

2018



Q1 2018

First quarter results 2018



GUNNEBO
Industries

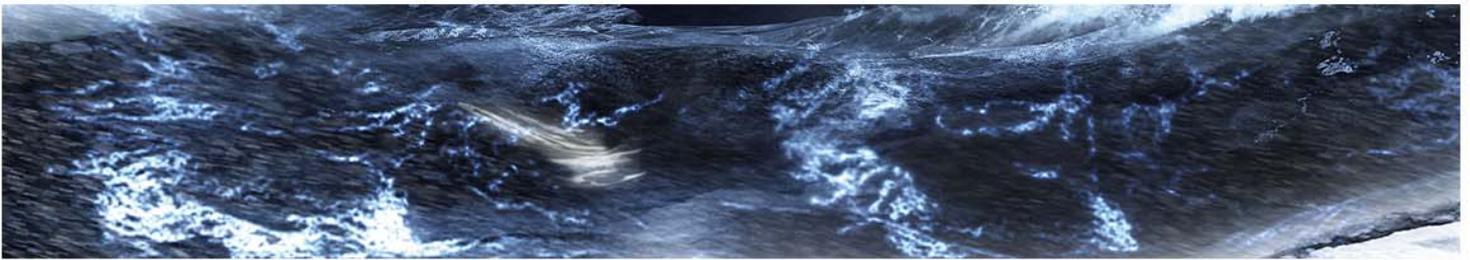


Key Highlights

“The positive trend with stable growth in order intake and continued expansion in operating margin continues”

<u>Q1 2018</u>	
Order intake (MSEK):	259 (235)
Net sales (MSEK):	247 (223)
EBITDA (MSEK):	36 (31)
Operating profit (MSEK):	29 (23)
Operating margin:	11,5% (10,2%)





Q1

Markets and order intake

Group order intake increased 9,9% to MSEK 259 (235).

Components, Chain & Shackles

The positive order intake trend continued in almost all markets despite continued low demand from the global Oil & Gas industry. The order intake increased by 13,5% to MSEK 218 (192).

Blocks & Sheaves

The order intake within Blocks & Sheaves decreased by 6,0% to MSEK 41 (43). The order intake in local currency increased however by 3,4% to MUSD 5 (5).

Income statement

Net sales increased 10,8% to MSEK 247 (223) following the strong order intake during the quarter.

Net sales within Components, Chain & Shackles increased 10,2% to MSEK 205 (186).

Net sales within Blocks & Sheaves increased by 13,5% to MSEK 42 (37). Net

sales within Blocks & Sheaves in local currency increased by 24,9% to MUSD 5 (4).

Gross profit increased to MSEK 90 (84) primarily due to higher revenue.

The operating profit increased to MSEK 29 (23) corresponding to a margin of 11,5% (10,2%). The operating profit was affected by exchange rate differences on operating assets/liabilities of MSEK 2 (0) and by items affecting comparability of MSEK -1 (-2).

Net financial items were MSEK -18 (-29). Net financial items was affected by MSEK 2 (-6) of currency effects on financial items arising from the groups intra loan structure and by MSEK -10 (-8) non-cash interest expense on the shareholder loans.

Profit after financial items was MSEK 11 (-7).

Net profit for the period on continued operations was MSEK 5 (-9).

Material events

No material events occurred during Q1.

Group consolidated financials

Summary		2018 Jan-Mar	2017 Jan-Mar	2017 Full year
Net sales	MSEK	247	223	862
Gross profit	MSEK	90	84	304
EBITDA	MSEK	36	31	89
EBITDA-margin	%	14,4%	13,7%	10,3%
Operating profit	MSEK	29	23	59
Operating profit margin	%	11,5%	10,2%	6,9%
Equity to assets ratio	%	28%	30%	28%
Number of full time employees, end of period	#	514	477	501

Balance sheet, cash flow and funding

Q1

Total liquid funds were MSEK 70 (103). 0 MSEK was drawn from the revolving credit facility on the balance day.

The equity to total asset ratio was 28% (30%). Total equity was MSEK 441 (474).

The shareholder loans were MSEK 268 (233). The interest on these loans is accrued as payment in kind, i.e. no effect on cash flow until they fall due.

The cash flow from operating activities before changes in working capital was MSEK 30 (23).

Investments in tangible assets were MSEK -3 (-1). Investments in intangible assets were MSEK -1 (0).

Parent company

Gunnebo Industrier Holding AB is the parent company of the group. The main source of income for the parent company is group contributions from subsidiaries. The major part of the group's external borrowings are done out of the parent company.

Q1

Profit /Loss after financial items amounted to MSEK -2 (-9).

Cash assets amounted to MSEK 3 (0) at the end of the period.

Undistributed earnings in the parent company amounted to MSEK 1 123 (1 150).

The Board and the Group CEO confirm to the best of our knowledge that the consolidated set of financial statements for Gunnebo Industries as well as the financial statements for Gunnebo Industries' parent company, for the period 1 January 2018 to 31 March 2018, have been prepared in accordance with applicable accounting standards, and that it gives a true and fair view of the group's operations, assets, liabilities, financial position and result for the period as well as a fair view of material risk facing the company.

Stockholm, 31 May 2018

Jörgen Centerman
Chairman

Sebastian Ehrnrooth
Board member

Carl-Gustaf Bergström
Board member

Johan Möllerström
Board member

Fredrik Wiking
Group CEO

Consolidated Income Statement, condensed MSEK	Q1 2018	Q1 2017	Full year 2017
Net sales	247,0	222,8	862,1
Costs for goods sold	-157,0	-139,2	-558,5
Gross profit	90,0	83,6	303,6
Selling and administrative expenses	-62,8	-58,5	-233,1
Other operating income and expenses ¹⁾	1,3	-2,4	-11,4
Operating profit²⁾	28,5	22,7	59,1
Operating margin	11,5%	10,2%	6,9%
Financial income and expences			
Currency effects on financial items	1,6	-5,5	-27,0
Interest expenses, shareholder loan	-9,6	-8,3	-33,7
Other financial items, net	-9,9	-15,4	-62,0
Profit/loss after financial items	10,6	-6,5	-63,6
Tax on profit/loss for the period	-5,7	-2,7	8,7
Profit/loss for the period on continued operations	4,9	-9,2	-54,9
Loss from discontinued operations	0,0	0,0	0,8
Profit/loss for the period (attributable to the shareholders of the parent company)	4,9	-9,2	-54,1
No non-controlling interest exist			
Adjusted profit/loss for the period³⁾	13,7	6,7	27,6
¹⁾ Of w hich items affecting comparability: (Cost for changing structure regarding companies, personnel and organisation.)	-0,8	-2,1	-6,8
²⁾ Operating profit include:			
Depreciation	-5,0	-5,7	-21,0
Amortization	-2,1	-2,1	-8,4

³⁾ "Adjusted profit/loss for the period" is defined as "Profit/loss for the period" before "Loss from discontinued operations", before "Items affecting comparability", before "Interest expense on shareholder loan" and before "Currency effects on financial items".
Further, no tax effect is assumed on these adjustments since the vast majority of them is accounted for in the Swedish legal entities where there are deferred tax assets that could be utilized to fully offset any incremental tax costs.

Consolidated Comprehensive Income Statement, condensed

MSEK	Q1 2018	Q1 2017	Full year 2017
Profit/loss for the period	4,9	-9,2	-54,1
Items that may be reclassified to income statement	0,4	15,2	24,6
Items that will not be reclassified to income statement	0,0	0,0	-2,7
Other comprehensive income for the period	0,4	15,2	21,9
Total comprehensive income for the period (attributable to the shareholders of the parent company)	5,3	6,0	-32,2

Consolidated Balance Sheet, condensed MSEK	31 Mar 2018	31 Mar 2017	Full year 2017
Assets			
Non-current assets			
Intangible assets	876,5	883,6	876,3
Tangible assets	130,9	141,0	132,7
Financial assets	77,8	68,9	85,3
Total non-current assets	1 085,2	1 093,5	1 094,3
Current assets			
Inventories	247,3	230,2	229,0
Current receivables	195,4	178,0	166,3
Liquid assets	70,4	103,3	59,6
Total current assets	513,1	511,5	454,9
Total assets	1 598,3	1 605,0	1 549,2
Equity and liabilities			
Total equity	441,4	474,3	436,1
Non-current liabilities			
Shareholder loan	268,1	233,1	258,5
Other long-term liabilities	735,7	738,6	734,7
Total non-current liabilities	1 003,8	971,7	993,2
Current liabilities			
Other current liabilities	153,1	159,0	119,9
Total current liabilities	153,1	159,0	119,9
Total equity and liabilities	1 598,3	1 605,0	1 549,2

Change in Equity, condensed MSEK	31 Mar 2018	31 Mar 2017	Full year 2017
Equity has been changed during the period:			
At the start of the period	436,1	468,3	468,3
Other comprehensive income for the period	0,4	15,2	21,9
Profit/Loss for the period	4,9	-9,2	-54,1
Total comprehensive income for the period	5,3	6,0	-32,2
At the end of the period	441,4	474,3	436,1

Cash Flow Analysis, condensed MSEK	Q1 2018	Q1 2017	Full year 2017
Cash flow from operations			
Cash flow from operating activities before change in working capital	30,0	22,8	52,5
Total change in working capital	-16,6	1,6	-37,5
Cash flow from operations	13,4	24,4	15,0
Investments			
Net investments	-4,5	-1,4	-7,9
Acquisition/Divestment of companies and operations	0,0	61,1	51,1
Cash flow from investments	-4,5	59,7	43,2
Financing			
Changes in long-term receivables and liabilities	0,6	-75,2	-91,3
Dividends to shareholders	0,0	0,0	0,0
Cash flow from financing	0,6	-75,2	-91,3
Total cash flow	9,5	8,9	-33,1
Liquid assets at beginning of the period	59,6	94,5	94,5
Translation differences on liquid assets	1,3	-0,1	-1,8
Liquid assets at the end of the period	70,4	103,3	59,6

Operating Cash Flow MSEK	Q1 2018	Q1 2017	Full year 2017
Cash flow from operating activities	13,4	24,4	15,0
Reversal of tax paid and net financial items affecting cash flow	6,5	7,8	37,2
Net investments	-4,5	-1,4	-7,9
Operating cash flow	15,4	30,8	44,3

Parent Company Income Statement, condensed	Q1	Q1	Full year
MSEK	2018	2017	2017
Net sales	0,0	0,0	0,0
Operating profit/loss	0,0	0,0	0,0
Financial income and expenses	-2,4	-8,9	-35,7
Profit/loss after financial items	-2,4	-8,9	-35,7
Pre-tax profit/loss	-2,4	-8,9	-35,7
Tax on profit/loss	0,0	0,0	1,7
Profit/loss for the year	-2,4	-8,9	-34,0

Parent Company Balance Sheet, condensed	31 Mar	31 Mar	Full year
MSEK	2018	2017	2017
Financial assets	2 073,1	1 978,8	2 032,0
Total non-current assets	2 073,1	1 978,8	2 032,0
Current receivables	13,4	36,9	47,4
Liquid assets	2,7	0,0	3,2
Total current assets	16,1	36,9	50,6
Total assets	2 089,2	2 015,7	2 082,6
Restricted equity	1,1	1,1	1,1
Unrestricted equity	1 122,7	1 150,3	1 125,1
Total equity	1 123,8	1 151,4	1 126,2
Non-current liabilities and provisions	868,1	713,9	858,5
Current liabilities	97,3	150,4	97,9
Total equity and liabilities	2 089,2	2 015,7	2 082,6

Notes:

Segments

Profit/loss by segment	Components, Chain & Shackles			Blocks & Sheaves			Corporate			Total		
	Q1 2018	Q1 2017	FY 2017	Q1 2018	Q1 2017	FY 2017	Q1 2018	Q1 2017	FY 2017	Q1 2018	Q1 2017	FY 2017
MSEK												
Net sales	205	186	722	42	37	140	0	0	0	247	223	862
Operating profit	36	25	78	-2	1	-8	-5	-3	-11	29	23	59
Financial income										36	7	23
Financial expenses										-54	-36	-146
Tax on profit/loss for the period										-6	-3	9
Profit/loss for the period										5	-9	-55

Sales by market	Components, Chain & Shackles			Blocks & Sheaves			Corporate			Total		
	Q1 2018	Q1 2017	FY 2017	Q1 2018	Q1 2017	FY 2017	Q1 2018	Q1 2017	FY 2017	Q1 2018	Q1 2017	FY 2017
MSEK												
Sweden	27	28	107	0	0	0	0	0	0	27	28	107
Norway	29	25	88	0	0	0	0	0	0	29	25	88
America	55	52	197	40	36	139	0	0	0	95	88	336
Other markets	94	81	330	2	1	1	0	0	0	96	82	331
Total	205	186	722	42	37	140	0	0	0	247	223	862

Components, Chain & Shackles

The segment contains development, manufacturing and sales of components, chain and shackles mainly. The two factories in Sweden and the factory in Norway are included in this segment. The largest markets in this segment are Sweden, Americas and Norway.

Blocks & Sheaves

The segment contains development, manufacturing and sales of crane blocks, sheaves and other block related products. The factory in the US is included in this segment.

Corporate

The segment mainly contains group functions such as IT and group finance.

Employees

The number of full time employees by the end of March 2018 was 514 (477).

Risk factors

Gunnebo Industries is exposed to several operational and financial risk factors including, but not limited to, commodity prices, property damage, IT, interest rates, exchange rates and financing availability. For further information please refer to the annual report 2017 notes 35 and 36.

Subsequent events

No major subsequent events have occurred after closing of March 2018.

Seasonality

Gunnebo Industries is not exposed to any material seasonality in its operations.

Discontinued operations

Gbo Fastening Systems AB and Telesteps AB were divested in January 2017 with a positive cash flow of MSEK 61 in Q1 2017.

Related party transactions

The shareholder loans have terms based on arm's length principles. Shareholder loans are reported on a separate row in the Consolidated Income Statement and the Consolidated Balance Sheet. No other related transactions that significantly affect Gunnebo Industries' results or financial statements have been made during the period. No significant related party transactions have been made in the parent

company apart from the intercompany interest charges.

Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim financial reporting and the Swedish Annual Accounts Act. The financial statement of the parent company has been prepared in accordance with the Swedish Annual Accounts Act, chapter 9 and the Swedish Financial Reporting Board's standard RFR 2 Accounting for Legal Entities. The accounting policies adopted are consistent with those presented in the Annual Report of 2017 (page 20-28).

Fair value estimation:

A description of financial instruments carried at fair value is presented in the annual report of 2017. The financial instruments, at end of Q1 2018, that are carried at fair value, are derivatives and the bond loan.

Derivatives belong to Level 2 as future cash flows are discounted using current quoted market interest rates and exchange rates for similar instruments. The group has derivatives valued to MSEK -2 (0) at end of Q1.

The bonds belong to Level 1 since they are traded on a public exchange. Fair value based on average market price on the last day of the period where the bonds were traded was MSEK 604.

Changed accounting principles for 2018:

IFRS 15 has not impacted Gunnebo Industries' financial statements.

IFRS 9 “Financial instruments”, the new calculation model have increased the bad debt provision with MSEK 2. The increase is based on a recalculation of the bad debt reserve as of 31 December 2017 and is accounted for as an adjustment of the opening balance of the equity and the accounts receivables of MSEK 2 at 1 January 2018. Comparative period of Q1 2017 is not restated.

Financial calendar

The financial interim reports for subsequent reporting periods will be made available on Gunnebo Industries website at:

Q2 2018: 31 August 2018

Q3 2018: 30 November 2018

Q4 2018: 28 February 2019

Q1 2019: 31 May 2019

The audited 2018 annual report will be made available on Gunnebo Industries website on 30 April 2019.

Contact person for investor relations is Group CFO Kristian Gylling.

Audit of this report

This report has not been audited.

KPIs and Alternative Performance Measures (APMs)

We are using the following APMs.

EBITDA: defined as operating profit before depreciation and before amortization.

EBITDA margin: defined as EBITDA in relation to net sales.

Operating profit margin: defined as operating profit in relation to net sales.

Equity to assets ratio: defined as total equity in relation to total assets.

We are using these APMs because we believe that they serve as proper indicators for Gunnebo Industries financial performance as well as financial strength.

