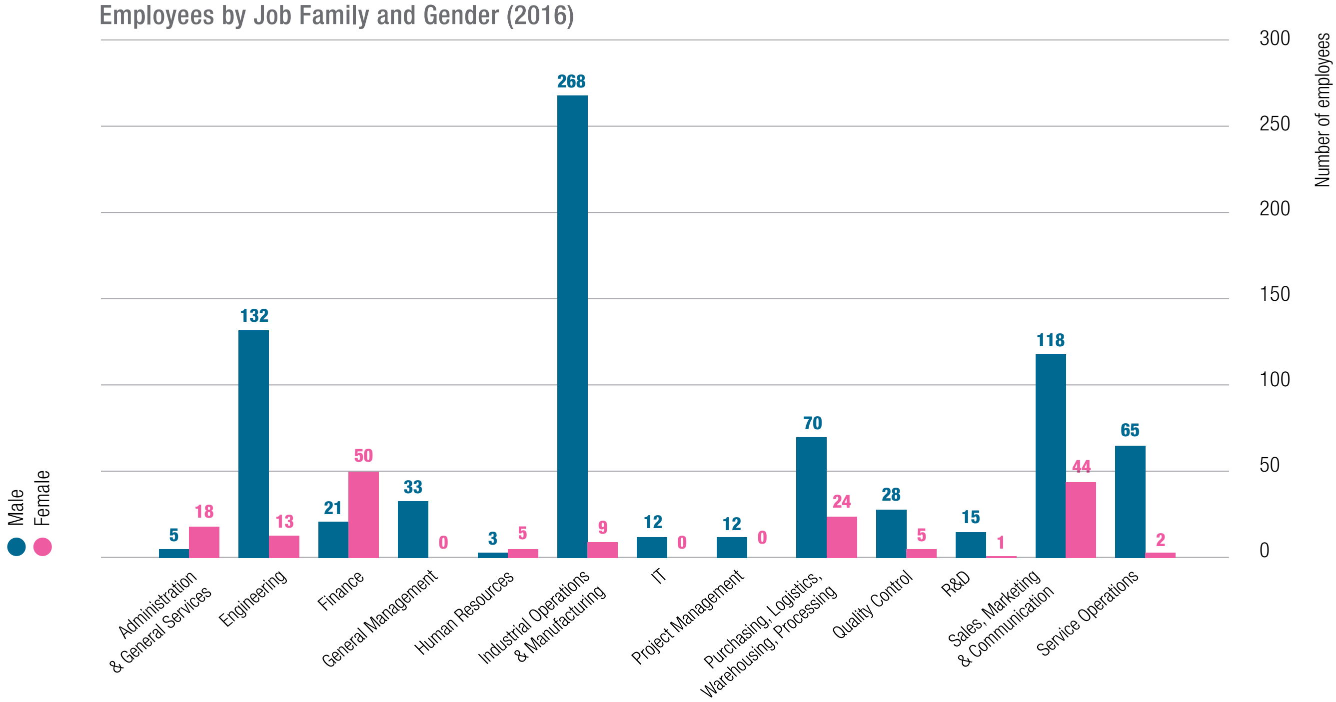
Cavotec Employees Seniority (2016)



Age Pyramid (2016)



Employees by Job Family and Gender (2016)



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 2016.

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 responsibilities - 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 2016, 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 2016.

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, Heléne Mellquist, Erik Lautmann, Ottonel Popesco, Helena Thrap-Olsen, Patrik Tigerschiöld and Stefan Widegren (Chairman).

The Board of Directors of Cavotec SA held ten board meetings in 2016.

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 Helena Thrap-Olsen, Patrik Tigerschiöld and Erik Lautmann (Chairman).

The Remuneration Committee of Cavotec SA held four meetings in 2016.

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 2016 BUSINESS YEAR

a) Compensation paid to the members of the Board of Directors 2016

Year ended 31 December 2016						
EUR	**Board fees**	**Short-term employee benefits**	**Post-employment benefits**	**Consultancy**	**Total 2016**	**Total 2015**
Fabio Cannavale	35,000	-	-	-	35,000	38,161
Leena Essén	35,000	543	1,174	-	36,717	120,558
Nicola Gerber	30,000	1,064	1,588	-	32,652	32,669
Christer Granskog	10,000	179	386	2,444	13,009	41,898
Lakshmi Khanna	11,125	992	2,147	39,395	53,659	134,912
Heléne Mellquist	29,625	1,052	1,568	-	32,245	-
Erik Lautmann	38,800	573	1,240	-	40,613	41,015
Helena Thrap-Olsen	26,250	932	1,390	-	28,572	-
Patrik Tigerschiöld	40,000	1,420	2,117	-	43,537	38,114
Stefan Widegren (Chairman)	110,000	148,307	-	121,657	379,964	484,647

Year ended 31 December 2016						
CHF	**Board fees**	**Short-term employee benefits**	**Post-employment benefits**	**Consultancy**	**Total 2016**	**Total 2015**
Fabio Cannavale	38,155	-	-	-	38,155	40,751
Leena Essén	38,155	592	1,280	-	40,027	128,740
Nicola Gerber	32,705	1,160	1,731	-	35,596	34,886
Christer Granskog	10,902	195	421	2,664	14,182	44,741
Lakshmi Khanna	12,128	1,081	2,341	42,947	58,497	144,068
Heléne Mellquist	32,296	1,147	1,709	-	35,152	-
Erik Lautmann	42,298	625	1,352	-	44,275	43,798
Helena Thrap-Olsen	28,617	1,016	1,515	-	31,148	-
Patrik Tigerschiöld	43,606	1,548	2,308	-	47,462	40,701
Stefan Widegren (Chairman)	119,917	161,678	-	132,625	414,220	517,535

NOTE:
- *Stefan Widegren through Soliden Sagl, has provided consulting services to the Group totalling EUR 122 thousands i.e. CHF 133 thousands.*
- *Lakshmi Khanna has provided consulting services to the Group totalling EUR 39 thousands i.e. CHF 43 thousands.*
- *Christer Granskog and Lakshmi Khanna did not stand for re-election as Board members at OGM April 2016.*
- *Heléne Mellquist and Helena Thrap-Olsen were elected as Board members at OGM April 2016.*

b) Compensation paid to the Chief Executive Officer 2016

Year ended 31 December 2016						
EUR	**Base Salary**	**Short-term Incentive**	**LTI Matching Incentive**	**Social Security, Insurance and Pension Contributions**	**Total 2016**	**Total 2015**
Ottonel Popesco	468,602	-	9,393	262,313	740,308	910,113

Year ended 31 December 2016						
CHF	**Base Salary**	**Short-term Incentive**	**LTI Matching Incentive**	**Social Security, Insurance and Pension Contributions**	**Total 2016**	**Total 2015**
Ottonel Popesco	510,849	-	10,240	285,962	807,051	971,873

NOTE:
- *The 2016 base salary remained unchanged compared to 2015. The variation is due to the currency exchange differences.*
- *The LTIP 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 2016, the CEO has decided to receive his matching incentive for the plan 2013 in the form of shares i.e. 4,272 shares (when the shares were received the value of the share was SEK 23.31 and the exchange rate was SEK 1= EUR 0.1076).*
- *The Social Security, Insurance and Pension Contributions include employer contributions.*

Lugano, February 2017

Erik Lautmann
Chairman, Remuneration Committee

Report of the statutory auditor

to the General Meeting of Cavotec SA

Lugano

We have audited the accompanying compensation report of Cavotec SA on page 41 for the year ended 31 December 2016.

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 2016 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, 22 February 2017

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.

From left to right: Stefan Widegren, Erik Lautmann, Nicola Gerber, Helena Thrap-Olsen, Leena Essén, Patrik Tigerschiöld, Heléne Mellquist, Fabio Cannavale, Ottonel Popesco.

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
Erik Lautmann	Member	1950	2007	Swedish	Sweden
Heléne Mellquist	Member	1964	2016	Swedish	Sweden
Ottonel Popesco	Member & Group CEO	1957	2007	French	Switzerland
Helena Thrap-Olsen	Member	1954	2016	French	France
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 7,298,046 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 Managing Director for sales, 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.

HELÉNE MELLQUIST
Member of the Board

Heléne holds a BA in International Business Administration at the University of Gothenburg and completed the Executive Program IFL at Handelshögskolan in Stockholm. She is currently the Senior vice president, Volvo Trucks International. Prior to this role Heléne was CEO of TransAtlantic AB, CFO of Rederi AB TransAtlantic and also CFO at Volvo Lastvagnars International division. She has also held a number of leading positions within Volvo Group. Heléne is also a Board Member of Opus Group AB and Thule Group AB .

Heléne Mellquist does not hold any shares or warrants 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 2,459,496 shares in Cavotec.

HELENA THRAP-OLSEN
Member of the Board

Helena holds a M.A. in Philosophy from Paris University and an International Marketing degree at INSEAD. She currently runs an independant management consulting company and since 2009 works for Veolia's head office in Paris, in charge of the organisation's global pooling and outsourcing programs: HRIS, Payroll and ATS International deployments, along with various corporate cross-functional HR projects. Prior to her role with Veolia, Helena was 10 years a Country Director for a BONNIER owned publishing company in France, followed by ten years as a Project Director / HR Change Management Consultant for various consulting companies.

Helena Thrap-Olsen does not hold any shares or warrants in Cavotec.

PATRIK TIGERSCHIÖLD
Member of the Board

Patrik Tigerschiöld holds an M.Sc. in Business and Economics. Since 2013, he has been Chairman of Bure Equity AB, (a role he also held between 2004 and 2009), following his tenure as President & 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 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 was Sweden's Honorary Consul in Ticino, Switzerland, from 2010 to 2016. He was former President of Rotary Club Milano Sud Est and currently President 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 5,800,867 shares in Cavotec.

Senior Management Team (SMT)

The SMT is selected by the CEO and consists of seven 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.

From left to right: Yann Duclot, Juergen Strommer, Patrick Rosenwald, Ester Cadau, Giorgio Lingiardi, Kristiina Leppänen, Gustavo Miller, Ottonel Popesco.

Name	Position	Year of birth
Ester Cadau	Group Chief Human Resources Officer	1975
Yann Duclot	Group Chief Marketing & Strategy Officer	1975
Kristiina Leppänen	Group Chief Financial Officer & Investor Relations	1969
Giorgio Lingiardi	Group Chief Information Officer	1958
Gustavo Miller	Business Unit Chief Operating Officer, Ports & Maritime*	1964
Patrick Rosenwald	Supply Chain Chief Operating Officer & Group Chief Technical Officer*	1970
Juergen Strommer	Business Unit Chief Operating Officer, Airports & Industry*	1970

** (since 01 January 2017)*

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 & Strategy 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 26,068 shares in Cavotec.

KRISTIINA LEPPÄNEN

Group Chief Financial Officer & Investor Relations

Kristiina holds a Master of Business Administration in International Finance from the Helsinki School of Economics and a Bachelor of Business Administration from the University of South Carolina. 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, Sonera and Samsung.

Kristiina Leppänen holds 5,000 shares 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 103,202 shares in Cavotec.

GUSTAVO MILLER

*Business Unit Chief Operating Officer, Ports & Maritime**

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 66,595 shares in Cavotec.

** (since 01 January 2017)*

PATRICK ROSENWALD

*Supply Chain Chief Operating Officer & Group Chief Technical Officer**

Patrick joined Cavotec in 1999, working in Australia for three years before transferring to Cavotec Specimas in Italy where he held several roles, including 9 years 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 119,258 shares in Cavotec.

JUERGEN STROMMER

*Business Unit Chief Operating Officer, Airports & Industry**

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 for eight years, among other positions as a Director in the Middle East and has been a General Manager with the Al Futtaim Group.

Juergen Strommer holds 95,135 shares in Cavotec.

Cavotec Management Meeting, Milan, December 2016

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 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

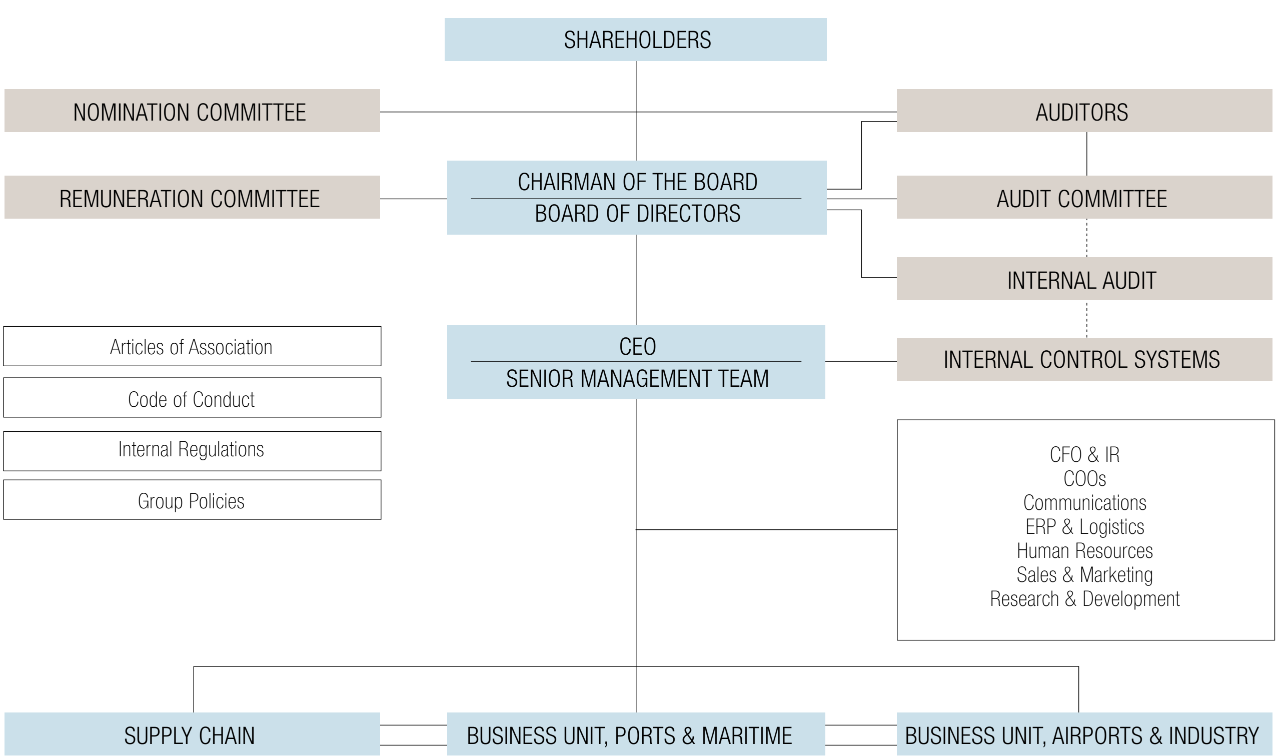
General

Shareholders' rights to resolve on company matters are exercised at shareholders' meetings. An ordinary shareholders' meeting is to be held yearly within six months following the close of the business year. It is called by the Board of Directors or, if necessary, by the auditors. Extraordinary shareholders' meetings may be called by the Board of Directors, the liquidators or the auditors as often as necessary to safeguard the interests of the Company. Shareholders' meetings are held at the domicile of the Company or at such other place as the Board of Directors shall determine. 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 March 20, 2017 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

Cavotec Corporate Governance structure



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

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

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 Code, while still respecting Swiss laws and regulations applicable to a Swiss company. The ultimate goal has been to adopt a Nomination Process that is open and transparent to all shareholders and stakeholders.

The Nomination Committee was appointed on April 22, 2016 in accordance to the Articles of Association of the company. 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.

From April 23, 2016 the Nomination Committee members are 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 2016 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 2017, a new evaluation is scheduled for 2018.

On October 28, 2016 the Nomination Committee had a meeting to discuss various proposals with major shareholders, (representing more than 40 per cent 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 22, 2017 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 that the Ordinary General Meeting in Lugano is to be chaired by Stefan Widegren.

Fabio Cannavale, Erik Lautmann, Heléne Mellquist, Ottonel Popesco, Helena Thrap-Olsen, Patrik Tigerschiöld and Stefan Widegren will stand for re-election. Leena Essén and Nicola Gerber will not stand for re-election.

The Nomination Committee proposes that Fabio Cannavale, Erik Lautmann, Heléne Mellquist, Ottonel Popesco, Helena Thrap-Olsen, Patrik Tigerschiöld and Stefan Widegren to be re-elected as Directors for a further one-year term of office expiring at the Ordinary General Meeting to be held in 2018.

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

With respect to the requirements in 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, Helena Thrap-Olsen, Heléne Mellquist, Erik Lautmann and Patrik Tigerschiöld are all independent of the company and its executive management.

Helena 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 per cent 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 2017/2018:

Erik Lautmann, Helena Thrap-Olsen and Patrik Tigerschiöld.

With respect to the requirements in 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 2017 the Nomination Committee will also propose to appoint PricewaterhouseCoopers SA, Lugano, as the independent auditor of the company until the Ordinary General Meeting 2018. Daniel Ketterer is the auditor in charge. He took over this function for the 2011 business year.

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 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).

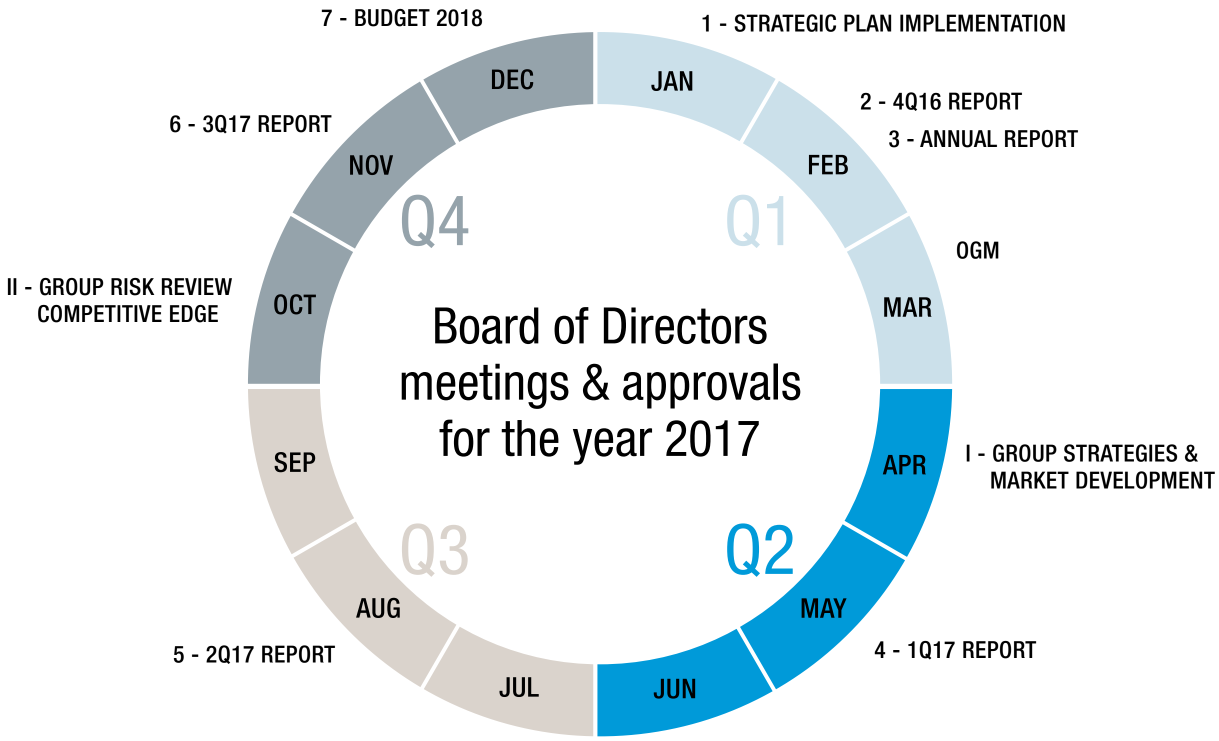
The Board of Directors is entrusted with the ultimate management of the Company, as well as with the supervision and control of the management. The Board of Directors is the ultimate executive body of the Company and shall determine the principles of the business strategy and policies.

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;

Cavotec Board of Directors Work Calendar



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 ten Board meetings as Cavotec SA in 2016 and two in 2017.

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 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 Nomination Committee members are 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

Board and Committee meetings in Cavotec SA in 2016

	Board		Audit		Remuneration		Nomination	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Henrik Blomquist							3	2
Peter Brandel							3	2
Fabio Cannavale	10	9					3	2
Per Colleen							3	2
Leena Essén	10	9	7	7				
Nicola Gerber	10	10						
Christer Granskog(1)	10	2	7	3	4	1		
Lakshmi Khanna(1)	10	2	7	3	4	1		
Erik Lautmann	10	10			4	4		
Heléne Mellquist	10	9	7	6				
Ottonel Popesco	10	10						
Helena Thrap-Olsen	10	9						
Patrik Tigerschiöld	10	9	7	5	4	3		
Stefan Widegren	10	10						

(1) Did not stand for re-election at the OGM 2016.

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 nonaudit 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 Audit Committee of Cavotec SA met seven times in 2016 and once in 2017.

From March 2017 the Audit Committee members are Fabio Cannavale, 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 groupwide employment practices subject to regional differences;
4. Reviewing of and making proposals to the Board of Directors on the remuneration of the members of the Board of Directors and of the Chief Executive Officer;
5. Reviewing the terms of the Company's short and long term incentive plans;
6. Submission of a draft of the remuneration report to the Board of Directors.

The current members of the Remuneration Committee in Cavotec SA are Erik Lautmann (Chairman), Helena Thrap-Olsen and Patrik Tigerschiöld.

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 2017/2018: Erik Lautmann, Helena Thrap-Olsen and Patrik Tigerschiöld.

The Remuneration Committee of Cavotec SA met four times in 2016.

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 & IR, 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

Board of Directors EUR	Board fees	Short-term employee benefits	Post-employment benefits	Consultancy	Total
Fabio Cannavale	35,000	-	-	-	35,000
Leena Essén	35,000	543	1,174	-	36,717
Nicola Gerber	30,000	1,064	1,588	-	32,652
Christer Granskog [1]	10,000	179	386	2,444	13,009
Lakshmi Khanna [1]	11,125	992	2,147	39,395	53,659
Heléne Mellquist	29,625	1,052	1,568	-	32,245
Erik Lautmann	38,800	573	1,240	-	40,613
Helena Thrap-Olsen	26,250	932	1,390	-	28,572
Patrik Tigerschiöld	40,000	1,420	2,117	-	43,537
Stefan Widegren (Chairman)	110,000	148,307	-	121,657	379,964
Total remuneration	**365,800**	**155,062**	**11,610**	**163,496**	**695,968**

[1] Christer Granskog and Lakshmi Khanna did not stand for re-election as Board members at OGM April 2016.

Chief Executive Officer EUR	Base salary	Short-term incentive	LTI Matching Incentive	Social Security, Insurance and Pension Contributions	Total
Ottonel Popesco	468,602	-	9,393	262,313	740,308

Please refer to Note 7 on page 102 for a detailed overview of the share ownership and refer to Compensation Report on page 38 for details.

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 & IR 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 seven 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, 2015 and 2016) have been approved by the OGM in their respective years. The LTIP 2017 has been approved by the Board in February 2017. It will not be presented to the OGM 2017, since it will not require any new emission of shares.

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.

THE BOARD OF DIRECTORS OF CAVOTEC SA IS PLEASED TO PRESENT THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2016

This report is dated 22 February 2017 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 are in Euro.

Consolidated Financial Statements

CAVOTEC SA & SUBSIDIARIES

Statement of Comprehensive Income

EUR 000's	Notes	2016	2015
Revenue from sales of goods and services		211,518	232,223
Other income	6	8,745	5,982
Cost of materials		(97,965)	(113,580)
Employee benefit costs	7	(64,964)	(68,132)
Operating expenses	8	(39,959)	(44,130)
Gross Operating Result		**17,375**	**12,363**
Depreciation and amortisation		(5,094)	(4,768)
Operating Result		**12,281**	**7,595**
Interest income	10	764	52
Interest expenses		(1,850)	(1,312)
Currency exchange differences - net	10	77	6,484
Profit before income tax		**11,272**	**12,819**
Income taxes	11,19,24	(4,788)	(6,695)
Profit for the period		**6,484**	**6,124**
Other comprehensive income:			
Remeasurements of post employment benefit obbligations	27	122	(113)
Items that will not be reclassified to profit or loss		**122**	**(113)**
Currency translation differences		1,168	(973)
Items that may be subsequently reclassified to profit/(loss)		**1,168**	**(973)**
Other comprehensive income for the year, net of tax		**1,290**	**(1,086)**
Total comprehensive income for the year		**7,774**	**5,038**
Total comprehensive income attributable to:			
Equity holders of the Group		7,773	5,035
Non-controlling interest		1	3
Total		**7,774**	**5,038**
Profit attributed to:			
Equity holders of the Group		6,484	6,124
Total		**6,484**	**6,124**
Basic and diluted earnings per share attributed to the equity holders of the Group	30	0.083	0.078
Average number of shares		78,443,019	78,475,939

The notes on pages 64 to 86 are an integral part of these Consolidated Financial Statements.

CAVOTEC SA & SUBSIDIARIES
Balance Sheet

Assets EUR 000's	Notes	2016	2015
Current assets			
Cash and cash equivalents		14,982	20,812
Trade receivables	12	51,585	62,431
Tax assets	13	1,096	1,035
Other current receivables	5,14	6,086	7,339
Inventories	15	40,213	45,065
Total current assets		**113,962**	**136,682**
Non-current assets			
Property, plant and equipment	16	22,060	26,736
Intangible assets	17	75,124	71,534
Non-current financial assets	18	299	289
Deferred tax assets	19	20,425	19,005
Other non-current receivables	20	7,763	5,731
Total non-current assets		**125,671**	**123,295**
Assets held for sale		3,953	-
Total assets		**243,586**	**259,977**

Equity and Liabilities EUR 000's	Notes	2016	2015
Current liabilities			
Bank overdrafts	21	-	(202)
Current financial liabilities	21	(3,801)	(2,661)
Trade payables	22	(30,047)	(38,048)
Tax liabilities	23	(3,630)	(4,012)
Provision for risk and charges, current	26	(6,123)	(5,484)
Other current liabilities	24	(11,109)	(15,149)
Total current liabilities		**(54,710)**	**(65,556)**
Non-current liabilities			
Non-current financial liabilities	21	(32,952)	(43,345)
Deferred tax liabilities	25	(6,854)	(6,359)
Other non-current liabilities		(351)	(215)
Provision for risk and charges, non-current	26	(3,269)	(4,632)
Total non-current liabilities		**(43,426)**	**(54,551)**
Total liabilities		**(98,136)**	**(120,107)**
Equity			
Equity attributable to owners of the parent	28,29	(145,418)	(139,840)
Non-controlling interests		(32)	(30)
Total equity		**(145,450)**	**(139,870)**
Total equity and liabilities		**(243,586)**	**(259,977)**

The notes on pages 64 to 86 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 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)**
Balance as at 1 January 2016	(88,772)	(11,069)	(39,998)	**(139,840)**	(30)	**(139,870)**
(Profit) / Loss for the period	-	-	(6,484)	**(6,484)**	-	**(6,484)**
Currency translation differences	-	(1,166)	-	**(1,166)**	(1)	**(1,168)**
Remeasurements of post employment benefit obbligations	-	(122)	-	**(122)**	-	**(122)**
Total comprehensive income and expenses	**-**	**(1,288)**	**(6,484)**	**(7,773)**	**(1)**	**(7,774)**
Capital reduction	1,930	(4)	-	**1,926**	-	**1,926**
Acquisition of Treasury shares	-	347	-	**347**	-	**347**
Issue of Treasury shares to employees	-	(81)	-	**(81)**	-	**(81)**
Transactions with shareholders	**1,930**	**264**	**-**	**2,193**	**-**	**2,193**
Balance as at 31 December 2016	**(86,842)**	**(12,094)**	**(46,482)**	**(145,418)**	**(32)**	**(145,450)**

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

The notes on pages 64 to 86 are an integral part of these Consolidated Financial Statements.

CAVOTEC SA & SUBSIDIARIES
Statement of Cash Flows - Indirect Method

EUR 000's	2016	2015
Profit for the year	**6,484**	**6,124**
Adjustments for:		
Net interest expenses	763	1,096
Current taxes	5,403	6,990
Depreciation and amortisation	5,093	4,768
Deferred tax	(615)	(295)
Provision for risks and charges	(268)	2,887
Capital gain or loss on assets	(153)	(45)
Other items not involving cash flows	(643)	(5,688)
Interest paid	(742)	(1,114)
Taxes paid	(5,845)	(6,088)
	2,993	**2,511**
Cash flow before change in working capital	**9,477**	**8,635**
Impact of changes in working capital		
Inventories	2,356	(5,393)
Trade receivables	11,095	(3,774)
Other current receivables	893	(621)
Trade payables	(7,980)	5,138
Other current liabilities	(3,883)	978
Long term receivables and liabilities	(1,828)	(5,231)
Impact of changes involving working capital	**653**	**(8,903)**
Net cash inflow /(outflow) from operating activities	**10,130**	**(268)**
Financial activities		
Preceeds of loans and borrowings	345	10,097
(Repayments) of loans and borrowings	(10,252)	(2,308)
Capital reduction	(2,156)	(3,777)
Purchase of own shares	(347)	-
Net cash inflow /(outflow) from financial activities	**(12,410)**	**4,012**
Investing activities		
Investments in property, plant and equipment	(2,409)	(3,173)
Investments in intangible assets	(1,859)	(651)
Sales of non-current financial assets	-	(25)
Disposal of assets	287	1,767
Net cash outflow from investing activities	**(3,981)**	**(2,082)**
Cash at the beginning of the year	20,610	17,071
Cash flow for the year	(6,261)	1,662
Currency exchange differences	633	1,877
Cash at the end of the year	**14,982**	**20,610**
Cash comprises:		
Cash and cash equivalents	14,982	20,812
Bank overdrafts	-	(202)
Total	**14,982**	**20,610**

The notes on pages 64 to 86 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 2016 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 22 February 2017. The report is subject to approval by the Ordinary General Meeting on 29 March 2017.

NOTE 2. BASIS OF PREPARATION

The consolidated Financial Statements of the 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

The group has applied the following clarifications, annual improvements and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 – 2014 cycle
- Disclosure initiative – amendments to IAS 1

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 2017 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. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next 12 months.

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 2016 and 2015.

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.

Notes to the Financial Statements

(iii) Scope of Consolidation

The consolidated Financial Statements include the statements at 31 December 2016 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 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%

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 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.

(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.

Notes to the Financial Statements

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

(iii) Patents

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

(iv) Marketing and customer related intangible assets

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

INVENTORIES

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

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

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 programme accounting quantity. Units produced early in a program require substantially more effort, (labour and other resources), than units produced later in a programme 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 programme.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

FINANCIAL INSTRUMENTS

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 realise 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.

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.

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.

Notes to the Financial Statements

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. These schemes are defined benefit plans due to the fact that Cavotec can be requested to pay restructuring contributions in the case of a shortfall.

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

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

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

(ii) Share-based payments

The 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.

INCOME TAX

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

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

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

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

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

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 31/12/2015	Translation differences and other	Acquisitions and dispositions	Impairment	Net book value as of 31/12/2016
Ports & Maritime	23,374	92	-	-	23,466
Airports	36,492	357	-	-	36,849
Mining & Tunnelling	530	-	-	-	530
General Industry	6,438	(10)	-	-	6,428
Total	**66,834**	**439**	**-**	**-**	**67,273**

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.

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 orders received, budgets, strategic plan, and management's best estimate about future developments and market assumptions. In December 2016 the Group has approved a five-year Strategic Plan that defines a new organisational structure and a roadmap for the Company up to 2021 and includes a detailed forecast of revenues and profitability for each market unit. These forecasts have been used in preparing the impairment model.

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		WACC	
	2016	2015	2016	2015
Ports & Maritime	2.00%	2.00%	8.61%	8.09%
Airports	2.25%	2.00%	8.93%	8.09%
Mining & Tunnelling	1.50%	1.00%	7.96%	8.09%
General Industry	1.25%	1.50%	7.64%	8.09%

The pre-tax weighted average cost of capital used for impairment test purpose are slightly different in the MUs as a result of the risk in the different markets. 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 2016. In its review of the carrying amounts of goodwill of year-end 2016, management specifically considered the goodwill allocated to the Airports MU due to the sensitivity to the estimations. In accordance with the group strategic plan, the revenue of the Airport MU is forecasted to grow at 18.5 per cent per year over the next five years. Maintaining constant the other assumptions, a growth 12.9 per cent would eliminate the headroom. The sensitivity analysis shows that a reduction in gross margin of 4.8 per cent or a rise of the WACC to 13.5 per cent would remove the remaining headroom.

NOTE 5. LONG TERM CONTRACTS

EUR 000's	2016	2015
Revenues recognised	8,130	14,400
Cost incurred and recognised	(4,163)	(8,774)
Unbilled work in progress	668	2,462

At 31 December, 2016 all costs sustained have been recognised as an expense. The unbilled work in progress has been included in the other current receivables.

NOTE 6. OTHER INCOME

EUR 000's	2016	2015
Carriage, insurance and freight	2,917	3,679
Own work capitalised	582	821
Exchange gains and losses	(372)	(459)
Other miscellaneous income	5,618	1,941
Total	**8,745**	**5,982**

At 31 December, 2016 other miscellaneous income included the legal fee settlement from Mike Colaco, see note 34.

NOTE 7. EMPLOYEE BENEFIT COSTS

EUR 000's	2016	2015
Salaries and wages	(50,973)	(54,368)
Social security contributions	(7,688)	(7,637)
Other employee benefits	(6,303)	(6,127)
Total	**(64,964)**	**(68,132)**

The employee benefit costs are based on an average workforce during the year, ended at 942 full time equivalents (2015: 1,063). The decrease in the number of employees derives mainly from organisational restructuring at Cavotec businesses in several countries, including Norway and the US.

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") 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 271 thousands (2015: 155), the total outstanding shares were 445,240 shares (2015: 359,727).

Notes to the Financial Statements

NOTE 8. OPERATING EXPENSES

EUR 000's	2016	2015
Transportation expenses	(2,062)	(2,313)
External services	(10,065)	(12,230)
Travelling expenses	(4,867)	(6,479)
General expenses	(8,758)	(12,148)
Rent and leasing	(5,741)	(5,817)
Credit losses	(2,682)	(2,307)
Warranty costs	(5,784)	(2,836)
Total	**(39,959)**	**(44,130)**

NOTE 9. NON-RECURRING ITEMS

EUR 000's	2016	2015
Restructuring costs	(1,444)	(353)
Litigation costs	(560)	(2,965)
Non-recurring income	4,820	-
Non-recurring financial items	547	-
Other non-recurring	(2,613)	-
Total	**750**	**(3,318)**

Non recurring items totalled an income of EUR 750 thousands (2015: -3,318). The non recurring income, financial items and litigation costs are related to the litigation with Mike Colaco, see note 34. Restructuring cost are related to reorganisation in the group and other non recurring costs are mainly related to extra ordinary provision for warranty and write down of assets.

NOTE 10. NET FINANCIAL COSTS

EUR 000's	2016	2015
Interest income	764	52
Interest expense	(1,527)	(1,148)
Change of derivatives fair value	16	14
Amortisation of issuance costs	(339)	(178)
Interest expenses - net	**(1,086)**	**(1,260)**
Currency exchange difference - net	**77**	**6,484**
Total	**(1,009)**	**5,224**

NOTE 11. INCOME TAXES

EUR 000's	2016	2015
Current tax	(5,459)	(6,960)
Deferred tax	615	295
Other taxes	56	(30)
Total	**(4,788)**	**(6,695)**

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		2016		2015
Tax on consolidated pre-tax income at group rate	**25.1%**	**(2,826)**	**25.5%**	**(3,273)**
Tax effect of losses included in consolidated pre-tax income		(2,845)		(5,220)
Tax effect of non-taxable income included in profit before tax		448		1,249
Tax on non-deductible expenses or not related to income		(1,370)		(615)
Tax on Controlled Foreign Corporation		(416)		(349)
Effects of tax losses/credits utilised		-		161
Utilisation of previously unrecognised DTA		81		34
Effects of different tax rates in countries in which the group operates		1,469		1,053
Total	**48.4%**	**(5,459)**	**54.3%**	**(6,960)**

The Group operates in many jurisdictions where statutory tax rates vary from 0% to 40%. The weighted average applicable tax rate was 25.1% (2015: 25.5%).

NOTE 12. TRADE RECEIVABLES

EUR 000's	2016	2015
Trade receivables	57,509	68,599
Provision for doubtful debts	(5,924)	(6,168)
Trade receivables, net	**51,585**	**62,431**

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

Opening balance	**(6,168)**	**(3,836)**
Provision recorded in the year	(3,172)	(2,909)
Provision used in the year	2,954	367
Provision reversed not used in the year	541	585
Currency exchange difference	(79)	(375)
Closing balance	**(5,924)**	**(6,168)**

NOTE 13. TAX ASSETS

EUR 000's	2016	2015
Tax assets	271	192
VAT recoverable	825	843
Total	**1,096**	**1,035**

NOTE 14. OTHER CURRENT RECEIVABLES

EUR 000's	2016	2015
Short term investments	83	12
Deposits	248	421
Prepayments	2,041	2,076
Other receivables	3,714	4,830
Total	**6,086**	**7,339**

NOTE 15. INVENTORIES

EUR 000's	2016	2015
Raw materials	7,667	4,157
Work in progress	1,917	2,654
Finished goods	34,811	41,858
Provision for slow moving inventories	(4,182)	(3,604)
Total	**40,213**	**45,065**

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

EUR 000's	2016	2015
Opening balance	**(3,604)**	**(2,502)**
Provision used during the year	721	4
Provision recorded in the year	(1,371)	(1,099)
Provision reversed not used in the year	99	54
Currency exchange difference	(27)	(61)
Closing balance	**(4,182)**	**(3,604)**

Notes to the Financial Statements

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

EUR 000's	Land & buildings	Plant & equipment	Fixtures & fittings	Total
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**
Year ended 31 December 2016				
Opening net book value	16,951	5,150	4,636	26,736
Additions	338	1,492	563	2,394
Disposals	(226)	(112)	-	(338)
Reclassification, asset held for sales	(3,515)	-	(438)	(3,953)
Depreciation	(643)	(1,598)	(910)	(3,151)
Currency exchange differences	235	24	113	372
Closing net book value	**13,140**	**4,956**	**3,964**	**22,060**
At 31 December 2016				
Cost	17,610	19,498	8,661	45,769
Accumulated depreciation	(4,470)	(14,542)	(4,697)	(23,709)
Net book amount	**13,140**	**4,956**	**3,964**	**22,060**

During 2016, in disposals is included the Trondheim building's write off (EUR 226 thousands) of Cavotec Micro-control Norway. The building was reclassified to assets held for sales for a total amount of EUR 3,953 thousands.

NOTE 17. INTANGIBLE ASSETS

EUR 000's	Goodwill	Patents & trademarks	R&D and other	Total
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**
Year ended 31 December 2016				
Opening net book value	66,834	2,474	2,226	71,534
Additions	-	7	2,492	2,499
Disposals	-	-	(32)	(32)
Reclassification	-	-	2,225	2,225
Amortisation	-	(438)	(1,278)	(1,716)
Currency exchange differences	439	20	155	614
Closing net book value	**67,273**	**2,063**	**5,789**	**75,124**
At 31 December 2016				
Cost	67,273	7,182	9,790	84,245
Accumulated amortisation	-	(5,119)	(4,002)	(9,121)
Net book amount	**67,273**	**2,063**	**5,789**	**75,124**

During 2016, EUR 2,225 thousands of development costs previously included in inventories, were reclassified to intangible assets.
The goodwill impairment test has been considered in note 4.

NOTE 18. NON-CURRENT FINANCIAL ASSETS

EUR 000's	2016	2015
Financial receivables	261	250
Financial assets at fair value	38	39
Total	**299**	**289**

NOTE 19. DEFERRED TAX ASSETS

EUR 000's	2016	2015
Deferred tax assets to be recovered within 12 months	5,214	3,770
Deferred tax assets to be recovered after more than 12 months	15,211	15,235
Total	**20,425**	**19,005**

EUR 000's	2016	2015
Provisions for warranty, inventory, doubtful accounts and others	3,141	2,944
Losses carried forward	13,858	13,487
Depreciation and amortisation	438	263
Unrealised exchange differences	42	3
Accrued expenses not currently deductible	446	390
Mark-to-market on derivatives	-	12
Others temporary differences	2,500	1,906
Total	**20,425**	**19,005**

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 31,487 thousands (2015: 27,664). Further explanation on the estimations of the recoverability of deferred tax assets on losses carried forward are given on note 4.

NOTE 20. OTHER NON-CURRENT RECEIVABLES

Other non-current receivables include, in accordance with US Legislation, advance payments of opponent's legal costs related to the Mike Colaco litigation EUR 6,120 thousands (2015: 5,314).

NOTE 21. LOANS AND BORROWINGS

EUR 000's	2016	2015
Bank overdraft	-	(202)
Other current financial liabilities	(3,801)	(2,661)
Credit facility non-current portion	(32,345)	(41,373)
Other non-current financial liabilities	(1,631)	(3,283)
Unamortised issuance costs	1,024	1,311
Total	**(36,753)**	**(46,208)**

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.

EUR 000's	2016	2015
Bank overdrafts	1.00%	2.56%
Short term debt	2.21%	1.84%
Long term debt	2.45%	1.90%
Interest bearing liabilities	**2.42%**	**1.90%**

The average cost of the interest bearing liabilities at the end of 2016 was higher compared to the previous year due to the utilisation of long term debt.

Notes to the Financial Statements

NOTE 22. TRADE PAYABLES

EUR 000's	2016	2015
Trade payables	(22,799)	(29,414)
Advances from customers	(7,248)	(8,634)
Total	**(30,047)**	**(38,048)**

NOTE 23. TAX LIABILITIES

EUR 000's	2016	2015
Tax liabilities	(1,298)	(2,262)
VAT payable	(2,332)	(1,750)
Total	**(3,630)**	**(4,012)**

NOTE 24. OTHER CURRENT LIABILITIES

EUR 000's	2016	2015
Employee entitlements	(6,055)	(7,278)
Accrued expenses and other	(5,054)	(7,871)
Total	**(11,109)**	**(15,149)**

NOTE 25. DEFERRED TAX LIABILITIES

EUR 000's	2016	2015
Deferred tax liabilities to be released within 12 months	(201)	(380)
Deferred tax liabilities to be released after more than 12 months	(6,653)	(5,979)
Total	**(6,854)**	**(6,359)**

EUR 000's	2016	2015
Depreciation and amortisation	(5,725)	(5,049)
Unrealised exchange differences	(52)	(260)
Untaxed reserves	(928)	(930)
Other	(149)	(120)
Total	**(6,854)**	**(6,359)**

NOTE 26. PROVISION FOR RISKS AND CHARGES

EUR 000's	2016	2015
Provision for risk and charges, current	(6,123)	(5,484)
Provision for risk and charges, non-current	(3,269)	(4,632)
Total	**(9,392)**	**(10,116)**

EUR 000's	Dec 31, 2015	Recorded	Used	Reversed not used	Exchange diff	Dec 31, 2016
Provision for pensions	(2,928)	(595)	672	-	(46)	(2,897)
Provision for warranty	(3,836)	(2,598)	676	115	(52)	(5,695)
Provision for litigation	(10)	(38)	3	-	(2)	(47)
Provision for restructuring	(400)	(646)	951	-	-	(95)
Other provisions	(2,941)	(98)	2,364	-	17	(658)
Total	**(10,116)**	**(3,975)**	**4,666**	**115**	**(82)**	**(9,392)**

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 6,123 thousands is expected to be used within twelve months.

NOTE 27. PENSION PLAN

The Group operates defined benefit pension plans in Switzerland and, starting from FY 2014, also in Italy and Middle East.

The Swiss entities, Cavotec SA and Cavotec (Swiss) SA, are affiliated to the 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 categorized 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	2016				2015
	Switzerland	Italy	U.A.E.	Total	Total
Present value of defined benefit obligation (DBO)	(1,799)			**(1,799)**	**(1,928)**
Fair value of plan assets	1,231	-	-	**1,231**	**1,198**
Deficit of funded plans	**(568)**	**-**	**-**	**(568)**	**(730)**
Present value of unfunded obligations	-	(1,072)	(1,052)	**(2,124)**	**(2,028)**
Liability in the Balance Sheet	**(568)**	**(1,072)**	**(1,052)**	**(2,692)**	**(2,758)**

In addition the Group has liabilities from defined contribution plan for an amount EUR 205 thousands.

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

EUR 000's	2016				2015
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**(1,928)**	**(1,011)**	**(1,017)**	**(3,956)**	**(3,688)**
Reclassification of pension scheme	-	-	-	**-**	**-**
Service cost:					
- Current service cost	(141)	-	(120)	**(261)**	**(238)**
- Past service cost	55	-	-	**55**	**-**
Interest expenses	(13)	(19)	(36)	**(68)**	**(68)**
Cash flow:					
- Benefit payments from plan assets	(34)	-	-	**(34)**	**395**
- Benefit payments from employer	-	-	146	**146**	**52**
- Participant contributions	(87)	-	-	**(87)**	**(106)**
- Insurance premium for risk benefits	14	-	-	**14**	**18**
Remeasurements:					
- Effect of changes in demographic assumptions	(24)	-	-	**(24)**	**-**
- Effect of changes in financial assumptions	105	(42)	(9)	**54**	**(48)**
- Effect of experience adjustments	270	-	26	**296**	**21**
Exchange differences	(15)	-	(42)	**(57)**	**(294)**
At 31 December	**(1,799)**	**(1,072)**	**(1,052)**	**(3,923)**	**(3,956)**

Notes to the Financial Statements

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

EUR 000's	2016				2015
	Switzerland	Italy	U.A.E.	Total	Total
At 1 January	**1,198**	**-**	**-**	**1,198**	**1,311**
Interest expenses	9	-	-	**9**	**16**
Cash flow:					
- Employer contributions	87	41	146	**274**	**158**
- Participant contributions	87	-	-	**87**	**106**
- Benefit payments to plan	34	-	-	**34**	**(395)**
- Benefit payments from employer	-	(41)	(146)	**(187)**	**(52)**
- Administrative expenses paid from plan assets	(12)	-	-	**(12)**	**(13)**
- Insurance premium for risk benefits	(14)	-	-	**(14)**	**(18)**
Remeasurements:					
- Return on plan assets (excluding interest income)	(169)	-	-	**(169)**	**(64)**
Exchange differences	11	-	-	**11**	**149**
At 31 December	**1,231**	**-**	**-**	**1,231**	**1,198**

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

EUR 000's	2016				2015
	Switzerland	Italy	U.A.E.	Total	Total
Service cost:					
- Current service cost	141	-	120	**261**	**238**
- Past service cost	(55)	-	-	**(55)**	**-**
Total Service cost	**86**	**-**	**120**	**206**	**238**
Net interest cost:					
- Interest expense on DBO	13	19	36	**68**	**68**
- Interest (income) on plan assets	(9)	-	-	**(9)**	**(16)**
Total net interest cost	**4**	**19**	**36**	**59**	**52**
Administrative expenses and/or taxes (not reserved within DBO)	13	-	-	13	14
Defined benefit cost included in the Income Statement	**103**	**19**	**156**	**278**	**304**
Effect of changes in demographic assumptions	25	-	-	**25**	**-**
Effect of changes in financial assumptions	(106)	50	10	**(46)**	**48**
Effect of experience adjustments	(274)	-	(27)	**(301)**	**(20)**
Return on plan assets (excluding interest income)	171	-	-	**171**	**62**
Effect of deferred taxes	29	-	-	**29**	**23**
Total remeasurements included in Other Comprehensive Income	**(155)**	**50**	**(17)**	**(122)**	**113**

The principal actuarial assumptions were as follows:

	2016			2015		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate	0.40%	1.50%	3.60%	0,70%	1.90%	3.75%
Salary increases	1.00%	n/a	3.00%	1.50%	n/a	3.00%
Inflation	0.00%	1.50%	n/a	0.00%	1.50%	n/a

The principal demographic assumptions were as follows:

	2016			2015		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Life expectancy	n/a	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) retirement 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.

	2016			2015		
	Switzerland	Italy	U.A.E.	Switzerland	Italy	U.A.E.
Discount rate +0.25%	-	1,046	-	-	(986)	-
Discount rate -0.25%	-	(1,099)	-	-	(1,037)	-
Discount rate +0.50%	(1,659)	-	(963)	(1,774)	-	(963)
Discount rate -0.50%	(1,926)	-	(1,026)	(2,107)	-	(1,033)

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 2016	**78,536,000**	**(88,772)**
Capital reduction	-	1,930
Balance at 31 December 2016	**78,536,000**	**(86,842)**

The Ordinary General Meeting held on 22 April, 2016 approved the reduction of the nominal value of the registered shares from CHF 1.38 to CHF 1.35.

NOTE 29. OTHER RESERVES

EUR 000's	2016	2015
Currency translation reserves	671	1,837
Share premium reserve	(13,565)	(13,565)
Own shares reserve	278	14
Actuarial reserve	523	645
Total	**(12,094)**	**(11,069)**

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.

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.

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	2016	2015
Profit for the year	6,484	6,124
Attributable to:		
Equity holders of the Group	6,484	6,124
Total	**6,484**	**6,124**
Weighted-average number of shares outstanding	78,443,019	78,475,939
Basic and diluted earnings per share attributed to the equity holders of the Group	0.083	0.078

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

Notes to the Financial Statements

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, 2016 for each operating segment is summarised below:

Year ended 31 December, 2016 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Revenue from sales of goods and services	53,793	187,937	68,385	-	(98,597)	**211,518**
Other income	7,240	7,022	3,600	21,150	(30,267)	**8,745**
Operating expenses before depreciation and amortisation	(61,414)	(181,354)	(68,745)	(20,481)	129,106	**(202,888)**
Gross Operating Result	**(381)**	**13,605**	**3,240**	**669**	**242**	**17,375**

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**

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	2016	2015
Gross operating result for operating segments	17,132	12,160
Inter-Group elimination	242	203
Depreciation	(3,151)	(3,285)
Amortisation	(1,716)	(1,283)
Assets held for sales	(226)	(200)
Financial costs - net	(1,009)	5,224
Profit before income tax	**11,272**	**12,819**

Assets at 31 December 2016 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Total current assets	29,550	76,948	49,776	50,295	(92,608)	**113,962**
Intangible assets	32,280	18,318	24,470	56	-	**75,124**
Total non-current assets	25,275	21,136	2,755	4,862	(3,480)	**50,547**
Asset held for sale	-	3,953	-	-	-	**3,953**
Total assets	**87,105**	**120,355**	**77,001**	**55,213**	**(96,088)**	**243,586**

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**
Total assets	**90,812**	**140,164**	**91,069**	**59,518**	**(121,586)**	**259,977**

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

EUR 000's	2016	2015
Segment assets for operating segments	339,674	381,563
Inter-Group elimination	(96,088)	(121,586)
Total assets	**243,586**	**259,977**

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 2016 EUR 000's	AMER	EMEA	APAC	HQ	Inter-Group elimination	Total
Total current liabilities	(53,869)	(62,529)	(22,275)	(3,830)	87,793	**(54,710)**
Total non-current liabilities	(5,615)	(9,469)	(961)	(32,075)	4,694	**(43,426)**
Total liabilities	**(59,484)**	**(71,998)**	**(23,236)**	**(35,905)**	**92,487**	**(98,136)**

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)**

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

EUR 000's	2016	2015
Segment liabilities for operating segments	(190,623)	(237,381)
Inter-Group elimination	92,487	117,274
Total liabilities	**(98,136)**	**(120,107)**

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

Year ended 31 December 2016 EUR 000's	AMER	EMEA	APAC	Total
Ports & Maritime	19,804	38,378	36,912	**95,094**
Airports	21,423	26,943	11,674	**60,040**
Mining & Tunnelling	1,222	15,373	9,263	**25,858**
General Industry	4,429	20,940	5,157	**30,526**
Total	**46,878**	**101,634**	**63,006**	**211,518**

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**

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.

Notes to the Financial Statements

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 3,105 thousands (2015: 3,597). The total compensation also includes compensation from SMT members' related parties.

Please refer to the Compensation Report at page 41 for the remuneration of the Board Members and page 38 for the description of the long-term incentive plan.

Year ended 31 December 2016					
EUR 000's	**Short-term employee benefits**	**Post-employment benefits**	**Other long-term benefits**	**Share-based payment**	**Total**
Chief Executive Officer	469	262	-	9	740
Senior Management Team	2,151	119	-	95	2,365
Total remuneration	**2,620**	**381**	**-**	**104**	**3,105**

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
Senior Management Team	2,424	263	-	-	2,687
Total remuneration	**3,092**	**505**	**-**	**-**	**3,597**

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	-	-	-	-	-	43	-
Lastminute.com group NV	Netherlands	-	-	-	(22)	-	-	-
Mantisien Group	Finland	-	-	-	(351)	-	-	-
Port Equipment Manufacturing Association (PEMA)	Belgium	-	-	-	-	-	2	-
Soliden Sagl	Switzerland	-	-	-	-	-	122	-
Total		**-**	**-**	**-**	**(373)**	**-**	**167**	**-**

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	2016	2015
Audit services		
PricewaterhouseCoopers	632	650
Other auditor firms	122	124
Total	**754**	**774**
Other assurance services:		
Taxation		
PricewaterhouseCoopers	94	121
Other auditor firms	55	21
Total	**149**	**142**
Other assurance services*		
PricewaterhouseCoopers	10	45
Other auditor firms	4	7
Total	**14**	**52**
Total	**163**	**193**

* 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. In 2016 Mr. Colaco sold 2.8 million shares in Cavotec SA and paid USD 6.7 million pursuant to the court judgement entered in favour of Cavotec. The payment of USD 6.7 million received in 2016 was in addition to payments Cavotec had previously received from Mr. Colaco, which totalled USD 1.8 million.

The payment made by Mr. Colaco has positively affected the Company's 2016 results by USD 5.9 million (EUR 5.4 million). Mr. Colaco has proceeded with an appeal of the judgement, which will postpone a final settlement to 2017.

NOTE 35. CONTINGENCIES

EUR 000's	2016	2015
Bonds	10,772	12,776
Financial guarantees	2,159	251
Other guarantees	1,646	3,902
Total	**14,577**	**16,929**

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 5,855 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	2016	2015
Rental commitments		
Within one year	4,258	3,475
Later than one, not later than two years	2,488	3,179
Later than two, not later than five years	5,848	6,704
Later than five years	2,755	3,372
Total	**15,349**	**16,730**
Operating lease commitments		
Within one year	352	272
Later than one, not later than two years	249	150
Later than two, not later than five years	237	78
Later than five years	-	(2)
Total	**838**	**498**
Capital commitments		
Within one year	1,250	-
Later than two, not later than five years	2,705	-
Later than five years	9,795	-
Total	**13,750**	**-**

The Group leases various properties under non-cancellable lease agreements. These lease terms are generally between one and six years. Later than five years commitments include the lease agreement of 12 years signed in 2016 by Cavotec Specimas Spa for the purchase of the land and the construction of the new warehouse located in Nova Milanese (Italy). The building is under construction, the lease will be recognised when the building will be made available to Cavotec. Cavotec SA has provided to Cavotec Specimas Spa a parent guarantee of EUR 13,750 thousands regarding this leasing agreement.

NOTE 37. SECURITIES AND COLLATERALS

Real estate related loans amounting to EUR 3,160 thousands at 31 December, 2016 (2015: 3,761) 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.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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. COOs 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	0.24602	0.26053
ARS	0.06136	0.06076
AUD	0.67192	0.68512
BRL	0.25933	0.29150
CAD	0.68218	0.70482
CHF	0.91730	0.93119
DKK	0.13431	0.13451
EUR	1.00000	1.00000
GBP	1.22028	1.16798
HKD	0.11638	0.12232
INR	0.01345	0.01397
KRW	0.00078	0.00079
NOK	0.10764	0.11006
NZD	0.62948	0.65972
RMB	0.13601	0.13661
RUB	0.01349	0.01555
SEK	0.10561	0.10468
SGD	0.65465	0.65643
USD	0.90342	0.94868
ZAR	0.06148	0.06917

At 31 December 2016, had the Euro weakened/strengthened by 10 per cent against foreign currencies to which the Group is exposed, with all other variables held constant, profit for the year and equity would have been EUR 1,312 thousands higher/lower (2015: 1,240 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 per cent has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future moves. In order to assess the potential impact on the Income Statement assets and liabilities in the same currency used by the relevant entity in its reporting were excluded from the sensitivity analysis.

	2016		2015	
EUR 000's	**EUR -10%**	**EUR +10%**	**EUR -10%**	**EUR +10%**
Receivables	93	(93)	372	(372)
Payables	(129)	129	(141)	141
Financial assets	2,629	(2,629)	2,304	(2,304)
Financial liabilities	(1,281)	1,281	(1,295)	1,295
Total increase / (decrease)	**1,312**	**(1,312)**	**1,240**	**(1,240)**

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

	2016		2015	
EUR 000's	**Receivables**	**Payables**	**Receivables**	**Payables**
EUR	20,014	(16,073)	25,832	(20,943)
USD	5,761	(4,618)	12,026	(7,907)
RMB	7,147	(2,951)	9,945	(2,337)
AED	2,013	(785)	4,652	(1,988)
GBP	1,660	(992)	1,234	(693)
SEK	521	(650)	257	(480)
NOK	586	(224)	857	(222)
AUD	5,392	(2,140)	2,492	(1,229)
CHF	-	(241)	-	(169)
HKD	1,065	(93)	797	(116)
Other	7,426	(1,280)	4,339	(1,964)
Total	**51,585**	**(30,047)**	**62,431**	**(38,048)**

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

	2016		2015	
EUR 000's	**Financial Assets**	**Financial Liabilities**	**Financial Assets**	**Financial Liabilities**
EUR	4,908	(23,060)	11,532	(32,265)
USD	2,762	(12,822)	3,305	(12,859)
RMB	601	-	669	-
AED	273	-	373	-
GBP	337	-	86	-
SEK	283	(809)	283	(790)
NOK	625	-	210	(123)
AUD	698	-	555	-
CHF	427	-	129	(93)
HKD	58	-	62	-
Other	4,010	(62)	3,608	(78)
Total	**14,982**	**(36,753)**	**20,812**	**(46,208)**

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, 2016 91% of the Net Debt was floating rate (2015: 92%).

The impact of a 1 per cent increase/decrease in interest rates will result in a decrease/increase of interest expenses for the year of EUR 363 thousands (2015: 435 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, 2016:

EUR 000's	Level 1	Level 2	Level 3	Valued at amortised cost	Total
Assets					
Current financial assets	83	-	-	-	83
Non-current financial assets	-	-	38	-	38
Long-term loans	-	-	-	261	261
Assets held for sale	-	-	3,953	-	3,953
Total assets	**83**	**-**	**3,991**	**261**	**4,334**
Liabilities					
Non-current trading derivatives	-	(34)	-	-	(34)
Total liabilities	**-**	**(34)**	**-**	**-**	**(34)**

During 2016 the Trondheim building of Cavotec Micro-Control Norway has been reclassified as asset held for sale at its fair value (level 3). See note 16 for disclosure the reclassification of assets held for sale that are measured at fair value. The fair value evaluation comes from an indipendent and external analysis of the real estate market.

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, 2016 total past due trade receivables showed a decrease due to the collection of the overdue receivables.

EUR 000's	2016	2015
Overdue up to 30 days	11,786	10,896
Overdue up to 30 and 60 days	3,430	4,658
Overdue up to 60 and 90 days	1,185	1,786
Overdue up to 90 and 120 days	527	1,332
Overdue up to 120 and 150 days	1,332	517
Overdue more than 150 days	5,540	10,763
Total	**23,800**	**29,952**

At 31 December, 2016 EUR 5,924 thousands (2015: 6,168) has been provisioned against impaired financial receivables. The amount of written-off receivables recognised in 2016 was EUR 272 thousands (2015: 351).

Provision for impaired financial receivables by operating segment

EUR 000's	2016	2015
AMER	(856)	(3,628)
EMEA	(1,798)	(1,511)
APAC	(3,270)	(1,029)
Total	**(5,924)**	**(6,168)**

NET DEBT

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

EUR 000's	2016	2015
Cash and cash equivalents	14,982	20,812
Current financial assets	83	12
Bank overdraft	-	(202)
Short-term debt	(3,801)	(2,661)
Long-term debt	(33,977)	(44,656)
Total	**(22,713)**	**(26,695)**

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

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, 2016.

As of December 31, 2016, 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 75.2 million, of which EUR 37.7 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, 2016, the Group has also bank guaranties facilities amount to EUR 25.0 million of which EUR 14.6 million was utilised.

	2016			
EUR 000's	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Bank overdrafts and short-term debt	(3,801)	-	-	-
Long-term debt	-	(2,406)	(33,705)	(221)
Total	**(3,801)**	**(2,406)**	**(33,705)**	**(221)**
Cash and cash equivalents	14,982	-	-	-

The long term debt includes the maturity analysis based on the contractual undiscounted cashflow. The interests are included into categories "one to three years" and "three to five years" using a medium interest rate 2.43%.

	2015			
EUR 000's	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Bank overdrafts and short-term debt	(2,863)	-	-	-
Long-term debt	-	(1,393)	(43,001)	(261)
Total	**(2,863)**	**(1,393)**	**(43,001)**	**(261)**
Cash and cash equivalents	20,812	-	-	-

	Credit facilities		
EUR 000's	**Total**	**Used**	**Used GH**
Bank overdrafts	(6,776)	-	-
Current financial liabilities	(3,801)	(3,801)	-
Non-current financial liabilities	(64,670)	(33,977)	(32,307)
Total	**(75,247)**	**(37,778)**	**(32,307)**

The Group does not have collateral or credit enhancements that would influence its credit exposure. The maximum exposure to credit risk is the carrying amount of each class of financial asset.

CAPITAL RISK MANAGEMENT

The Group and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that reduces the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of its debt to equity ratio calculated by comparing Net Debt to Total equity. During the year, 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 senior net debt, interest cover, leverage ratio and assets to equity ratio calculated in accordance to the Groups financing facility.

The ratios at 31 December, 2016 and 31 December, 2015 were as follows:

EUR 000's	**2016**	**2015**
Total interest bearing liabilities	(37,778)	(47,519)
Cash and cash equivalents	14,982	20,812
Current financial assets	83	12
Net debt	**(22,713)**	**(26,695)**
Senior net debt	**(22,762)**	**(26,657)**
Total equity	**(145,450)**	**(139,870)**
Net debt/equity ratio	15.6%	19.1%
Equity/asset ratio	59.7%	53.8%
Interest cover	9.2	10.1
Leverage ratio	1.34x	1.65x

Report of the statutory auditor

to the General Meeting of Cavotec SA

Lugano

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Cavotec SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 60 to 91) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: EUR 2 million, which represents 1% of revenue (rounded).

We completed full scope audit work at 21 reporting units in 16 countries.

Our audit scope covered 77% of the Group's revenue and 91% of total assets.

In addition, review procedures were performed on a further 12 reporting units in 10 countries, representing a further 21% of the Group's revenue and 7% of total assets.

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

Goodwill impairment assessment

Deferred tax assets on losses carried forward

Litigation in USA

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The Group is primarily structured in three operating segments: Americas, EMEA and APAC. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, by component auditors from PwC network firms and by component auditors from other firms operating under our instructions. We concluded full scope audit work at 21 reporting units in 16 countries. In addition, review procedures were performed on a further 12 reporting units in 10 countries. The Group consolidation, financial statement disclosures and goodwill are audited by the Group engagement team.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Our Group engagement team's involvement included various site visits and conference calls with component auditors. During the year, we visited Cavotec Inet, on the basis of this company's risk profile, as well as Cavotec Specimas Spa, Cavotec Germany and Cavotec Dabico US Inc.

Materiality

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

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

Overall Group materiality	EUR 2 million (rounded)
How we determined it	1% of revenue
Rationale for the materiality benchmark applied	We chose revenue as benchmark as we consider that revenue provides us with a consistent year-on-year basis to determine materiality, reflecting group's growth and investment plans and low levels of profitability.

We agreed with the Audit Committee that we would report to them misstatements above EUR 0.1 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment assessment

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 72 (Note 4:Critical accounting estimates and judgements) In October 2016 the Group has approved a five-year Strategic Plan that defines a new organizational structure and a roadmap for the Company up to 2021 and includes a detailed forecast of the sales and profitability for each market unit. These forecasts have been used in preparing the impairment model. The focus in this area was on the Group management's assessment of the 'value in use' of the Group's Cash generating units, which involves judgements principally about the future results of the business (revenue and margin) and the discount rates applied. The goodwill impairment assessment is considered as a key audit matter due to the size of the goodwill balance (EUR 67.3 million) as well as the considerable judgement required by Group management in making their assessment of impairment.	We evaluated and challenged Group management's assumptions as described on page 72 (Note 4) of the financial statements, and discussed these with the Audit Committee and selected members of the Board of Directors. In particular, we performed the following: We challenged Group management's assumptions of long-term growth rates (terminal value), by comparing them with economic and industry forecasts. We also challenged Group management's discount rate by assessing the cost of capital for the company and comparable organisations, including specific factors such as peer group Beta factors and small cap premium. We found the assumptions on discount and long-term growth rates to be within a reasonable range of our expectations. We compared Group management's expectations of revenue growth and margins, included in the FY17 budget and the five-year plan included in the impairment model, with the company's strategic plan and the projects in the pipeline, and we found them to be consistent.

	We applied professional scepticism when reviewing the forecasts for the market units by stress testing key assumptions, assessing the impact on the sensitivity analysis, and understanding the degree to which assumptions would need to move before impairment would be triggered. We focused our analysis on the Airport market unit as it has the least headroom and is allocated most of the goodwill balance (EUR 36.8 million). We found the key assumptions of revenue growth and margins used by Group management could be supported.

Deferred tax assets on losses carried forward

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 72 (Note 4: Critical accounting estimates and judgements) and note 19. The Group has significant deferred tax assets (DTAs), mainly on the losses carried forward in the USA and Germany in the total amount of EUR 13.9 million as of 31 December 2016. Tax losses do not expire in Germany; in the USA, they expire in 20 years. The valuation of deferred tax assets relating to tax losses carried forward is based on the business plans and includes the taxable profits that are more probable than not until the expiry of tax losses. The longest period used in the model is 12 years. We considered this as a key audit matter because of the inherent risk of a high degree of estimation uncertainty about the company's future taxable profits within the maximum offset period and the tax planning possibilities in the above-mentioned countries.	Our audit approach included an assessment of the company's assumptions underlying the estimated future tax profits for their reasonableness and consistency with internal budgets (also used for goodwill impairment testing) and the strategic plan as well as discussions with the Audit Committee and with selected members of the Board of Directors. We robustly challenged management's expectations of improvements in the results and verified their consistency with the FY17 budget and the strategic plan for the subsequent years. For the USA, we also involved our local tax specialists, who performed a review of the deferred tax model, focusing on the US tax law aspects, such as expected future tax rates on each component and the expiry of the losses carried forward. Overall, the work we carried out and described above gave us sufficient audit evidence to address the aforementioned risks relating to deferred tax assets on losses carried forward.

Litigation in USA

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 72 (Critical accounting estimates and judgements), note 4 and note 34. Following the legal case with the former owner of INET Airport Systems, and pursuant to the court judgement entered in favour of Cavotec, payments totalling USD 8.5 million were received. An appeal of the judgement was filed by the opponent, which will postpone a final settlement to	Our audit approach included a detailed analysis of the balances and disclosures in the financial statements referring to the legal case, obtaining legal confirmations as well as discussions with the Audit Committee and with selected members of the Board of Directors. We compared management's legal analysis with the lawyer confirmation, our understanding of the

2017. The payments received have positively affected the Company's 2016 results by USD 5.9 million (EUR 5.4 million). In accordance with US legislation, advance payments of the opponent's legal costs related to the litigation have been made for a total amount of USD 6.5 million (EUR 6.1 million) as of 31 December 2016. The company has recorded an asset in relation to these advances because, based on the lawyer's advice, the management assesses the chances of recovery as excellent. We considered this as a key audit matter because of the judgements used by Group management in assessing the balances and the ongoing nature and magnitude of the litigation.	case and the available court judgement with the treatment and the disclosure in the financial statements relating to the case. In relation to the asset recorded for the advance payments of opponent's legal costs related to the litigation and the recognition of the income, we based our conclusion on discussions with the Group management, selected members of the Audit Committee, with selected members of the Board of Directors and the consideration of the position of external legal counsel.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Cavotec SA and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

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

Lugano, 22 February 2017

STATUTORY FINANCIAL STATEMENTS

For the period ended 31 December 2016

Please note that all reported amounts are in CHF.

Statutory Financial Statements

CAVOTEC SA
Income statement

CHF	2016	2015
Net proceeds of services	2,543,810	3,606,207
Staff cost	(833,594)	(1,045,335)
Transportation expenses	(31)	-
External services	(1,258,022)	(1,082,996)
Travelling expenses	(44,210)	(41,354)
General expenses	(245,343)	(245,702)
Operating result	**162,610**	**1,190,820**
Finance costs - net	(28,657)	(26,460)
Foreign exchange - net	(306,839)	(639,030)
Translation differences	(655,129)	(11,552,504)
Loss before taxes	**(828,015)**	**(11,027,174)**
Income taxes	(71,278)	(40,061)
Loss for the year	**(899,293)**	**(11,067,235)**

CAVOTEC SA
Balance Sheet

Assets CHF	Notes	2016	2015
Current assets			
Cash and cash equivalents		78,599	67,182
Other short-term receivables		1,050,778	2,339,578
from third parties		*5,750*	*-*
from group companies		*1,045,028*	*2,339,578*
Accrued income and prepaid expenses		28,145	57,012
Total current assets		**1,157,522**	**2,463,772**
Non-current assets			
Investments in subsidiary companies	3	167,122,152	168,616,126
Total non-current assets		**167,122,152**	**168,616,126**
Total assets		**168,279,674**	**171,079,898**

Liabilities CHF	Notes	2016	2015
Short-term liabilities			
Other short-term liabilities		(712,274)	(303,001)
to third parties		*(242,159)*	*(114,472)*
to group companies		*(470,115)*	*(188,529)*
Short-term interest-bearing liabilities	8	(64,628,599)	(63,850,817)
due to investments		*(64,628,599)*	*(63,850,817)*
Accruals and deferred income		(76,467)	(161,623)
Accruals and deferred income		*(61,323)*	*(145,038)*
Tax provision		*(15,144)*	*(16,585)*
Other liabilities		(42,159)	(405,220)
Total short-term liabilities		**(65,459,499)**	**(64,720,661)**
Total long-term liabilities		**-**	**-**
Total liabilities		**(65,459,499)**	**(64,720,661)**

Equity CHF	Notes	2016	2015
Share capital	4	(106,023,600)	(108,379,680)
Share premium reserve		(16,709,216)	(16,709,216)
Loss brought forward	4	18,713,070	7,645,835
Result for the period	4	899,293	11,067,235
Treasury shares	4,5	300,278	16,590
Total equity		**(102,820,175)**	**(106,359,237)**
Total equity and liabilities		**(168,279,674)**	**(171,079,898)**

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

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
Reduction share capital	22 April 2016	78,536,000	106,023,600

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.

The OGM held on 22 April, 2016 approved a reduction of the nominal value of the registered shares from CHF 1.38 to CHF 1.35 CHF. The nominal value reduction was used for the repayment to the shareholders.

The share capital as of 31 December 2016 is divided into 78,536,000 shares at a par value CHF 1.35 each.

CHF	Share Capital	Legal Reserve Treasury shares	Share Premium Reserve	Prior Year Retained Earnings	Result for the period	Total Shareholder's equity
Opening balance at January 1, 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**
Opening balance at January 1, 2016	**108,379,680**	**(16,590)**	**16,709,216**	**(7,645,835)**	**(11,067,235)**	**106,359,237**
Purchase of Treasury shares	-	(374,765)	-	-	-	**(374,765)**
Sales of Treasury shares	-	86,216	-	-	-	**86,216**
Reduction share capital	(2,356,080)	4,861	-	-	-	**(2,351,219)**
Result of the period	-	-	-	-	(899,293)	**(899,293)**
Allocation prior year result	-	-	-	(11,067,235)	11,067,235	**-**
Balance at December 31, 2016	**106,023,600**	**(300,278)**	**16,709,216**	**(18,713,070)**	**(899,293)**	**102,820,175**

The 2015 OGM held on 22 April, 2016 approved the creation of a contingent share capital of 785,360 shares, in connection with employees' participation to 2016 Long Term Incentive Plan (LTIP). The total amount of contingent shares refers to 2014, 2015 and 2016 Long Term Incentive Plan (LTIP). The balance of authorised shares, approved by 2015 OGM, will expire on 22 April 2018.

Share capital as of December 31, 2016	No of registered shares	Par value (CHF)	Total (CHF)
Issued shares	78,536,000	1.35	106,023,600
Contingent shares	2,284,692	1.35	3,084,334
Authorised shares	15,707,200	1.35	21,204,720

NOTE 5. TREASURY SHARES

Treasury shares held at 31 December were 120,187, equal to 0.15% of the total share capital. A reserve for own shares of CHF 300 thousands equal to 120,187 share at CHF 2.50 has been established. During the year, according to the LTIP 2013 plan, 41,835 shares were allocated to the employees of Cavotec Group. The average selling price was EUR 2.51 each.

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 2016			
Shareholders		**Number**	**%**
Bure Equity AB	Financial institution	12,988,970	16.5%
Fjärde AP-Fonden	Investment Fund	7,608,721	9.7%
Fabio Cannavale (Nomina SA)	Board member	7,298,046	9.3%
Stefan Widegren & family(1)	Chairman & Founder shareholder	5,800,867	7.4%
Lars Hellman (LCL life & Pension)	Founder shareholder	5,200,000	6.6%
Total		**38,896,604**	**49.5%**

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%**

(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 2016		Number	%
Fabio Cannavale (Nomina SA)	Board member	7,298,046	9.3%
Stefan Widegren & family(1)	Chairman & Founder shareholder	5,800,867	7.4%
Ottonel Popesco & family	CEO	2,459,496	3.1%
Leena Essén (Anelea Holdings Ltd)	Board member	2,189,607	2.8%
Patrick Rosenwald	SMT member	119,258	0.2%
Erik Lautmann	Board member	107,802	0.1%
Giorgio Lingiardi	SMT member	103,202	0.1%
Juergen Strommer	SMT member	95,135	0.1%
Gustavo Miller	SMT member	66,595	0.1%
Yann Duclot	SMT member	26,068	0.0%
Ester Cadau	SMT member	9,727	0.0%
Kristiina Leppänen	SMT member	5,000	0.0%
Total		**18,280,803**	**23.2%**

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

NOTE 8. SHORT-TERM INTEREST BEARING LIABILITIES
Cavotec SA is the borrower under certain debt securities including the Group syndicated credit facilities signed with UBS Switzerland AG, Banca dello Stato del Cantone Ticino, Bank Coop AG, Intesa Sanpaolo 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 62,529 thousands, was related to the Group Cash Pooling balance, and CHF 2,100 thousands was the utilisation of Corner bank facilities.

NOTE 9. GUARANTEES AND COMMITMENTS
Cavotec SA is a guarantor for the existing EUR 95 million syndicated credit facility. More over during the year a parent guarantee of EUR 13.75 Million was given to third party for the lease of the building for Cavotec Specimas Spa.

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

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 2016, 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. Mr. Colaco has proceeded with an appeal of the judgement, which will postpone a final settlement to 2017.

NOTE 14. FULL TIME EQUIVALENTS

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

CAVOTEC SA
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 2016	31 December 2015
Loss brought forward	(18,713,070)	(7,645,835)
Loss for the year	(899,293)	(11,067,235)
Total earnings	**(19,612,363)**	**(18,713,070)**
Appropriation to general statutory reserves (retained earnings)	-	-
Appropriation to other reserves	-	-
Proposed balance to be carried forward	**(19,612,363)**	**(18,713,070)**

In lieu of a dividend the Board of Directors will propose to the Ordinary General Meeting, to be held on 29 March 2017, a reduction in par value of the shares by CHF 0.05 to CHF 1.30.

Report of the statutory auditor

to the General Meeting of Cavotec SA

Lugano

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cavotec SA, which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 99 to 104) as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 215'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Risk of impairment of investments in subsidiaries

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example,

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in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

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

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

Overall materiality	CHF 215'000
How we determined it	Consistent with the level of materiality used as part of the group audit
Rationale for the materiality benchmark applied	We initially chose total assets as the benchmark because, in our view, it is the relevant benchmark for a holding company that mainly holds investments and it is a generally accepted benchmark. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards. This calculation resulted in an overall materiality of CHF 1'600'00 (rounded). However, because the materiality allocated as part of the group audit (CHF 215'000) was lower, the audit was performed using this lower materiality threshold.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk of impairment of investments in subsidiaries

Key audit matter	*How our audit addressed the key audit matter*
At 31 December 2016, the carrying value of the company's investments amounts to CHF 167.1 million. We focussed our audit on these assets because of the large value of the account balances, the judgment involved in the assessment of recoverability of these assets and in light of the financial performance of certain subsidiaries in the USA	We have tested management's assessment of the recoverability of investments as follows: • We analysed and challenged management's assessment of the businesses' future results, as reflected in the corresponding budgets and strategic plan of the Group;

that has been below management's expectations in recent years. Responding to these impairment indicators, management has assessed the recoverability of the investment in Cavotec US Holdings Inc. This impairment assessment involves significant judgments. It is based on an analysis of the respective equity of the subsidiaries at balance sheet date, budget and five years business forecasts.	• We have reconciled the information used in the tests to the one used by the group management for the assessment of the goodwill and deferred tax assets; • We challenged management's assumptions of long-term growth rates and discount rate by comparing them with economic and industry forecasts; • We compared market capitalisation of Cavotec SA at 31 December 2016 with the equity of the company and found it to be higher. Based on our audit work we assess management's impairment test as adequate to support the value of the investments.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers SA

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

Lugano, 22 February 2017

Where our companies are located*

Argentina
Australia
Bahrain
Brazil
Canada
China
Denmark
Finland
France
Germany
Hong Kong
India
Italy
Japan
The Netherlands
New Zealand
Norway
Qatar
Russia
Singapore
South Africa
South Korea
Spain
Sweden
Switzerland
Turkey
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

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Financial definitions

Financial figures

Dividend yield Dividend as a percentage of the market price.

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

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

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

FY Full Year.

Leverage ratio Senior net debt divided by operating result before depreciation and amortisation, adjusted for non-recurring items.

LTM Last Twelve Months.

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

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

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

Senior net debt All interest bearing indebtedness that is not subordinated, minus liquid assets.

Total equity Shareholders' equity including minority interests.

Operating figures

Average capital employed Total assets less current liabilities calculated on their average of quarterly values for the period.

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

EBITDA Operating result excluding depreciation and amortisation of PPE and intangible assets, net interest and income tax.

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

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

Interest coverage Operating result, adjusted for non-recurring items divided by net interest expenses.

Net debt/EBITDA Net debt divided by EBITDA.

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.

PPE Property, plant and equipment.

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

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

Glossary

AMP Alternative Maritime Power refers to Cavotec's range of shore power connection systems. Shore power allows vessels to switch off their engines while in port, thus reducing emissions and improving air quality. Also known as shore-to-ship power or 'cold ironing', a term used since the 1950s to describe US Navy vessels connected to shore power.

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 cools aircraft at the gate with a liquid-chilled first stage, followed by up to three refrigerated cooling stages. These latter phases use high pressure centrifugal blowers and compressors 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-RTG Electrically-powered Rubber Tyred Gantry cranes are mobile quay and terminal container cranes that are electrically powered as opposed to conventional diesel-driven RTG cranes.

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 269 airlines, airport operators and suppliers. Cavotec joined the organisation as a Strategic Partner in 2008.

IEC The International Electrotechnical Commission develops and publishes standards for all electrical and related technologies. Where applicable, Cavotec equipment is IEC rated.

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 ratings 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 the Group's heavy-duty power connectors and sockets that provide high electrical current capacity. MWT units are used at ports and airports, and in the mining, tunnelling, steel, aluminium, general industry, automation and 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 that is cooled and then supplied to aircraft cabins. 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 large variety of industrial applications. Cavotec supplies a comprehensive range of RRC units, some of which are designed for complex operations, others for basic tasks, but all are durable and easy to use.

SOx Sulphur oxide – one of the primary pollutants associated with ship emissions from the burning of heavy fuel oil.

Notes

Notes

Notes

Colophon

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