Annual Report

Gunnebo Industrier Holding AB

556759-4741

Financial year

2018

Disclaimer: The English text in the Annual Report 2018 is a translation of the original Swedish text. In the event of any discrepancies between the English translation and the Swedish version of the Annual Report 2018, the Swedish version shall prevail.

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Comments from the CEO

"In 2018, we saw a sales growth and stronger market positions in several of our markets with increased profitability as a result."

The Group's most significant segment in terms of net sales and profitability, "Components, Chain & Shackles", developed very well during 2018 with a growth in sales of 14%. The market developed positively in most geographies and segments. The oil and gas segment also showed some growth, but from a low level. The successful implementation of the growth strategy, with clear growth initiatives, contributed to the strong growth. The operating margin was also strengthened, despite higher steel prices.

The Group's "Blocks & Sheaves" segment turned the negative sales growth of earlier years and grew by 26% in 2018. The mobile crane market in the U.S. grew in 2018. The market for sheaves for the oil and gas market showed some positive growth. Despite the growth of both of these segments, the activity in these markets is at historically low levels. With increased sales in these markets, profitability is also expected to improve in "Blocks & Sheaves". In 2018, a new sales organisation was established for "Blocks & Sheaves" in Europe, which had a positive impact, primarily on orders received.

Sales in the Swedish market decreased by 2%. The market was relatively stable during the year. Norway showed a sales growth of 10% during the year. Sales to the oil & gas market increased sharply, but are still at a relatively low level. Gunnebo Industrier has a strong position in the fish farming/aquaculture sector, which had a weaker development in 2018 compared with 2017, but nonetheless at a high level.

Americas (North, Central and South America) developed positively in 2018 with a sales growth of 29%. Both the "Components, Chain & Shackles" segment and the "Blocks & Sheaves" segment grew strongly during the year.

Other markets in the segment "Components, Chain & Shackles", developed very well during 2018 with a growth in sales of 8%.

In 2018, our factories were running at full speed, especially where production of the products sold in "Components, Chain & Shackles" takes place. Demand was high, which led to the factories in Växjö and Gunnebo increasing the staffing compared with earlier years. A number of investments in automation for increased capacity and productivity were also carried out.

In 2019, focus will be on continuing work on our growth initiatives, investing and further improving productivity in the factories and working together with our customers, suppliers and partners for a continued profitable growth during the coming years.

I would like to thank all of you customers and partners for an excellent cooperation during the year. A heartfelt thank you to all of our employees as well for your strong contributions.

Fredrik Wiking

President and Group CEO

The Board of Directors and CEO of Gunnebo Industrier Holding AB ("the Company"), 556759-4741, hereby present the annual accounts and consolidated accounts for the financial year 2018. The amounts are stated in SEK millions (MSEK), unless indicated otherwise. Amounts in parentheses refer to the previous year.

Directors' Report

Operations
The Group's operations include, amongst other things, the development, manufacturing, marketing and sale of chain and lifting components and blocks/systems for heavy lifting. The Parent Company is the holding company for the industrial operations.

Significant events during the year
Profit includes SEK 23 million in profit from investments in associates. This relates to profit from the sale of the remaining 19.8% of the shares in Telesteps AB. 80.2% of the shares in Telesteps AB were divested during 2017.

The operations in their entirety developed positively during the year and noted a very strong sales growth compared with the previous year totalling 15.8% (8.3%). The operating margin increased to 8.3% (6.9%).

A decision was made in autumn 2018 to close the operations in the South African subsidiary. The associated company belonging to the South African subsidiary will be liquidated.

In 2018, several new products were launched to strengthen the product range.

Five-year summary (MSEK)

Group	**2018**	**2017**	**2016**	**2015**	**2014**
Net sales	998	862	796	1,458	1,614
Profit/loss after financial items	26	-64	-3	-11	58
Equity/assets ratio (%)	26.6	28.1	26.5	42.9	39.1

Parent Company	**2018**	**2017**	**2016**	**2015**	**2014**
Net sales	0	0	0	0	3
Profit/loss after financial items	121	-36	58	3	-34
Equity/assets ratio (%)	57.4	54.1	55.5	52.7	62.7

The sales decline between 2015 and 2016 in the above five-year summary consist primarily of operations having been sold in these years.

Net sales and operating profit
Net sales for the period January to December 2018 amounted to SEK 998 million (862). The operating profit amounted to SEK 83 million (59) including SEK 10 million (7) in expenses that can be considered to be items affecting comparability. This includes shut-down costs for the South African operation, and restructuring for efficiency enhancements of the operations. Financial income and expenses amounted to an expense of SEK 58 million (123). The operating profit was impacted positively by realised and unrealised exchange gains on receivables and liabilities compared with the previous year. Tax on profit for the year increased and was an expense of SEK 12 million (gain: 9) as a result of the improved profit development. The profit for the year amounted to SEK 13 million (loss: 54).

Investments
The Group's investments in property, plant and equipment and intangible assets amounted to SEK 26 million (11). The investments are comprised primarily of replacements and new investments in the Group's factories.

Liquidity and financial position

Liquid funds in the Group totalled SEK 93 million (60) at the end of 2018. The Group’s liquidity requirement is managed primarily through the Group-wide cash pool and bank overdraft facility. The Group’s external net borrowings which amount to SEK 899 million (883) and consist of the bond loan, which is booked at SEK 593 million, have been estimated at a value of SEK 600 million (see Note 25). Moreover, subordinated loans from shareholders of SEK 297 million (258) and pension liability of SEK 95 million (84) have been included as well as deductions for cash and cash equivalents of SEK 93 million (60). The equity/assets ratio was 27% (28%) as at 31 December. Cash flow from operating activities increased to SEK 38 M (15). Cash flow for the year was positive at SEK 33 million (negative: 33), which entails an improvement of SEK 66 million.

Through the Parent Company, the Group has a bond loan issued on 12 May 2017 and listed on Nasdaq Stockholm in December 2017. The covered bond loan of SEK 600 million has a term of three years until 12 May 2020 without repayments and without requirement of fulfilment of financial covenants. In addition to the bond loan, there is also an agreement with a bank regarding a “Multicurrency Revolving Credit Facility Agreement” (RCF credit) that can be utilised up to SEK 60 million with the same term as the bond loan. As a condition for the RCF credit, the Group must fulfil certain financial commitments. At the closing date, there was adequate space regarding these financial commitments. The conditions in the bond loan provide an opportunity to increase the bond loan to SEK 900 million and the RCF credit to SEK 100 million on condition that certain commitments are fulfilled. On the balance sheet date, SEK 0 million of the RCF credit had been utilised. The interest rate on the bond/RCF credit is related to Stibor, or another interest rate index depending on the financing currency, with an agreed margin surcharge. The Parent Company, Gunnebo Industrier Holding AB, currently has total credit facilities of SEK 957 million (918). At year-end, SEK 897 million (858) was utilised.

Employees

The average number of employees in the Group during the year was 524 people (480), of which 254 (243) were outside Sweden.

Environmental impact

The Group has operations in Sweden in Gunnebo, Gothenburg, Västerås and Växjö. The factory in Gunnebo is subject to licensing according to the Environmental Code and is classed as a B factory. The factory in Växjö is classified as a C factory and is, therefore, required to report to the municipality. The other factories are not subject to licensing or reporting. In the operations subject to licensing in Gunnebo, production and processing of chains are permitted. Emissions to air take place in the operations from the hot dip galvanising factory and there is an impact on the environment from noise. Polluted air from the hot dip galvanising factory is cleaned in a trap filter. The control of emissions to air and of the noise levels takes place according to the control programme in place. The licensable operations represent approximately 20% of net sales in Gunnebo Industrier AB. The Company is also certified according to IS0 14001:2015.

Risks and sensitivity analysis

Gunnebo Industrier Holding is, as an international Group, exposed to a number of risks in the form of financial, environmental and operational risks. See also Notes 35 and 36.

Changes in the Group

Profit for 2018 includes SEK 23 million in profit from investments in associates. This relates to realised gains from the sale of the remaining 19.8% of the shares in Telesteps AB. 80.2% of the shares in Telesteps AB were divested during 2017.

A decision was made in autumn 2018 to close the operations in the South African subsidiary. The associated company belonging to the South African subsidiary will be liquidated.

Parent Company
Gunnebo Industrier Holding AB administers the external financing. Major revenues are comprised of Group contributions from subsidiaries. The external borrowing within the Group is undertaken primarily through the Parent Company.

In 2018, the Parent Company's net sales amounted to SEK 0 million (0). Profit after tax was SEK 87 million (-34). Increased Group contributions from subsidiaries contributed to the improved profit and amounted to SEK 122 million (53). The average number of employees during the period was 0 (0).

Shareholders
The number of shares was 1,064,524 (1,064,524) with a quotient value of SEK 1 (1). At the end of 2018, Segulah III L.P. owned 28.2% (28.2%), Segulah IV L.P. 59.3% (59.3%), AB Segulah 5.7% (5.7%) of the shares in the Parent Company. The remaining 6.8% (6.8%) are owned by Board Members and employees.

Events after the end of the financial year
No significant events took place after the end of the financial year.

The Board's proposed appropriation of profits
The following profits are available to the Annual General Meeting (SEK):

share premium reserve	9,000,000
retained earnings	1,116,185,839
profit for the year	86,582,877
	1,211,768,716
be appropriated as follows	
to be carry forward	1,211,768,716

Sustainability Report 2018

The Group's business model

The Group's business concept is to manufacture and sell high quality products which are primarily used within heaving lifting, but also within fishing and the fish farming/aquaculture industry. The Group manufactures products used under crane hooks, for example master links, chain, coupling links and hooks. The Group also manufactures crane blocks and sheaves and other lifting-related products. The production of these products takes place at the Group's factories in Växjö, Gunnebo, Lonevåg (Norway) and in Tulsa (USA). Sales take place primarily to so-called sling shops which are distributors who adapt the products according to the end customers' requirements. The sale of certain products is made, however, directly to the end customer. The Group has its own sales companies in some 10 countries and partners covering the other relevant markets around the world.

The Group has an entirely integrated production model which implies that the raw material is purchased and the further processing into the finished products is done in-house in or to ensure the highest possible level of quality. As the Group's products are manufactured of steel, this is an important raw material.

Also, the transportation of purchased goods and delivery of finished goods takes place via truck, boat and in certain cases via air cargo.

Code of Conduct

The Group places high demands on both its employees and external stakeholders with regards to ethics and morals and has, therefore, chosen to implement a Code of Conduct establishing the guidelines for the manner in which the Group's personnel are to behave internally, towards external stakeholders and how the Group expects its stakeholders to act towards the Group and its stakeholders. This Code of Conduct is based on the 10 principles of the UN Global Compact and focuses on important issues referring to the environment, anti-corruption, human rights and labour. The Code of Conduct has been communicated to all managers of the subsidiaries who have, in their turn, informed all personnel. Information regarding the Code of Conduct is also included in the introductory processes that takes place when new employees join the Company.

Ongoing reporting

All of the companies report any possible incidents associated with the Code of Conduct on a monthly basis to the Group management. The incidents are reported in the form of quantitative key ratios in certain cases and in qualitative terms in other cases, depending on the issue in question. These incidents are then reported onwards to the Board of Directors of Gunnebo Industrier AB.

The Group has also implemented a so-called whistle blower function providing all employees in the Group with the possibility to, in a simple manner, report any possible unsatisfactory state of affairs to Group management for further investigation.

Risks

Environment

In the environmental area, there are risks for contamination of land, and pollution of air and water. This can, for example, take place through accidental leakage and emissions of various types from the Group's operations. In addition, the Group's choice of heating technology in its factories is an important factor in terms of the impact on the environment. In order to reduce the Group's environmental impact, it has, for example, implemented an important sustainability target in that an agreement has been signed and deployed on supplementing the existing oil heating in the factory in Gunnebo with pellets heating. The Group distances itself from all forms of environmental impact that can harm individuals or damage the Group's reputation among customers, suppliers, employees and other external stakeholders which, in the long run, could lead to a negative financial impact on the Group.

Anti-corruption

The Group has a number of subsidiaries with operations in countries with different local cultures in terms of commercial practices and norms, and this can result in various kinds of corruption. The Group distances itself from all forms of corruption that can harm individuals or damage the Group’s reputation among customers, suppliers, employees and other external stakeholders which, in the long run, could lead to a negative financial impact on the Group. In the current situation, the Group sees no specific risks linked to anti-corruption, but as corruption increases and becomes more and more sophisticated, it sets even higher requirements on the Group that regulations are complied with to minimise the risks.

Human rights

The Group distances itself from all forms of direct or indirect human rights violations that can harm individuals or damage the Group’s reputation among customers, suppliers, employees and other external stakeholders which, in the long run, could lead to a negative financial impact on the Group. The Group currently sees no specific risks as regards human rights. The work of avoiding or minimising risks in an international corporate group requires sensitivity as there are cultural differences in various countries that the Group is active in.

Work force

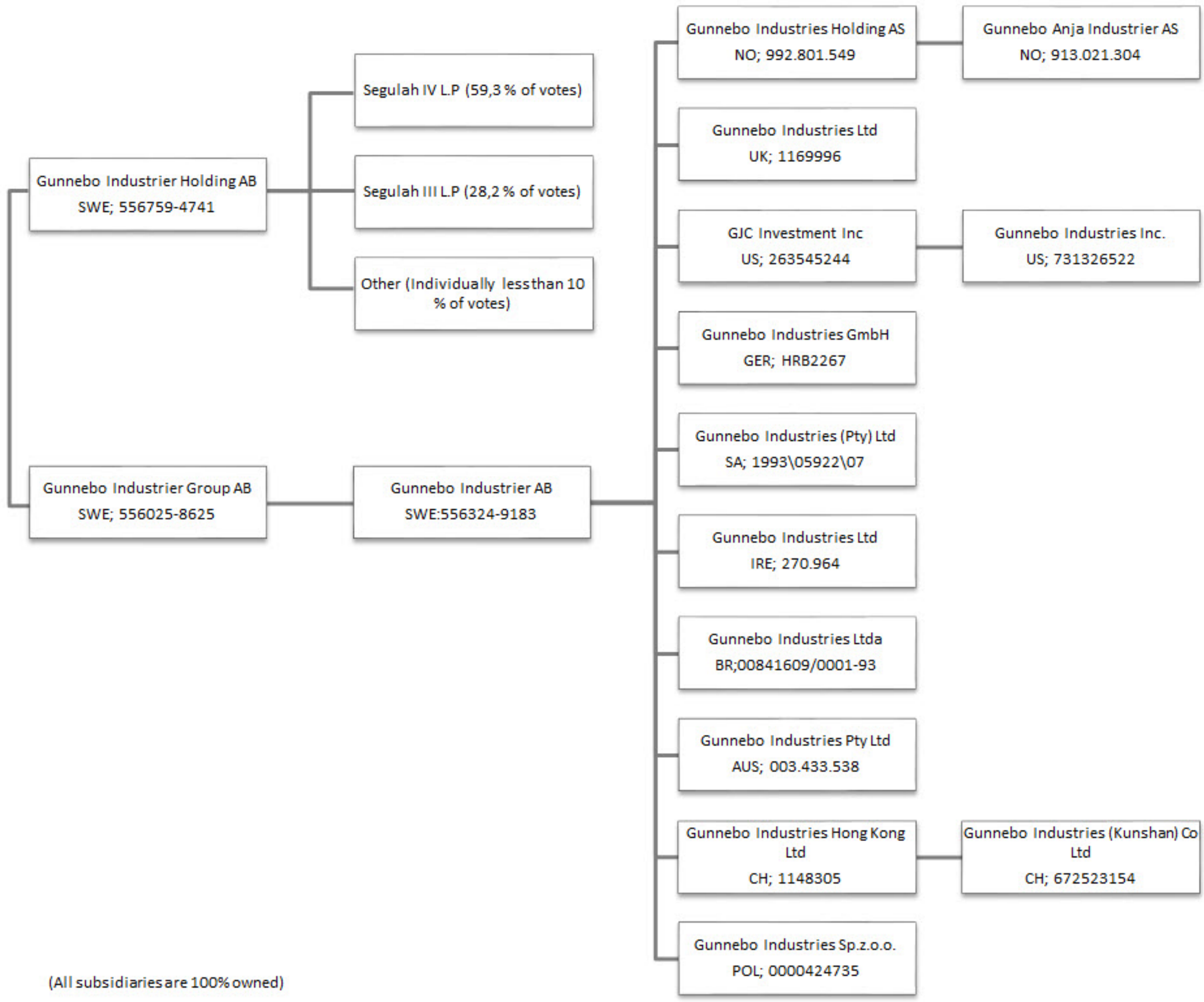
The Group complies with the applicable local regulations regarding employees’ rights as regards the right to union membership and collective agreements. The Group also encourages diversity in the recruitment of new employees. In addition, the Group has zero tolerance for any kind of harassment or discrimination regardless of the reason for such actions. Failure to comply with these principles can damage the Group’s reputation among its customers, suppliers, employees and other external stakeholders which, in the long run, could lead to a negative financial impact on the Group. The Group currently sees no specific risks as regards the work force. The Group pursues its work to continuously improve the general working environment to thereby also reduce or minimise risks linked to labour.

Corporate Governance Report 2018 - Gunnebo Industrier Holding AB

Principles regarding the Corporate Governance Report
The Corporate Governance Report for Gunnebo Industrier Holding AB has been prepared according to the Annual Accounts Act.

Group structure and ownership
Gunnebo Industrier Holding AB is the Parent Company ("Parent Company") in the Group with its registered offices in Stockholm. The Parent Company's shares are owned 59.3% by Segulah IV L.P., 28.2% by Segulah III L.P., and 12.5% by other shareholders. Each shareholder is entitled to one vote per share at the annual meeting of shareholders in the Parent Company. The Company is not aware of any limitation on voting rights. None of the other shareholders control, directly or indirectly, more than 10% of the votes in the Parent Company.

Image: Overview of the Group's legal structure.



Annual General Meeting of shareholders

The Annual General Meeting of shareholders in the Parent Company is held annually within six months from the end of the financial year. The Annual General Meeting elects the Board of Directors and auditors and resolves on the compensation for the Board and auditors, adopts the income statement and balance sheet, determines the appropriation of the Company's results, decides on the granting of discharge from liability for the Board and CEO and resolves on other issues according to applicable legislation and the Articles of Association. The Parent Company held its AGM on 14 May 2018. No other matters were dealt with other than those appearing on the standing agenda according to the Articles of Association. The AGM has not given any authorisation to the Board to decide whether the Parent Company is to issue new shares or acquire its own shares.

Articles of Association

The Articles of Association stipulate that the Board of Directors of the Parent Company is to be comprised of three to 10 ordinary members with a maximum of two deputies. The Articles of Association contain no regulations deviating from those found in the Swedish Companies Act.

Ongoing Board work

The Parent Company's Board of Directors is comprised of Jörgen Centerman (Chairman of the Board), Sebastian Ehrnrooth, Carl-Gustaf Bergström and Johan Möllerström. The work of the Parent Company's Board follows the duties stipulated in the Swedish Companies Act and those of the Parent Company's work plan adopted each year at the Board meeting following election. The Parent Company's Board meets, usually, once a year as the Group's ongoing Board work takes place in the Board of Directors of Gunnebo Industrier AB (see below).

Audit Committee

The overall responsibility of the Parent Company's Board cannot be delegated; however, the Board has chosen to establish an Audit Committee. This Committee prepares, follows up and evaluations issues regarding the financial reporting, audit of the annual financial statements, and examines and monitors the partiality and independence of the auditors. The Committee's members are usually appointed at the Board meeting following election and their work follows the work plan and instructions of the Parent Company's Board.

Gunnebo Industrier AB

Duties of the Board of Directors

In the same manner as in the Parent Company, the Board's basic duties follow those stipulated in the Swedish Companies Act. In addition to these, the Board adopts a work plan for the Board and instructions for the CEO every year. The Board's work plan contains, amongst other things, regulations on the responsibilities and duties of the Board, that the Board is to meet at least five times a year and they also stipulate the issues to be addressed at the respective Board meetings, rules regarding the Chairman's duties and the issues to be subject to Board decision. The work instructions for the CEO contain, primarily, a division of duties between the Board and the CEO, Gunnebo Industrier AB's authorisation instructions and rules on the internal reporting to the Board.

Senior executives

The current Group management during the first quarter consisted of Fredrik Wiking (President & CEO), Magnus Bergendorff (EVP & CFO) beginning in August 2018, Mattias Löfqvist (EVP Sales excluding North America), Carl-Henrik Stenermark (EVP Operations excluding North America), Ernie Lutter (EVP North America) beginning in March 2019, and Fredrik Löfgren-Aili (EVP Procurement) beginning in March 2019.

Internal control and risk management

Framework for internal control

The basis for internal control consists of the Board of Directors' and Group's values, internal decision paths, the delegation of authority and responsibility, and clear and structured monitoring of financial as well as non-financial internal goals. These cornerstones of internal control have been communicated and established in the Group through policies and instructions, such as the work instruction for the CEO, authorisation instructions and instructions for day-to-day accounting and reporting. The Group also follows the widely accepted UN principles on human rights, labour, environment and anti-corruption.

Financial reporting to the Board

The CEO is responsible for ensuring that the Board receives the reports required so that the Board can, on an ongoing basis, assess the Group's financial position. Gunnebo Industrier AB's Board receives monthly financial reports and each Board meeting addresses the Group's financial position.

Risk assessment

As regards the financial risk assessment, the risks are deemed to be found primarily in the fact that significant errors can arise in the reporting of the Group's financial position and results. In order to minimise these risks, governance documents and clear processes have been established regarding the accounting, account closing routines and follow-up of the reported account closing. Gunnebo Industrier AB's Board assesses the ongoing reporting from a risk perspective. As support for this assessment, amongst other things, comparisons are made of the income statements and balance sheet items with previous reporting and with budget and forecast. Any possible risks that are identified regarding the financial reporting are handled through the Group's control structure.

Consolidated Income Statement

MSEK	Note	1 Jan 2018 -31 Dec 2018	1 Jan 2017 -31 Dec 2017
Net sales	1	998	862
Cost for goods sold		-651	-558
Gross profit		**347**	**304**
Operating expenses	31		
Selling expenses		-183	-163
Administrative expenses	32	-79	-71
Other operating income	3	8	2
Other operating expenses	4	-10	-13
		-264	**-245**
Operating profit/loss	2, 5, 29, 30	**83**	**59**
Profit/loss from financial items			
Interest income		0	1
Interest expenses		-72	-73
Other financial income	6	83	23
Other financial expenses	7	-69	-74
		-58	**-123**
Profit/loss after financial items	9	**26**	**-64**
Profit/loss before tax		**26**	**-64**
Taxes for the year	8	-12	9
Profit/loss on continued operations		**13**	**-55**
Profit/loss from discontinued operations		0	1
Profit/loss for the year		**13**	**-54**

Consolidated Statement of income and other comprehensive income

Profit/loss for the year		**13**	**-54**
Exchange rate differences arising from the translation of subsidiaries		-6	25
Total items that will be reclassified		**-6**	**25**
Revaluation of defined benefit pension plans		-11	-3
Tax attributable to items not recognised in the income statement		3	0
Total items that will not be reclassified		**-8**	**-3**
Total other comprehensive income		**-14**	**22**
Total income attributable to Parent Company shareholders for the period		**-1**	**-32**

Consolidated Balance Sheet

MSEK

	Note	31 Dec 2018	31 Dec 2017
ASSETS	10, 11	652	653
Non-current assets			
Intangible assets			
Goodwill			
Customer relationships		130	136
Trademarks		82	82
Other intangible assets		6	5
Total intangible non-current assets		**869**	**876**
Property, plant and equipment			
Land and buildings	12	58	60
Machinery and other technical facilities	13	54	57
Equipment, tools, fixtures and fittings	14	10	12
Construction in progress and advance payments regarding property, plant and equipment	15	16	4
Total property, plant and equipment		**138**	**133**
Financial assets			
Deferred tax assets	8	64	80
Other financial non-current assets		8	5
Total financial non-current assets		**72**	**85**
Total non-current assets		**1,080**	**1,094**
Current assets			
Inventories, etc.			
Inventories	19	277	229
Current receivables			
Trade receivables	20	159	142
Current tax assets		4	8
Other receivables		8	9
Prepaid expenses and accrued income	21	9	7
Total current receivables		**179**	**166**
Cash and cash equivalents	22	93	60
Total current assets		**550**	**455**
TOTAL ASSETS		**1,630**	**1,549**

Consolidated Balance Sheet

MSEK	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES	23		
Equity			
Equity attributable to shareholders in the Parent Company			
Share capital		1	1
Other contributed capital		9	9
Reserves		-68	-62
Retained earnings		492	488
Equity attributable to shareholders in the Parent Company		**434**	**436**
Total equity		**434**	**436**
Non-current liabilities			
Subordinate loans	25	297	258
Deferred tax liabilities	8	61	62
Bond loans	25	593	589
Pension commitments	24	95	84
Total non-current liabilities		**1,047**	**993**
Current liabilities			
Trade payables	25	77	55
Current tax liabilities		1	5
Derivatives	26	1	1
Other liabilities		4	4
Other provisions		1	0
Accrued costs and deferred income	27	65	55
Total current liabilities		**149**	**120**
TOTAL EQUITY AND LIABILITIES	28	**1,630**	**1,549**

Consolidated statement of changes in equity

MSEK

	Share capital	Other contributed capital	Reserves Note 23	Total	Retained earnings	Total
Opening equity 1 Jan. 2017	**1**	**9**	**-87**	**-77**	**545**	**468**
Profit/loss for the year					-54	-54
Other comprehensive income			25	25	-3	22
Total comprehensive income			**25**	**25**	**-57**	**-32**
Closing equity 31 Dec. 2017	**1**	**9**	**-62**	**-52**	**488**	**436**
Effect from changed accounting					-1	-1
principle (IFRS 9)	**1**	**9**	**-62**	**-52**	**487**	**435**
Adjusted opening equity 1 Jan. 2018						
Profit/loss for the year					13	13
Other comprehensive income			-6	-6	-8	-15
Total comprehensive income			**-6**	**-6**	**5**	**-1**
Closing equity 31 Dec. 2018	**1**	**9**	**-68**	**-58**	**492**	**434**

Consolidated Statement of Cash Flows

MSEK	Note	1 Jan 2018 -31 Dec 2018	1 Jan 2017 -31 Dec 2017
Operating activities			
Operating profit/loss		83	59
Adjustments for non-cash items, etc.			
Depreciation and amortisation charged to earnings	5	28	29
Other non-cash costs		3	1
Cash flow-affecting net financial items	34	-32	-35
Tax paid		-3	-2
Cash flow from operating activities before changes in working capital		**79**	**52**
Cash flow from changes in working capital			
Change in inventories		-39	-10
Change in trade receivables		-15	-24
Change in trade payables		21	-9
Other operating-related assets and liabilities, net		-9	6
Cash flow from operating activities		**38**	**15**
Investing activities			
Investments in intangible non-current assets	11	-3	-1
Investments in property, plant and equipment	12,13,14,15	-23	-9
Sales of property, plant and equipment		0	2
Sales of financial fixed assets		23	0
Sales of operations		0	51
Non-current receivables		-5	6
Cash flow from investing activities		**-8**	**49**
Financing activities			
Loans raised	25	3	588
Repayment of loans		0	-685
Cash flow from financing activities		**3**	**-97**
Cash flow for the year		**33**	**-33**
Cash and cash equivalents at the beginning of the year		60	95
Translation differences on cash and cash equivalents		1	-2
Cash and cash equivalents at the end of the year	22	**93**	**60**

Parent Company Income Statement

MSEK	Note	1 Jan 2018 -31 Dec 2018	1 Jan 2017 -31 Dec 2017
Operating expenses			
Administrative expenses	32	0	0
Operating profit/loss		**0**	**0**
Profit/loss from financial items	9		
Profit/loss from investments in Group companies	33	122	53
Interest income from Group companies		31	44
Other financial income	6	38	0
Interest expenses		-69	-58
Interest expense to Group companies		0	-3
Other financial expenses	7	0	-64
Profit from other securities and receivables, which are non-current assets		-1	-8
		121	**-36**
Profit/loss after financial items		**121**	**-36**
Profit/loss before tax		**121**	**-36**
Taxes for the year	8	-34	2
Profit/loss for the year		**87**	**-34**

Statement of income and other comprehensive income

Profit/loss for the year	**87**	**-34**
Comprehensive income attributable to Parent Company shareholders for the period	**87**	**-34**

Parent Company Balance Sheet

MSEK	Note	31 Dec 2018	31 Dec 2017
ASSET			
Non-current assets			
Financial assets			
Investments in Group companies	16, 17	802	802
Receivables from Group companies	18	1,215	1,177
Deferred tax assets	8	19	53
Total financial non-current assets		**2,036**	**2,032**
Total non-current assets		**2,036**	**2,032**
Current assets			
Current receivables			
Receivables from Group companies		69	46
Other receivables		0	0
Prepaid expenses and accrued income	21	1	2
Total current receivables		**71**	**48**
Cash and bank balances	22	8	3
Total current assets		**79**	**51**
TOTAL ASSETS		**2,114**	**2,083**

Parent Company Balance Sheet

MSEK	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES	23		
Equity			
Restricted equity			
Share capital		1	1
Total restricted equity		**1**	**1**
Non-restricted equity			
Share premium reserve		9	9
Retained earnings		1,116	1,150
Profit/loss for the year		87	-34
Total non-restricted equity		**1,212**	**1,125**
Total equity		**1,213**	**1,126**
Non-current liabilities	25		
Bond loans		600	600
Subordinate loans		297	259
Total non-current liabilities		**897**	**859**
Current liabilities			
Liabilities to Group companies		0	94
Other liabilities		0	0
Accrued costs and deferred income	27	4	4
Total current liabilities		**4**	**98**
TOTAL EQUITY AND LIABILITIES	28	**2,114**	**2,083**

Parent Company Statement of changes in equity

MSEK

	Share capital	Share premium reserve	Retained earnings	Total equity
Opening equity 1 Jan. 2017	**1**	**9**	**1,150**	**1,160**
Profit/loss for the year			-34	-34
Total comprehensive income			**-34**	**-34**
Closing equity 31 Dec. 2017	**1**	**9**	**1,116**	**1,126**
Profit/loss for the year			87	87
Total comprehensive income			**87**	**87**
Closing equity 31 Dec. 2018	**1**	**9**	**1,203**	**1,213**

Parent Company Statement of Cash Flows

MSEK	Note	1 Jan 2018 -31 Dec 2018	1 Jan 2017 -31 Dec 2017
Operating activities			
Operating profit/loss		0	0
Adjustments for non-cash items, etc.			
Cash flow-affecting net financial items	34	0	8
Tax paid		0	0
Adjustments for non-cash items		0	0
Cash flow from operating activities before changes in working capital		**0**	**8**
Cash flow from changes in working capital			
Changes in operating receivables		5	12
Change in operating liabilities		0	28
Total change in working capital		0	**40**
Cash flow from operating activities		**5**	**48**
Investing activities			
Investments in other financial non-current assets	18	0	-436
Cash flow from investing activities		0	**-436**
Financing activities			
Loans raised	25	0	600
Repayment of liability	25	0	-214
Payment of receivable		0	5
Cash flow from financing activities		0	**391**
Cash flow for the year		**5**	**3**
Cash and cash equivalents at the beginning of the year		3	0
Cash and cash equivalents at the end of the year	22	8	**3**

Accounting and measurement principles

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the EU, as well as interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In addition, the Group also applies the Swedish Financial Reporting Board’s recommendation RFR 1 Supplementary Accounting for Groups, which specify the additions to IFRS disclosures required by the provisions of the Swedish Annual Accounts Act.

In the Group's accounting, items were measured at cost, with the exception of certain financial assets and liabilities (derivatives), where measurement is at fair value.

The Parent Company's accounting policies follow the Group’s, except for the mandatory rules and optional exceptions set out in the Swedish Financial Reporting Board’s recommendation RFR 2 Accounting for Legal Entities. The accounting principles for the Parent Company are described under the heading “Parent Company.” The accounting principles are unchanged from the previous year except that regarding income and financial instruments. Accounting principles for these items are found in the annual report for 2017 in the section Accounting and measurement principles.

Application of new or revised standards
The following standards are applied by the Group for the first time in the financial year beginning on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 entails new requirements regarding the recognition of revenue and replaces IAS 18 Revenue, IAS 11 Construction Contracts and several related interpretations. The new standard provides more detailed guidance in many areas not previously presented concerning IFRS, including how contracts with multiple performance obligations, variable pricing, customer return right, etc. are recognised.

After performing an analysis based on the five-step model, the assessment is that there are no material differences between previously applied accounting principles and the guidance regarding identification of performance obligations in the contracts or potential allocation of price in IFRS 15. As with earlier principles for the recognition of revenues, product sales will be recognised when risk transfer under the contracts occurs, which according to the analysis done also fulfils the criteria for transfer of control in IFRS 15.

The final assessment is accordingly that the introduction of IFRS 15 does not have a material impact on the Group’s financial position and no quantitative effect has thereby been recognised at the transition to IFRS 15.

IFRS 9 Financial Instruments
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces those parts of IAS 39 that address the classification and measurement of financial instruments and introduces a new impairment model. Analyses of business models and characteristics for the contractual cash flows have been done regarding effects on classification and valuation of the Group’s financial instruments at the transition to IFRS 9. Financial instruments that at the end of the comparison year under IAS 39 were recognised at fair value through profit or loss or amortised cost (loan receivables, trade receivables and cash and cash equivalents), are classified and recognised at fair value through profit or loss and amortised cost, respectively, under IFRS 9 as of the beginning of 2018.

The Group applies IFRS 9 retroactively from 1 January 2018, which means that the opening balance for 1 January 2018 is affected, but that the comparative information is not restated in accordance with the simplified transition rules. IFRS 9 has not had any significant impact on the Group’s financial statements.

The new model for the calculation of the credit loss reserve in IFRS 9 is based on expected credit losses instead of occurred loss events as per IAS 39. This results in an earlier recognition of credit losses for the Group's financial assets that are recognised at amortised cost and financial assets recognised at fair value through other comprehensive income. Upon the introduction of IFRS 9, the Group chose to apply the simplified impairment model for trade receivables, which means that expected credit losses are recognised for the remaining duration.

The translation of the credit loss reserve at the transition to IFRS 9, as a result of the new model for expected credit losses being applies, amounts to an expense of SEK 1.5 million before tax and SEK 1.2 million after tax and affects the opening retained earnings as at 1 January 2018.

New or revised accounting standards after 2018

A number of new and amended IFRSs have not yet come into force and have not been applied in advance for the preparation of the consolidated and Parent Company financial statements. The IFRSs that may affect these reports are described below. Other new or amended standards or interpretations published by the International Accounting Standards Board (IASB) are not expected to affect the financial results of the Group or Parent Company.

IFRS 16 Leases

IFRS 16 was published in January 2016 and is to be applied for financial years beginning on or after 1 January 2019.

The implementation of the standard will mean that almost all leases will be recognised in the lessee's balance sheet as a difference will no longer be made between operating and finance leases. According to the new standard, an asset (right to use a leased asset) and a financial liability for the obligation to pay leasing fees will be recognised. Short-term leases and leases for which the underlying asset has a lesser value are exempt.

In the past year, all of the Group's leases were reviewed due to the new rules in IFRS 16. The standard will mainly affect the recognition of the Group's operating leases. According to IFRS 16, the Group expects to recognise rights of use (ROU) that amount to approximately SEK 115 million as of 1 January 2019, leasing liabilities of approximately SEK 112 million after adjustments for prepaid leasing fees that were recognised as at 31 December 2018. Working capital decreases by around SEK 18 million as a part of the liability is recognised as current.

The Group's initial estimates indicate that IFRS 16 will have a small impact on the operating profit and a small impact on profit after financial items. Further disclosures will be added in the annual report for 2019.

The Group will apply the standard from the application date 1 January 2019. The Group intends to apply the simplified transition method and will not restate the comparative figures. All of the ROUs are valued in an amount that corresponds to the leasing liability adjusted for prepaid leasing fees attributable to the lease as at 31 December 2018. At the transition, the following relief rules were applied: The exception for the short-term leases and leases of lesser value has been applied. The ROU assets have been classified and thereafter the discount rate was determined per country and the ROU period. The ROU period has been determined using knowledge after the fact regarding e.g. extension options and cancellation clauses.

The leasing payments are discounted with the marginal loan rate since the implicit interest rate in the leases cannot be determined. The marginal loan rate is calculated by country and for different durations. The service payments identified in the leases are excluded from the leasing liability.

Parent Company

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, as well as applicable statements from the

Swedish Financial Reporting Board. This means that, in the annual report for the legal entity, the Parent Company applies all IFRS and statements approved by the EU to the furthest possible extent within the framework for the Annual Accounts Act and the Pension Obligations Vesting Act in consideration of the relationship between accounting and taxation. The Parent Company mainly applies the principles described for groups above. Differences between the consolidated and the Parent Company's accounting principles are presented below.

Shares in subsidiaries
Shares in subsidiaries are measured at cost less any impairment losses. Transaction costs associated with acquisitions are included in the cost.

Group contributions and shareholder contributions
Group contributions received are reported as dividend. Paid Group contributions and shareholder contributions are reported as investments in shares in subsidiaries.

Pensions
The Parent Company's pension commitments have been calculated and reported based on the Pension Obligations Vesting Act. The application of the Pension Obligations Vesting Act is a prerequisite for tax deductions.

Income tax
The Parent Company does not report any deferred tax on untaxed reserves, these items are reported on a gross basis.

Leasing
Leases that are classified in the Group as finance leases are recognised in the Parent Company as operating leases due to the rules for taxation.

Consolidated financial statements
The consolidated financial statements comprise the Parent Company Gunnebo Industrier Holding AB and subsidiaries are all companies over which the Group has controlling influence. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases. The Group's acquisition of subsidiaries is reported according to the acquisition method. This means that the Group's equity includes the Parent Company's equity and the share of subsidiaries' equity, which has arisen after the acquisition date. The purchase price for an acquisition consists of the fair value of assets that were submitted as compensation, issued equity instruments and accrued or assumed liabilities per the transfer date. Costs that are directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities assumed at a business combination are measured initially at their fair values at the acquisition date. The difference between the cost of shares in subsidiaries and the fair value at the acquisition date of the identifiable acquired assets and liabilities, has been reported as goodwill. Intra-group assets and liabilities, intra-group transactions and unrealised gains are eliminated in full. Unrealised losses are also eliminated unless the transaction corresponds to an impairment loss. Changes in intra-group profit in the financial year are eliminated in the consolidated income statement.

Translation of foreign subsidiaries
Items included in the foreign subsidiaries' financial statements are estimated using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swedish Kronor (SEK), which is the Parent Company's functional and presentation currency. The foreign companies' accounts (where no one has a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities are translated at the closing day rate. Income and expenses are translated at the average rate. All exchange rate differences are carried directly to other comprehensive income.

Upon disposal of foreign subsidiaries, accumulated exchange rate differences are recognised as part of the capital gain.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of this business and translated at the spot rate of the balance sheet date.

Transactions with related parties
Transactions with related parties apply on market terms.

Receivables and liabilities in foreign currency
Transactions in foreign currency are translated to the functional currency at transaction date exchange rates. 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 income statement. Exceptions are when the transactions constitute hedges that meet the terms of hedge accounting of cash flows, as gains/losses are reported in Other comprehensive income.

Reporting of financial instruments
The Group reports its holdings of financial instruments in the following categories: Financial assets and liabilities at fair value through profit or loss and financial assets and liabilities at amortised cost. The classification of financial assets is governed by the business model for collecting the contractual cash flows and the properties of the contractual cash flows, i.e. whether or not they are comprised of only principal and interest. The former category consists primarily of currency derivatives. All of the derivatives are valued at fair value through profit or loss if they are not identified as hedges of cash flows or net investments in foreign operations. The valuation at fair value is based on a valuation hierarchy with classification at three different levels. Level 1 refers to when fair value is determined based on quoted prices in an active market for identical financial assets and liabilities. Level 2 refers to when fair value is determined based on other observable information than quoted prices included in Level 1. Level 3 refers to when the fair value is determined based on valuation models where substantial input is based on non-observable data.

Derivatives acquired for currency hedging of future currency flows are reported at fair value in the balance sheet. Financial assets recognised at amortised cost are financial assets held in a business model where the contractual cash flows are collected. The cash flows from these financial assets are comprised solely of principal and interest. Their distinguishing feature is that they arise when the Group provides money, goods or services directly to a debtor (usually a customer) with no intention of trading the receivable that arises. They are included in current assets if the maturity date is within 12 months from the balance sheet date.

Financial assets recognised at amortised cost are reported under Other receivables, Trade receivables and Cash and cash equivalents in the balance sheet. Financial liabilities recognised at amortised cost include primary accounts payable, subordinated loans and bond loans. All financial liabilities that are not derivatives are recognised at amortised cost.

Purchases and sales of financial instruments are reported on the business day, that is, the date on which the Group undertakes to buy or sell the asset. Financial instruments are initially recognised at fair value plus, for financial assets and liabilities recognised at amortised cost, transaction costs. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and the Group has relinquished, in all material respects, all of the risks and benefits associated with the ownership of the asset.

Settlement of financial instruments
Financial assets and liabilities are offset and reported in the balance sheet, only when there is a legal right to settle the reported amounts and an intention to settle them with a net amount or to simultaneously realise the asset and liability.

Inventories
Inventories are valued at the lower of cost and net realisable value according to the first-in, first-out method. Inventories are reported net after deductions for internal gains.

The cost of finished goods and goods under manufacture consists of direct material, direct pay, other direct manufacturing costs and a fair share of indirect manufacturing costs based on normal production capacity but excluding borrowing costs. Net realisable value is the estimated selling price under normal circumstances, less the cost of any completion and applicable variable selling expenses.

Income tax
Reported income tax includes tax to be paid or received regarding the current year, adjustments concerning previous years' taxes and changes in deferred tax.

Deferred tax is calculated using the balance sheet method on all temporary differences between tax values and reported values of assets and liabilities as well as on tax loss carry-forwards. Tax liabilities and/or tax assets are measured at nominal value according to the tax regulations and tax rates which have been determined or that have been announced and are highly likely to be adopted.

In the case of items reported in the income statement, the related tax effects are also reported in the income statement. The tax effects of items that are recognised directly as other comprehensive income, are reported as Other comprehensive income.

Deferred tax assets relating to loss carry-forwards are recognised to the extent that it is likely that the deduction can be offset against future taxable profits. The largest tax assets relate to countries where loss carry forwards can be utilised indefinitely. The Group's operations in these countries are profitable or have until recently been profitable and are expected to generate surpluses in the future.

Deferred tax liability in respect of temporary differences, that are attributable to investments in subsidiaries, is not recognised in the consolidated accounts of Gunnebo Industrier Holdings since the Parent Company is, in all cases, able to control the timing of reversal of temporary differences and it is not deemed probable that a reversal will take place in the foreseeable future.

Employee benefits
Pension commitments
The Group has both defined contribution and defined benefit pension plans.

- Defined contribution plans are defined as plans in which the Group pays fixed fees to a third party, and there is no obligation for the Group after the premiums have been paid. Such plans are reported as an expense when premium payments are made. Prepaid contributions are recognised as assets to the extent that a cash refund or a reduction in future payments may benefit the Group.

-Other plans are defined benefit plans in which the commitments remain within the Gunnebo Industrier Holding Group. These obligations and costs for the service in the current period are calculated actuarially using the Projected Unit Credit Method. External actuaries are used for these calculations. The actuarial assumptions used to calculate the obligations and costs vary with the economic factors that reflect the conditions in the countries where the defined benefit plans are located.

The Group's defined benefit plans are mostly not fund-based, and the benefits are paid with the respective subsidiaries' assets that have been included in the plan. The provision in the balance sheet consists of the present value of expected future cash flows using a discount rate that corresponds to the interest rate on first-class corporate bonds or, where these do not exist, government bonds issued in the currency the repayments will be paid in with a residual maturity comparable to the current pension liability term.

Actuarial gains or losses that arise from adjustments based on experience and changes to actuarial assumptions are recognised in Other comprehensive income for the period in which they arise.

The total cost of defined benefit plans is divided between personnel costs and financial expenses. The financial cost is calculated on the basis of the net value on each plan at the beginning of the year and the discount rate established for each country respectively. The cost of service in previous periods relating to changed pension conditions is reported directly in the income statement. Special payroll tax (equivalent to fees) is calculated on the difference between pension cost determined in accordance with IAS 19 and pension costs determined according to the rules applied for legal personalities. Payroll tax is recognised as an expense in the income statement, except for actuarial gains and losses where the payroll tax, as well as actuarial gains and losses, are reported directly in Other comprehensive income. A share of ITP plans in Sweden are financed through insurance premiums to Alecta. This arrangement constitutes a defined benefit plan that includes several employers. At present, Alecta cannot provide the information required to report the plan as a defined benefit plan. As a consequence, the ITP plans insured by Alecta are reported as defined contribution plans.

Remuneration upon termination

Compensation in case of termination is paid when an employee’s employment has been terminated by the Group before the normal time of retirement or when an employee accepts voluntary redundancy in exchange for such compensation. The Group recognises severance pay when it gives notice to employees under a detailed formal plan without possibility of retraction or to provide compensation on termination as a result of an offer to encourage voluntary redundancy. Benefits expiring more than 12 months after the balance sheet date are discounted to present value.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events and it is more probable than not that an outflow of resources will be required to settle the obligation, and when it is possible to measure the amount reliably.

Revenue recognition

The Group manufactures and sells chain and lifting components and block/systems for heavy lifting. The sale is recognised as revenue when the control of the products is transferred, which occurs when they are delivered to the customer and there are no unfulfilled commitments that can affect the customer’s approval of the products. Delivery takes place when the products have been transported to the agreed location. Sales are recognised net of VAT, discounts, and returns. The Group eliminates intra-group sales, dividends and interest income. Terms of payment are different in different markets and primarily vary between 30-90 days. Guarantees and returns are handled on an individual basis and they do not amount to material amounts at a Group level.

Intangible assets

Goodwill

Goodwill consists of the amount by which the purchase price exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets at the acquisition date.

Goodwill is tested annually to identify any impairment requirements and is reported at cost less accumulated impairment losses. Gain or loss on the disposal of an entity includes the remaining carrying amount of the goodwill pertaining to the divested entity. Goodwill is allocated to cash-generating units when assessing any impairment need.

Product development costs
Expenses related to development projects are capitalised as intangible assets to the extent that these expenses are expected to generate future economic benefits. Costs for research and other development costs are expensed as they arise and included in the item cost of goods sold in the income statement. Development costs previously expensed are not capitalised as assets in later periods. Development costs that have been balanced are depreciated on a straight-line basis over the period in which the expected benefits are expected to come from the Company and from the date of commencement of commercial production (3 - 15 years).

Trademarks
Acquired trademarks have a determinable useful life and are reported at cost less accumulated depreciation. They are amortised on a straight-line basis so that the cost for the contracts is distributed over their estimated useful lives (30 - 100 years). The right to use the Gunnebo trademark for 100 years constitutes the bulk of the Group's trademark assets.

Customer relationships
Acquired customer relationships have a determinable useful life and are reported at cost less accumulated depreciation. They are amortised on a straight-line basis so that the cost for the customer relationships are distributed over their estimated useful lives (30 years).

Patents, licences and technology
Acquired patents, licences and technology are reported at cost. Patents, licences and technology have a determinable useful life and are reported at cost less accumulated depreciation. They are amortised on a straight-line basis so that the cost for patents and technology are distributed over their estimated useful lives, and licences are amortised over the contract period. The amortisation period varies between 5 and 15 years.

Purchased software
Expenditure for software which has been developed or significantly adapted for the Group are capitalised as intangible assets if they are expected to generate future economic rewards which exceed the costs after one year. Capitalised costs for acquired software is amortised on a straight-line basis over the decided useful life (3 - 10 years).

Property, plant and equipment
Property, plant and equipment are stated at cost less depreciation. The cost includes costs that are directly attributable to the asset to put it in place and in order for it to be utilised in accordance with the purpose of the acquisition. Subsequent costs are added to the asset’s reported value or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and that the cost of the asset can be measured reliably. All other forms of repairs and maintenance are expensed in the income statement in the period in which they arise.

Depreciation
Depreciation is based on the initial cost of the assets less a calculated residual value and distributed on a straight-line basis over the estimated useful life. The following depreciation periods are applied:

Vehicles	5 years
IT equipment	3 - 5 years
Other machinery and equipment	5 - 15 years
Land and buildings	20 - 50 years
Trademarks	30 - 100 years
Customer relationships	30 years
Patents, licences and technology	5 - 15 years
Other intangible non-current assets	3 - 10 years

The assets’ residual values and useful lives are reviewed at each reporting date and adjusted if necessary.

Impairment of non-financial assets
Assets with an indefinite useful life, goodwill, are not written-down but are tested annually for any impairment loss. Assets which are depreciated or amortised are impairment tested at such time as events or changes in circumstances indicate that the reported value may not be recoverable. An impairment loss is applied in the amount with which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less selling expenses and the value in use. When assessing impairment requirements, assets are grouped at the lowest level at which there are separate identifiable cash flows (cash-generating units).

An impairment test is performed on every balance sheet day on assets, other than financial assets and goodwill, which have previously been written-down, to determine whether or not they should be recovered.

Leases
Lease agreements which mean that the Group, as a lessee, essentially enjoys the financial benefits and risks associated with the leased item (financial leases), the item is reported as a fixed asset in the consolidated balance sheet. Corresponding obligations to pay leasing fees in the future are reported as debt. Other lease agreements are operational leasing. Payments made during the lease term in accordance with operational leasing agreements (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are reported as part of the acquisition cost of these assets. Other borrowing costs are expensed as incurred. Arrangement fees incurred in connection with the acquisition of long-term loans are accrued over the term of the loan agreement.

Statement of Cash Flows
The statement of cash flows has been prepared using the indirect method. The reported cash flow only includes transactions involving incoming or outgoing payments. For foreign subsidiaries, all transactions are recalculated at the average exchange rate for the year. Cash and cash equivalents consist of cash and bank balances and short-term investments with a maturity of less than three months from the date of acquisition and for which the value change risk is insignificant.

Reporting of segments
The segments are reported in the same way as in internal reporting material to the Gunnebo Industrier Holding Group's President and CEO (the Group's highest executive decision-maker) using this to evaluate performance and to decide on the allocation of resources. Each segment is monitored on its operating profit/loss, which is the financial measurement used by Gunnebo Industrier Holding Group's President and CEO to evaluate segment performance.

Earnings per share
The Group is listed for bond loans and, therefore, does not apply IAS 33 Earnings per share.

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any reserves for expected credit losses. A reserve for expected credit losses of trade receivables is amassed continuously according to the simplified method in IFRS 9, which means that expected credit losses for the remaining duration are recognised. The reserve is made at an individual level and builds on payment history, the customer’s current credit rating and an assessment of prospective information. Write-offs are applied in cases when the loss is considered to be finally established in terms of amount. Changes in the reserve for expected credit losses are recognised in the

income statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowing period using the effective interest method.

Key estimates and assumptions
The preparation of financial statements and the application of different accounting standards are often based on management's assessments or assumptions and estimates that are considered reasonable in the current circumstances.

These assumptions and estimates are often based on historical experience, but also on other factors, including expectations of future events. The actual outcome may differ from the assessments made. Estimates and assessments may affect both the income statement and balance sheets and additional information provided in the financial statements. Therefore, changes in estimates and assessments can lead to changes in the financial reporting. For example, estimates and assessments have been made in calculating obsolescence of inventories, the valuation of future pension obligations, testing of impairment requirements for goodwill, future warranty commitments, ongoing disputes and other legal commitments. Also see Notes 35 and 36. The assumptions and estimates deemed to have the greatest impact on the Group's position and results are presented below.

Impairment testing of goodwill
Each year, the Group tests if there is any impairment need for goodwill in accordance with the above-described accounting principle. The testing requires an estimate of parameters that affect future cash flow and the determination of a discount factor. The recoverable amount of the cash-generating units has subsequently been determined by calculating the value in use. Note 10 contains a statement of significant assumptions when impairment testing goodwill. The reported value of goodwill in the Group amounted to SEK 652 million (653) at year-end 2018.

Valuation of deferred tax assets
Deferred tax assets relating to loss carry-forwards amount to SEK 64 million (84) as at 31 December 2018. The carrying amount of these tax assets has been tested on the balance sheet date and it has been estimated that the deductions can be utilised against surpluses in future taxation. The largest tax assets relate to countries where loss carry-forwards can be utilised indefinitely. The Group's operations in these countries are profitable or have until recently been profitable and are expected to generate surpluses in the future. The Group's management therefore considers that there are factors that convincingly suggest that the tax loss carry-forwards attributable to tax liabilities will be utilised against future taxable surpluses. Changes in the above assumptions and assessments may result in significant differences in the valuation of deferred tax assets.

Post-employment benefits
The recognition of provisions for defined benefit pension plans and other pension benefits is based on actuarial calculations based on assumptions about discount rates, future salary increases, staff turnover and demographic conditions. Assessments made regarding these assumptions affect the value of the total pension obligation and major changes in the assessments could have a significant impact on the Group's earnings and position. The same applies to a changed assessment as to whether or not pension insurance in Alecta is to be reported as a defined contribution plan. At year-end 2018, the Group's provision for pensions amounted to SEK 95 million (84).

Notes
MSEK

Note 1 Operating Segments

	Components, Chain & Shackles		Blocks & Sheaves		Corporate		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net sales	822	722	176	140	0	0	998	862
Depreciation/Amortisation	-13	-14	-4	-4	-3	-3	-20	-21
Operating profit/loss	**115**	**78**	**-12**	**-8**	**-20**	**-11**	**83**	**59**
Financial income							83	23
Financial expenses							-141	-146
Tax on profit for the year							-12	9
Profit for the year							13	-55
External sale by market								
Sweden	105	107	0	0	0	0	105	107
Norway	96	88	1	0	0	0	97	88
America	263	197	171	139	0	0	434	336
Other markets	358	330	4	1	0	0	362	331
Total	**822**	**722**	**176**	**140**	**0**	**0**	**998**	**862**
Non-current assets by market								
Sweden	579	578	0	0	49	51	628	629
Norway	19	19	0	0	0	0	19	19
America	1	1	353	353	0	0	354	354
Other markets	6	7	0	0	0	0	6	7
Total	**605**	**605**	**353**	**353**	**49**	**51**	**1,007**	**1,009**

Operating profit is the profit measure that is applied in the Group's internal reporting. No customer accounted for more than 10 % of sales in 2018 or 2017.

Gunnebo Industrier has decided to split its activities into three segments:

-Components, Chain & Shackles. The segment consists mainly of the development, manufacturing and sale of the product categories components, chains and shackles. The segment includes the Group's two factories in Sweden and the factory in Norway. The largest markets in this segment are Sweden, North America, Norway and the UK.

-Blocks & Sheaves. The segment consists mainly of the development, manufacturing and sales of the product categories crane blocks, sheaves and smaller block-related products. The segment includes the Group’s factory in North America.

-Corporate. The segment consists mainly of Group-wide functions such as IT and Group Finance as well as properties in Sweden.

Note 2 Costs by nature of expense
Group

	2018	2017
Material costs	326	279
Costs for remuneration of employees (Note 31)	328	287
Transport costs	45	39
Depreciation and amortisation (Note 5)	28	30
Rents / Leasing	22	24
Maintenance costs	20	19
Energy costs	18	14
Other costs	136	113
Total operating expenses	**923**	**805**

Note 3 Other operating income
Group

	2018	2017
Exchange rate differences	6	1
Profit/loss from disposals of non-current assets	0	0
Commissions	1	1
Other costs	1	0
Total	**8**	**2**

Note 4 Other operating expenses
Group

	2018	2017
Exchange rate differences	0	-6
Profit/loss from disposals of non-current assets	0	0
Structural costs: Personnel costs	-2	-5
- Discontinued operations	-6	0
- Relocation of business	-1	-2
- Other structure costs	0	0
Other costs	-1	0
Total	**-10**	**-13**

Note 5 Depreciation and amortisation
Group

	2018	2017
Operating income has been charged with depreciation and amortisation as follows:		
Cost of goods sold	25	26
Selling expenses	1	1
Administration expenses	2	2
Total	**28**	**29**
Cost of goods sold includes amortisation of intangible assets in an amount of	10	9

Note 6 Other financial income
Group

	2018	2017
Exchange rate differences	59	15
Profit/loss from investments in associates	23	0
Other	0	8
Total	**83**	**23**

Parent Company

	2018	2017
Exchange rate differences	38	0
Total	**38**	**0**

Note 7 Other financial expenses
Group

	2018	2017
Exchange rate differences	-60	-42
Refinancing costs for new loans	-4	-3
Financing costs for concluded loans	0	-17
Other	-4	-12
Total	**-69**	**-74**

Parent Company

	2018	2017
Exchange rate differences	0	-72
Other	0	0
Total	**0**	**-72**

For 2018, the Parent Company has, as in previous years, charged the subsidiaries for refinancing costs relating to the financing.

Note 8 Taxes Group

	2018	2017
Current tax	-1	-4
Deferred tax	-11	12
Total	**-12**	**9**

The difference between reported tax and expected tax calculated based on the local tax rate for Sweden (22.0 %) is explained in the table below.

Profit/loss before tax	26	-63
Tax expenses		
Tax calculated at the Swedish tax rate 22.0%	-6	14
Difference calculated according to national tax rates	2	0
Taxes attributable to earlier years	-4	1
Non-taxable/deductible items	-4	-6
Tax loss carry-forwards	0	0
Total	**-12**	**9**
Specification of deferred tax assets		
Unrealised profit effects for internal deliveries	3	2
Tax loss carry forwards	61	84
Other temporary differences	8	6
Netting of tax	-8	-12
Total	**64**	**80**
Specification of deferred tax liabilities		
Customer relationships	31	33
Trademarks	22	23
Untaxed reserves	8	9
Land and buildings	8	7
Other temporary differences	0	2
Netting of tax	-8	-12
Total	**61**	**62**

Deferred tax assets are reported as tax loss carry-forwards to the extent they are likely to be utilised through future taxable profits. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax receivables and tax liabilities and when the deferred taxes refer to the same tax authority and period.

The impact from the reduction of the corporate tax in Sweden that was decided on 14 June 2018 from 22 % to 21.4 % from 1 January 2019 and to 20.6 % from 1 January 2021 has affected the valuation of deferred tax liabilities in an amount of SEK 0 million and deferred tax assets in an amount of SEK 1 million.

Gross changes in deferred taxes as follows:

	2018	**2017**
At the beginning of the year	-19	16
Recognised in profit or loss	11	-12
Divestment	0	-24
Other comprehensive income	2	0
Translation differences	2	1
At year-end	-3	-19

	2018	**2017**
Parent Company		
Current tax	0	0
Deferred tax	-34	2
Total	**-34**	**2**

The difference between reported tax and expected tax calculated based on the local tax rate for Sweden (22.0 %) is explained in the table below.

Profit/loss before tax	121	-36
Total	**121**	**-36**
Tax expenses		
Tax calculated according to the Swedish tax rate 22.0%.	-26	8
Tax effects of non-deductible interest expenses	-7	-6
Adjustment of tax in the previous year	-1	0
Total	**-34**	**2**
Deferred tax assets		
Tax loss carry forwards	19	53
	19	**53**

Note 9 Foreign exchange gains/losses
Group

Foreign exchange differences have been recognised in the income statement as follows:

	2018	**2017**
Other operating income and operating expenses	6	-6
Other financial income	59	15
Other financial expenses	-60	-42
Total	**4**	**-33**

Parent Company

	2018	**2017**
Other financial expenses	0	72
Other financial income	38	0
Total	**38**	**72**

Note 10 Goodwill
Group

	31 Dec 2018	31 Dec 2017
Opening cost	653	653
Disposal/Divestment	-1	0
Translation differences	0	0
Closing accumulated costs	**652**	**653**
Closing carrying amount	**652**	**653**

Impairment testing of goodwill

Goodwill is allocated to the lowest identified cash-generating unit in the Group and allocated by business areas as per below.

	31 Dec 2018	31 Dec 2017
Operating segment Components, Chain & Shackles	396	397
Operating segment Blocks & Sheaves	256	256
Closing carrying amount	**652**	**653**

Goodwill with an indefinite useful life is annually tested whether the value deviates negatively from the carrying amount, but can be tested more often if there are signs that the value decreased. The operation's recoverable amounts have been determined based on a calculation of value in use. The value in use for the asset is estimated using a discounted cash-flow model based on forecasts approved by corporate management for every cash generating unit. This model covers the next five years, 2019-2023, in the plans used for the impairment testing. The forecasts of the future cash flows are based on budget and strategic plans corresponding to the management's estimates of future income and operating expenses using the outcomes of previous years, general market conditions, industry development and forecasts and other available information. Several assumptions are made, of which the most significant are the growth rate for income and the discount rate. The cash flow for the fifth year is used for the subsequent years with an annual growth of 2%, which is deemed to correspond to the development in the markets in which the company is active.

The discount rate before tax is based on the risk-free interest rate, market premium, beta ratio and capital structure. These parameters are largely established with the help of external sources. The discount rate after tax used in 2018 was by segment: Components, Chain & Shackles 8.8% (8.8%) and Blocks & Sheaves 8.1% (7.9%). The discount rate varies depending on the chosen market premium for the segment. If the set discount rate increases by 1 percentage point or if the sales rate decreases by 2 percentage points or if the earnings level decreases by 1 per cent or if the long-term growth decreases by 1 per cent compared with the management's assessment, it would still not entail any impairment requirement. The sensitivity analysis is done for every cash-generating unit individually.

For the segment Components, Chain & Shackles, which is in a strong growth phase in several markets, the model indicates a large distance between the discounted value in use and book value of goodwill. For the segment Blocks & Sheaves, the plan is based on a recovery of underlying cyclic markets, such as mobile cranes, oil and gas, the model indicates a smaller distance between the discounted value in use and the book value of goodwill. If the percentages for Blocks & Sheaves in the sensitivity analysis were to double, i.e. if the established discount rate increases by 2 percentage points, if the profit level decreases by 2 per cent or if the long-term growth decreases by 2 per cent, it would entail an impairment requirement.

It is the company management's view that under the prevailing market situation, reasonable changes in the factors that form the basis of the estimate of the cash-generating units' recoverable amount and that this does not mean that the carrying amount exceeds the recoverable amount. However, a future degradation in the market may gradually lead to an impairment situation.

Note 11 Intangible assets, other
Group

	Customer relations	Trademarks	Other intangible assets	**Total**
Costs				
At beginning of year, 1 Jan 2017	198	91	29	318
Investments	0	0	1	1
Sales/Disposals	0	0	0	0
Translation differences	0	0	-1	-1
At year-end 31 Dec 2017	**198**	**91**	**29**	**318**
At beginning of year, 1 Jan 2018	198	91	29	318
Investments	0	0	3	3
Sales/Disposals	0	0	-1	-1
Translation differences	0	0	0	0
At year-end 31 Dec 2018	**198**	**91**	**31**	**320**
Amortisation				
At beginning of year, 1 Jan 2017	-55	-8	-23	-86
Depreciation for the year	-7	-1	-1	-9
Sales/Disposals	0	0	0	0
Translation differences	0	0	0	0
At year-end 31 Dec 2017	**-62**	**-9**	**-24**	**-95**
At beginning of year, 1 Jan 2018	-62	-8	-24	-95
Depreciation for the year	-6	-1	-2	-9
Sales/Disposals	0	0	1	1
Translation differences	0	0	0	0
At year-end 31 Dec 2018	**-68**	**-9**	**-25**	**-103**
Carrying amount, 31 Dec 2017	**136**	**82**	**5**	**223**
Carrying amount, 31 Dec 2018	**130**	**82**	**6**	**217**

Note 12 Land and buildings
Group

	31 Dec 2018	31 Dec 2017
Opening cost	133	203
Purchases	0	0
Sales/disposals	0	-70
Translation differences	0	0
Closing accumulated costs	**133**	**133**
Opening depreciation	-73	-102
Sales/disposals	0	32
Depreciation for the year	-3	-3
Translation differences	0	0
Closing accumulated depreciation	**-75**	**-73**
Closing carrying amount	**58**	**60**

Note 13 Plant and machinery
Group

	31 Dec 2018	31 Dec 2017
Opening cost	413	593
Purchases	8	4
Sales/disposals	-2	-169
Reclassifications	1	1
Translation differences	12	-16
Closing accumulated costs	**432**	**413**
Opening depreciation	-356	-500
Sales/disposals	2	145
Depreciation for the year	-14	-15
Translation differences	-10	14
Closing accumulated depreciation	**-378**	**-356**
Closing carrying amount	**54**	**57**

Note 14 Machinery and equipment
Group

	31 Dec 2018	31 Dec 2017
Opening cost	74	126
Purchases	1	1
Sales/disposals	-3	-53
Reclassifications	0	0
Translation differences	0	0
Closing accumulated costs	**72**	**74**

Opening depreciation	-62	-110
Sales/disposals	2	50
Depreciation for the year	-2	-3
Translation differences	0	1
Closing accumulated depreciation	**-62**	**-62**
Closing carrying amount	**10**	**12**

Not 15 Construction in progress and advance payments regarding tangible assets

Group

	31 Dec 2018	**31 Dec 2017**
Opening cost	4	2
Purchases	15	4
Sales/disposals	0	-1
Reclassifications	-3	-1
Translation differences	0	0
Closing accumulated costs	**16**	**4**
Closing carrying amount	**16**	**4**

Note 16 Investments in Group companies

Parent Company

	31 Dec 2018	**31 Dec 2017**
Opening cost	802	802
Closing accumulated costs	**802**	**802**
Closing carrying amount	**802**	**802**

Note 17 Specification, participations in Group companies

Subsidiaries

Name	**% Equity**	**% Votes**	**No. participations**	**Book value 2018**	**Book value 2017**
Gunnebo Industrier Group AB	100	100	4,000	802	802
				802	**802**

	Corp. ID no.	Domicile
Gunnebo Industrier Group AB	556025-8625	Stockholm

Shares owned by Group companies

Name	% Equity	% Equity
Gunnebo Industrier AB	100	100
Gunnebo Ind GmbH	100	100
Gunnebo Ind Ltda	100	100
Gunnebo Ind PTY Ltd	100	100
Gunnebo Ind Ltd	100	100
Gunnebo Industries SP zoo	100	100
Gunnebo Ind Ltd (UK)	100	100
Gunnebo Industries (Pty) Ltd	100	100
Gunnebo Ind Kunshan Co Ltd	100	100
Gunnebo Ind Hong Kong Ltd	100	100
Gunnebo Ind Holding A/S	100	100
GJC Investments Inc	100	100

	Domicile
Gunnebo Industrier AB	Västervik
Gunnebo Ind GmbH	Siegen
Gunnebo Ind Ltda	Sao Paolo
Gunnebo Ind PTY Ltd	Wetherill Park
Gunnebo Ind Ltd	Dublin
Gunnebo Industries SP zoo	Orneta
Gunnebo Ind Ltd (UK)	Redditch
Gunnebo Industries (Pty) Ltd	Johannesburg
Gunnebo Ind Kunshan Co Ltd	Jiansu
Gunnebo Ind Hong Kong Ltd	Hong Kong
Gunnebo Ind Holding A/S	Lonevåg
GJC Investments Inc	Oklahoma

Note 18 Financial assets

Parent Company

	Participations Group companies	Receivables Group companies	Deferred tax assets
At the beginning of the year, 1 Jan 2017	802	1,128	51
Internal loans to Group companies transferred		-342	
Additional long-term receivables	0	436	2
Expiring long-term receivables		-45	
At year-end, 31 Dec 2017	**802**	**1,177**	**53**
At the beginning of the year 1 Jan 2018	802	1,177	53
Revaluation receivables		37	
Expiring tax receivables during the year	0	0	-34
At year-end 31 Dec 2018	**802**	**1,215**	**19**

Note 19 Inventories

Group

	31 Dec 2018	31 Dec 2017
Raw material stock	50	31
Work in progress	92	74
Finished products	141	129
Additional advances to suppliers	0	0
Obsolescence reserve	-6	-5
Total	**277**	**229**

Note 20 Trade receivables

Group

	31 Dec 2018	31 Dec 2017
Not overdue	128	112
Overdue 1-30 days	25	24
Overdue 31-60 days	5	3
Overdue 61-90 days	1	2
Overdue > 90 days	5	5
Reserve for doubtful receivables	-5	-4
Total	**159**	**142**

Reserve for doubtful trade receivables

	31 Dec 2018	31 Dec 2017
Opening reserve	-4	-3
Effect of IFRS 9	-1	0
Change in reserve	-0	-1
Closing reserve	**-5**	**-4**

The Group recognised an expense of SEK 0.2 million (0.3) for impairment of accounts receivable in 2018. The cost was recognised in the item selling expenses. All accounts receivable are due within 12 months. All other receivables are due within 12 months.

Note 21 Prepaid expenses and accrued income

Group

	31 Dec 2018	31 Dec 2017
Prepaid insurance premiums	1	1
Prepaid rent	4	3
Other items	4	3
Total	**9**	**7**

Parent Company

	31 Dec 2018	31 Dec 2017
Financing costs	1	2
Total	**1**	**2**

Note 22 Cash and cash equivalents
Group

Within the Gunnebo Industrier Holding Group, there are shared bank accounts for some companies in a so-called cashpool. From 2017, Gunnebo Industrier AB is responsible for the cashpool. The bank accounts for Gunnebo Industrier Holding and Gunnebo Industrier Group AB are not included in the cashpoolen. The agreed limit for the Group’s Multicurrency Revolving Credit Facility Agreement amounts to SEK 60 million (60). At year-end, SEK 0 million (0) of the agreed limit had been used.

Note 23 Equity
Group

	Translation reserve	**Total reserves**
Opening balance, 1 Jan 2017	-87	-87
Exchange-rate differences	25	25
Closing balance, 31 Dec 2017	**-62**	**-62**
Opening balance, 1 Jan 2018	-62	-62
Exchange-rate differences	-6	-6
Closing balance, 31 Dec 2018	**-68**	**-68**

At 31 December 2018, there were 1,064,524 shares in the Parent Company with a quotient value of SEK 1. No dividend is proposed to be paid. In 2009, 173,296 warrants were issued to a credit institution. Every warrant entitles the holder to subscribe for one share in the company from the time of registration in 2008 to 31 December 2030 at a subscription price of the current quotient value limited to it applying in connection with a possible sale or listing of the Company or the warrants’ expiration date.

Note 24 Pension commitments
Group

Employee benefits after concluded employment, such as pensions, health care benefits and other benefits, are overwhelmingly made through payments to insurance companies or authorities that thereby assume the obligations to the employees, so-called defined-contribution plans.

The remainder are fulfilled through so-called defined-benefit plans where the obligation remain within the Gunnebo Industrier Holding Group. The largest defined-benefit plan is in Sweden (FPG/PRI provision). Other defined-benefit plans are mainly in Norway, but also in Germany.

Regarding defined-benefit plans, the Group’s costs and the value of outstanding obligations are calculated using actuarial calculations, which aim to determine the present value of issued commitments.

Material actuarial assumptions, %

Sweden	**2018**	**2017**
Discount rate	2.3	2.7
Expected salary increase rate	3.0	3.0
Inflation	2.0	1.8

Norway	**2018**	**2017**
Discount rate	2.3	2.3
Expected salary increase rate	2.5	2.5
Inflation	2.2	2.2

Demographic data:

	People	Active	Duration year
Sweden	342	47	18

	31 Dec 2018	31 Dec 2017
Amounts recognised in the consolidated balance sheet		
Present value of funded obligations	8	8
Less: Fair value of plan assets	-7	-7
Deficit in funded plans	**1**	**1**
Present value of non-funded obligations	87	78
	87	**78**
Net liability in the balance sheet	**88**	**79**
Special payroll tax	7	5
Pension commitments	**95**	**84**
Of which:		
Sweden	91	80
Norway	1	1
Germany	3	3
Specification of changes in present value of obligations:		
At the beginning of the year	85	116
Currency changes	0	0
Costs for service during the year	2	2
Interest expenses	2	2
Paid benefits	-3	-4
Sold operations	0	-34
Actuarial gains (-)/losses (+)	9	3
Other (including reclassifications)	0	0
At year-end	**95**	**85**
Changes to the fair value of plan assets		
At the beginning of the year	7	8
Currency changes	0	0
Interest income	0	0
Paid benefits	0	-1
Payments from the employer	0	0
Return on plan assets excluding amounts included in interest expenses	0	0
Other (including reclassifications)	0	0
At year-end	**7**	**7**

Amounts recognised in profit or loss comprise the following:

Expenses for defined-benefit plans:		
Expenses for service during current year	2	2
Interest expense for the net obligation	2	2
Expenses for defined-benefit plans	**4**	**4**
Expenses for defined-contribution plans	12	9
	12	**9**
Total expense recognised in profit or loss	**16**	**13**

Expense items are allocated in operating profit within costs of goods sold, sales or administrative expenses depending on the employee's function. Interest is classified as a financial expense. Of the expenses for defined contribution plans, SEK 0.1 million (0.1) constitutes premiums to Alecta. This insurance comprises several employers in Sweden and adequate information does not exist from Alecta to be able to present the plan as a defined-benefit plan. Alecta's funding ratio amounted to 142% (154) at year-end. The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial assumptions, which are not consistent with IAS 19.

The Gunnebo Industrier Group accounts for an insignificant share of the plan. The forecast for the 2019 premium to Alecta amounts to SEK 0.1 million. The forecast for premiums in 2019 regarding other plans amounts to SEK 3.0 million (2.8) in Sweden, SEK 0.5 million (0.4) in Norway and SEK 0.2 million (0.2) in Germany.

Sensitivity analyses

Sweden (excluding salary tax)			
Discount rate +/- 0.5 %	1.80%	2.30%	2.80%
	92	84	77
Salary increase +/- 0.5%	2.5%	3.0%	3.5%
	83	84	86
Inflation +/- 0.5%	1.5%	2.0%	2.5%
	78	84	91
Useful life +/- 1 year	-1 year	DUS 14	+1 year
	80	84	88

Note 25 Borrowings
Group/Parent Company

Borrowings

Through the Parent Company and the issue Gunnebo Industrier Holding AB, the Group has a bond loan. The bond loan was issued on 12 May 2017 and listed on Nasdaq Stockholm in December 2017. The covered bond loan of SEK 600 million has a term of three years until 12 May 2020 without repayments and without requirement of fulfilment of financial covenants. In addition to the bond loan, an agreement was reached at the same time with a bank regarding a "Multicurrency Revolving Credit Facility Agreement" (RCF credit) that can be used up to SEK 60 million with the same term as the bond loan. As a condition for the RCF credit, the Group must fulfil certain financial commitments. At the closing date, there was adequate space regarding these financial commitments. The conditions in the bond loan provide an opportunity to increase the bond loan to SEK 900 million and the RCF credit to SEK 100 million on condition that certain commitments are fulfilled. On the balance sheet date, SEK 0 million of the RCF credit had been used. The interest rate on the bond/RCF credit is related to Stibor, or another interest rate index depending on the financing currency, with an agreed margin surcharge. The bond loan is valued at fair value on level 1 since they are traded on an open market. Fair value calculated at average market price, on the final date that it was traded in 2018, was SEK 610 million.

The funds received through the bond loan/RCF credit can in some cases be allocated internally between Group companies through internal loans. Such internal operating financing takes place at market-based terms. The repayments of these internal loans vary with the exchange rate in the countries where the financing has taken place. The interest rate in the agreement is related to Stibor, or another interest rate index depending on the financing currency, with an agreed margin surcharge.

In addition to financing, subordinated loans have been provided from the main owners and option holders, which as of the balance sheet date amount to SEK 297 million (258). The subordinated loans have no set duration.

The Parent Company Gunnebo Industrier Holding AB currently has total credit facilities of SEK 957 million (918). At year-end, SEK 897 million (858) was utilised.

Other liabilities

Accounts payable and other liabilities fall due within 12 months. The table below shows the Group's financial liabilities, accounts payable and other liabilities that will be settled net, divided by the time on the balance sheet date that remains until the contractual due date. The amounts stated in the table are the contractual, undiscounted cash flows including forecast future nominal interest payments and therefore do not correspond to the amounts on the balance sheet.

Group	**Less than one year**	**Between 1 and 2 years**	**More than 2 years**
At year-end, 31 Dec 2017			
Bond loans	30	30	611
Subordinate loans	0	0	394
Derivatives	1	0	0
Accounts payable and other liabilities	119	0	0
	150	**30**	**1,005**
At year-end, 31 Dec 2018			
Bond loans	30	611	0
Subordinate loans	0	0	453
Derivatives	1	0	0
Accounts payable and other liabilities	148	0	0
	179	**611**	**453**

Parent Company	**Less**	**Between**	**More than**
At year-end, 31 Dec 2017	**than one year**	**1 and 2 years**	**2 years**
Bond loans	30	30	611
Subordinate loans	0	0	394
Accounts payable and other liabilities	98	0	0
	128	**30**	**1,005**

At year-end, 31 Dec 2018			
Bond	30	611	0
Subordinate loans	0	0	453
Accounts payable and other liabilities	4	0	0
	34	**611**	**453**

Changes in liabilities attributable to financing activities

Group	**Subordinate loans**	**Bond loans**	**Liabilities to other credit institutions**
At beginning of year, 1 Jan 2017	**225**	**0**	**648**
Repayment of loan	0	0	-684
Loans raised	0	600	0
Exchange differences	0	0	-4
Other changes	34	-11	40
At year-end, 31 Dec 2017	**259**	**589**	**0**
At beginning of year, 1 Jan 2018	**259**	**589**	**0**
Repayment of loan	0	0	0
Loans raised	0	0	0
Exchange differences	0	0	0
Other changes	38	4	0
At year-end, 31 Dec 2018	**297**	**593**	**0**

Note 26 Derivative instruments
Group

Currency forward contracts constitute the main instruments for covering the business risk in the operating activities. They do not meet the criteria for hedge accounting, and are valued at fair value on the closing date. In the income statement for 2018, they are recognised under other operating expenses in an amount of SEK -0 million (1). On the closing date, currency hedges exist regarding future flows of SEK 57 million. For these derivatives, the fair value was established based on valuation techniques that are essentially based on observable market data. According to the fair value hierarchy, such valuation methods are classified in Level 2 (see accounting principles).

Note 27 Accrued costs and deferred income
Group

	31 Dec 2018	**31 Dec 2017**
Holiday pay liability	17	15
Accrued salaries	13	10
Accrued social security contributions	10	9
Accrued interest expenses	4	4
Commissions	1	2
Accrued electricity, water, etc.	2	2
Other items	18	12
Total	**65**	**55**

Parent Company

	31 Dec 2018	31 Dec 2017
Accrued interest expenses	4	4
Other items	0	0
Total	**4**	**4**

Note 28 Pledged assets and contingent liabilities

Group

Pledged assets for own liabilities and collateral

	31 Dec 2018	31 Dec 2017
In relation to liabilities to credit institutions		
Floating charges	1	1
Total	**1**	**1**
Regarding bond loan		
Participations in subsidiaries	838	933
Total	**838**	**933**
Total pledged assets	**839**	**934**
Contingent liabilities		
Sureties	36	45
Guarantees	0	0
Other contingent liabilities	1	2
Total contingent liabilities	**37**	**47**

Floating charges are taken up as per registration. Investments in subsidiaries consist for the Group of net assets in the Gunnebo Industrier Group AB Group. For the Parent Company, they consist of participations in Gunnebo Industrier Group AB and loans granted to GJC Investment Corp (USD 49.9 million) and to Gunnebo Industrier Holding AS (NOK 25.3 million).

Parent Company	**31 Dec 2018**	**31 Dec 2017**
Pledged assets		
Regarding Bond and Revolving Credit Facility:		
-Shares in subsidiaries	802	802
-Internal receivables from subsidiaries	473	436
Total	**1,275**	**1,238**
Contingent liabilities		
Guarantees issued on behalf of subsidiaries	120	120
Total	**120**	**120**

Note 29 Leasing
Group

Future payment obligations for rental contracts are allocated as follows and pertain mainly to premises rents:

	2018	2017
Within one year	21	22
Between one and four years	54	54
After 4 years	9	18
Total	**84**	**94**

The expenses in the Group for the rental of assets amounted to SEK 23 million (25). Expenses for rentals do not exist in the Parent Company.

Note 30 Personnel
Group

Average number of employees in January to December:

	Total 2018	Total 2017	Of which women 2018	Of which women 2017
Sweden	270	237	36	29
Australia	7	7	2	2
Brazil	13	13	3	3
China	6	6	3	3
Norway	55	52	11	9
Poland	11	11	3	3
United Kingdom	16	16	7	8
South Africa	8	9	3	4
Germany	9	10	2	5
USA	128	118	25	20
Ireland	1	1	0	0
Total	**524**	**480**	**95**	**86**

Parent Company

For the period January to December 2018, the average number of employees in the Parent Company amounted to 0 people (0) of whom 0 women (0). At the closing date, there were no women on the Board or in company management at the Parent Company. Company management is employed by Gunnebo Industrier AB. Company management included 1 woman (1) on the closing date.

Note 31 Salaries, other benefits and social security contributions

Group

	Parent Company	Subsidiaries	Total
2018			
Salaries and other benefits	0	249	249
Social security costs	0	64	64
of which pension costs	0	16	16
2017			
Salaries and other benefits	0	219	219
Social security costs	0	54	54
of which pension costs	0	12	12

Salaries and benefits to Board members, the CEO, other Group management and senior executives

	2018			**2017**		
	Salaries and other benefits	Of which variable remuneration	Pensions costs	Salaries and other benefits	Of which variable remuneration	Pensions costs
Parent Company	0	0	0	0	0	0
Subsidiaries	20	1	2	19	1	2

No salaries and benefits were paid out from the Parent Company during the year or the previous year. All salary and benefits for Board members, the CEO and other Group management are paid out from the subsidiaries. At year-end 2018, there were 0 people (0) in the Parent Company and 17 (17) people in the subsidiaries. Salaries and other benefits to Board members, the CEO and other Group management during the years 2017 and 2018, respectively, are presented as below (stated in SEK thousands).

	Basic salary/ remuneration	Variable remuneration	Other benefits	Pension expenses
Chairman of the Board Jörgen Centerman	300			
Board member Sebastian Ehrnrooth	125			
Board member Carl-Gustaf Bergström	125			
Board member Christer Lenner	125			
Board member Johan Möllerström	125			
President and Group CEO	3,050	513	107	758
Other Group management (5 persons)	8,294	667	211	1,266
Total for 2018	**12,144**	**1,180**	**318**	**2,024**
Chairman of the Board Jörgen Centerman	300			
Board member Sebastian Ehrnrooth	125			
Board member Carl-Gustaf Bergström	125			
Board member Christer Lenner	125			
Board member Johan Möllerström	125			
President and Group CEO	2,805	512	110	636
Other Group management (5 persons)	7,574	751	275	1,133
Total for 2017	**11,179**	**1,263**	**385**	**1,769**

Note 32 Remuneration of auditors

Group

	2018	2017
PwC		
Audit assignment	2	2
Other statutory assignments	0	0
Tax advisory services	1	1
Other services	0	0
Total	**3**	**3**
Other auditors		
Audit assignment	1	1
	1	**1**
Total in Group	**4**	**4**

The audit assignment refers to fees charged for the statutory audit, i.e. such work necessary to prepare the auditor's report, and auditing advice provided in connection thereto. Of the 2018 remuneration of auditors, the following amounts were paid to the auditing firm Öhrlings PricewaterhouseCoopers AB: Audit assignment SEK 2 million (2), Other statutory assignments SEK 0 million (0), Tax advice SEK 1 million (1) and Other services SEK 0 milllion (0).

Parent Company	**2018**	**2017**
PwC		
Audit assignment	0	0
Tax advisory services	0	0
Other services	0	0
Total	**0**	**0**

Note 33 Related-party transactions

Parent Company

Of the net sales in the Parent Company, SEK 0 million (0) pertained to Group companies while purchases from Group companies amounted to SEK 0 million (0). Subordinated loans from Segulah III L.P, Segulah IV L.P and AB Segulah run with market-based terms. The interest does not affect liquidity and is capitalised at the end of every year. Segulah III L.P. received interest of SEK 9 million, Segulah iV L.P. SEK 21 million, AB Segulah SEK 4 million and Nordic Mezzanine fund II L.P. SEK 4 million. Otherwise, there were no transactions between Gunnebo Industrier Holding AB and Segulah III L.P, Segulah IV L.P and AB Segulah and their related companies. The Parent Company received Group contributions of SEK 122 million (53) during the year.

Note 34 Net financial items affecting cash flows

Group

	31 Dec 2018	31 Dec 2017
Interest received	0	1
Interest paid	-27	-31
Other items affecting cash flow	-5	-5
Total	**-32**	**-35**

Parent Company

	31 Dec 2018	31 Dec 2017
Interest received	30	15
Interest paid	-30	-7
Other items affecting cash flow	0	0
Total	**0**	**8**

The item other items affecting cash flow includes bank-related expenses, exchange-rate differences and other financial items.

Note 35 Operational risk management
Parent Company / Group

Conducting business is always associated with risks. The economy, political decisions and natural disasters affect the Group's operations in various ways. Below are some of the operational risks the Group is exposed to.

Product risks and liability risks
The Group's products are largely sold to safety-critical environments, where various approvals are compulsory. Many of the products sold to safety-critical environments undergo 100 per cent testing in the Group's facilities before delivery. Despite well-tried testing methods, accidents can always occur that are caused by the Group's products. The Group has product liability insurance to protect it from the financial consequences that result from any of the Group's products causing serious accident or injury.

Raw material risks
The most important raw materials in the Group's products are steel and zinc. The raw material risks consist of both the adequate supply of raw materials and price changes. Historically, the Group has been successful at transferring price increases in input materials to the customers. The price adjustments to the Group's customers take place with some delay, however, which is why price increases on raw materials always entail immediate negative consequences for the Group, which in the long term can become neutral or positive. The prices of both steel and zinc follow the world market prices, which means that all producers are affected by price changes.

Property risks
The Group owns production facilities and machinery to be able to produce the products that are subsequently sold. Production takes place today in several facilities partly to limit production disruptions if a serious incident, such as a fire, were to occur at one of the facilities. To limit the financial consequences, the Group has insurance protection that replaces destroyed property and also large parts of the potential financial loss that results from downtime due to e.g. fire. The Group has strived to take out as effective insurance coverage as possible.

Trademarks
The Group's operations are significantly dependent on the right to use the trademark/brand GUNNEBO which is owned by Gunnebo AB. The Group's right to use this trademark/brand is pursuant to a licensing agreement. The licensing agreement entails limitations to the Group to expand its operations to new products and operating areas and Gunnebo AB has certain possibilities to cancel the licensing agreement if it is not complied with. If the licensing agreement with Gunnebo AB were to end, the Group no longer has the right to use the trademark/brand in its name and for its products, which could entail a significant negative impact on the Group's operations. The agreement applies for 100 years, beginning in 2005, and is thereafter automatically extended in 100-year periods if it is not cancelled by the Group.

Environmental risk
Environmental risks are linked to the risks for damages that the Group's operations may cause to the air, water, soil and biological processes. In all producing units, work is continuously done to prevent environment-related accidents.

IT security
To ensure a good level of IT security, the Group uses established technical solutions. The Group installs business applications that are used both internally and towards partners. When access to these applications takes place over the Internet, they are protected by so-called firewalls. The Group regularly verifies its selected solutions with external experts. The Group has a partnership with an established data backup centre for the Group's business systems. The Group regularly tests and verifies that the backup system can be established and works.

Electricity policy
The Group's earnings are affected by fluctuations in electricity prices. To reduce the impact of electricity prices on the Group's earnings, the Group works with an electricity trading policy, where future needs for electricity are hedged through fixed delivery agreements. Normally, 50-85 per cent of the requirement is to be locked into fixed prices to be in effect during the next 12 months. The Group uses physical delivery agreements with fixed prices and as at 31 December 2018, there are no holdings of forward contracts for the purchase of electricity, which also did not exist at the beginning of the year.

Note 36 Financial risk management and sensitivity analysis

Parent Company/Group

Financial risk management and sensitivity analysis

Financial risk management
The Group's financial operations aim to minimise, in the long term, the Group's financing costs and to effectively manage and control the Group's financial risks.

Through its international operations, the Group is exposed to financial risks as a result of changes in interest rate levels, exchange rates and refinancing and counter-party risks.

The financial risks covered by and regulated in the finance policy are as follows:
– Interest rate risk: Pertains to the risk of earnings and cash-flow impact upon a lasting change in the market interest rates.
– Currency risks: The impact on earnings and equity as a result of exchange rate fluctuations.
– Liquidity risk: Not having access to liquid funds or unutilised credit agreements to fulfil its payments.
– Financing risk: That financing is missing or is very unfavourable at a certain time.
– Credit and counter-party risks: Refers to credit risks to customers and financial counter parties.

Interest rate risk:
The Group is exposed to interest rate risks through changes in interest income and expenses as a result of changed market interest rates. The interest rate risks are managed centrally by the Group's finance function. The main purpose of Gunnebo Industrier Holding's interest-rate risk management is to reduce the negative impact of interest rate fluctuations on the interest expense. The interest rate risk is primarily handled by raising loans at fixed interest upon an assessed need or by taking hedging measures, raise loans at a fixed interest whereby the impact of changes in market rates can be limited.

Currency risk:
The Group's sales and earnings are affected by currency risks. The company primarily tries to balance purchases and sales in the transaction currencies held, a so-called natural hedge, to reduce the risk.

According to the Group’s finance policy, a part of contracted and forecast net exposure for the next 24 months is hedged through currency forward contracts. The net assets in foreign subsidiaries are not hedged.

Liquidity risk:
The Group runs the risk of not being able to meet payment commitments as a result of inadequate liquidity. The Group tries to counter this risk on a consolidated level by having a reserve of liquid funds and access to a bank overdraft facility as described in the next paragraph. The liquidity is continuously monitored with reporting and forecasts from subsidiaries to be able to address any risk situations.

Financing risk
Through the Parent Company and issuer Gunnebo Industrier Holding AB, the Group raised a bond loan during the year where the proceeds were used to repay the earlier bank financing. The bond loan was issued on 12 May 2017 and listed on Nasdaq Stockholm in December 2017. The covered bond loan of SEK 600 million has a term of three years until 12 May 2020 without repayments and without requirement of fulfilment of financial covenants. In addition to the bond loan, an agreement was reached at the same time with a bank regarding a “Multicurrency Revolving Credit Facility Agreement” (RCF credit) that can be used up to SEK 60 million with the same term as the bond loan. As a condition for the RCF credit, the Group must fulfil certain financial commitments. At the closing date, there was adequate space regarding these financial commitments. The conditions in the bond loan provide an opportunity to increase the bond loan to SEK 900 million and the RCF credit to SEK 100 million on condition that certain commitments are fulfilled. On the balance sheet date, SEK 0 million of the RCF credit had been used. The interest rate on the bond/RCF credit is related to Stibor, or another interest rate index depending on the financing currency, with an agreed margin surcharge.

The funds received through the bond loan/RCF credit can in some cases be allocated internally between Group companies through internal loans. Such internal operating financing takes place at market-based terms. The repayments of these internal loans vary with the exchange rate in the countries where the financing has taken place. The interest rate in the agreement is related to Stibor, or another interest rate index depending on the financing currency, with an agreed margin surcharge.

The Parent Company Gunnebo Industrier Holding AB currently has total credit facilities of SEK 957 million (918). At year-end, SEK 897 million (858) was utilised.

General risk:
Gunnebo Industrier Holding AB has a Group-wide insurance programme including liability insurance, property and outage insurance, transport insurance, CEO and Board liability and property damage.

Credit risk:
There is no concentration of credit risks regarding accounts receivable since the Group has a large number of customers that are internationally widespread. Credit quality is continuously assessed through credit rating and payment history. Accounts receivable show a high quality in an analysis of outcomes over time with low bad debt losses.

Sensitivity analysis
Earnings are affected by changes in some factors important for the customers as per below. The calculation is made based on all other factors remaining unchanged.

Selling prices:
A change in the selling price of 1 per cent affects income and profit after financial items by around SEK 10 million (9) for the subsequent 12 months.

Salary costs:
A change in the salary costs including social security contributions of 1 per cent affects profit after

financial items by SEK 3 million (3) for the subsequent 12 months.

Steel prices:
Steel is the single largest raw material component in the Group. A general change in steel prices of 10 per cent affects earnings by around SEK 11 million (10) for the subsequent 12 months.

Interest expenses:
Based on the average fixed interest term in the Group's total external loan portfolio at year-end, a simultaneous parallel change of the interest rate curve of 1 percentage point in Gunnebo Industrier Holding's external loan portfolio would affect earnings by around SEK 6 million (6) for the subsequent 12 months (excluding shareholder loans).

Currencies:
A change in the SEK exchange rate against the Group's counter currencies of 10 per cent affects consolidated profit by a total of around SEK 13 million (8). The USD, NOK and EUR are the three most important trading currencies for the Group both in terms of sales and purchasing. For purchasing, USD is normally used in the purchase of semi-finished products and finished products, and EUR in the purchase of raw materials and finished products. In a 10-per cent increase in the SEK exchange rate, earnings are negatively affected by USD by around SEK 13 million (6), positively by EUR by SEK 9 million (7) and negatively by NOK by SEK 2 million (1). At the closing date, currency hedges for future flows are included in these flows in an amount of SEK 56 million (55) and a change in the SEK exchange rate of 10 per cent affects earnings by a total of SEK 6 million (6).

Asset management
The primary objectives for the company's asset management is to retain a high credit rating, well-balanced capital structure and ensure the company's capital requirements. To be able to keep or change the capital structure, the company can adjust the dividend to the shareholders, return capital to the shareholders, conduct a new share issue or request a shareholder contribution.

By monitoring the company's equity/assets ratio (equity divided by total assets as a percentage) and net debt (interest-bearing liabilities less cash and cash equivalents), important guidelines are obtained regarding the development. The equity/assets ratio amounted to 26.6% (28.2) at year-end. At year-end, the company's net loan debt was SEK 899 million (883), which includes subordinated loans from shareholders of SEK 297 million (258).

Categories of financial instruments

Group **31 Dec 2018**	**Financial assets/liabilities at fair value through profit or loss**	**Financial assets/liabilities at amortised cost**
Other financial non-current assets	0	0
Trade receivables	0	159
Prepaid expenses and accrued income	0	4
Cash and cash equivalents	0	93
Total financial assets	**0**	**256**
Subordinate loans	0	297
Bond loans	0	593
Trade payables	0	77
Derivatives	1	0
Accrued costs and deferred income	0	6
Total financial liabilities	**1**	**973**

31 Dec 2017	**Financial assets/liabilities at fair value through profit or loss, held for trade**	**Loans and receivables**	**Financial liabilities at amortised cost**
Other financial non-current assets	0	5	0
Trade receivables	0	142	0
Prepaid expenses and accrued income	0	3	0
Cash and cash equivalents	0	60	0
Total financial assets	**0**	**210**	**0**
Subordinate loans	0	0	258
Bond loans	0	0	589
Trade payables	0	0	55
Derivatives	1	0	0
Accrued costs and deferred income	0	0	6
Total financial liabilities	**1**	**0**	**908**

The Group has deemed that the carrying amount agrees with the book value for all financial instruments recognised at amortised cost except the bond loan. See Note 25 information on fair value for the bond loan.

Parent Company

31 Dec 2018	**Financial assets/liabilities at amortised cost**
Non-current receivables from Group companies	1,215
Current receivables from Group companies	69
Prepaid expenses and accrued income	1
Cash and bank balances	8
Total financial assets	**1,293**
Subordinate loans	297
Bond loans	600
Liabilities to Group companies	0
Accrued costs and deferred income	4
Total financial liabilities	**901**

31 Dec 2017	**Loans and trade receivables**	**Financial liabilities at amortised cost**
Non-current receivables from Group companies	1,177	0
Current receivables from Group companies	46	0
Prepaid expenses and accrued income	2	0
Cash and bank balances	3	0
Total financial assets	**1,229**	**0**
Subordinate loans	0	259
Bond loans	0	600
Liabilities to Group companies	0	94
Accrued costs and deferred income	0	4
Total financial liabilities	0	**957**

The Parent Company has deemed that the carrying amount agrees with the book value for all financial instruments recognised at amortised cost except the bond loan. See Note 25 information on fair value for the bond loan.

Note 37 Events after the closing date

After the closing date until the signing of this annual report, no material events or information on conditions on the closing date or thereafter have occurred, whether favourable or unfavourable, for the Group or any of its companies that gives rise to further disclosures.

Note 38 Operations

The company is a private limited company with its registered office in Stockholm County, City of Stockholm. The company’s address is Vasagatan 20 A, 722 15 Västerås, Sweden. The corporate identity number is 556759-4741. The operations comprise the development, manufacture, marketing and sale of chain and lifting components and block/systems for heavy lifting.

Note 39 Appropriation of profit

Proposed appropriation of profits

The Board of Directors proposes that unappropriated earnings

share premium reserve	9,000,000
retained earnings	1,116,185,839
profit for the year	86,582,877
	1,211,768,716
be appropriated as follows	
to be carry forward	1,211,768,716

Signatures

The Board of Directors and Chief Executive Officer hereby certify that these consolidated financial statements were prepared in accordance with the International Financial Reporting Standard, IFRS, as adopted in the EU and provide a fair representation of the Group's financial position and performance. These financial statements were prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's financial position and performance. The directors' report for the Group and Parent Company provides a fair view of the Group's and the Parent Company's operations, position and performance and describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed. The income statements and balance sheets will be submitted to the Annual General Meeting on 14 May 2019 for adoption.

Stockholm 3 April 2019

Jörgen Centerman
Chairman

Carl-Gustaf Bergström
Board member

Sebastian Ehrnrooth
Board member

Johan Möllerström
Board member

Fredrik Wiking
President and Group CEO

Our auditor report was issued 5 April 2019

PricewaterhouseCoopers AB

Martin Odqvist
Authorised Public Accountant
Auditor-in-Charge

Christoffer Sillén
Authorised Public Accountant

Auditor’s report

To the general meeting of the shareholders of Gunnebo Industrier Holding AB, Corporate Identity Number 556759-4741

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Gunnebo Industrier Holding AB for the year 2018. With the exception of the corporate governance report and sustainability report on pages 8-10, respective pages 6-7.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report and sustainability report on pages 8-10, respective 6-7. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We, therefore, recommend that the general meeting of shareholders adopt the income statement and balance sheet for the parent company and group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content in the supplementary report presented to the parent company’s and group’s Audit Committees in accordance with the Auditors Ordinance (537/2014), article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and group, in accordance with the professional ethics for accountants in Sweden, and have, otherwise, fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on our best knowledge and belief, no disallowed services as referred in the Auditors Ordinance (537/2014), article 5.1 have been provided the audited company or, as applicable, its parent company or as regards the companies it controls within the EU.

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

Our audit approach

The focus and scope of the audit

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

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.

Gunnebo Industrier Holding AB has 15 subsidiaries located in 11 countries. Each local company outside Sweden has its own finance function which reports monthly to the head office.

Even if the operations are geographically rather wide-spread, Gunnebo Industrier AB, Gunnebo Anja Industrier AS and Gunnebo Industrier, comprise, together, a significant part of the group's operations. In Sweden and Norway we have, therefore, executed a full ISA audit. For the audit of the American subsidiary, we chose to design a specific audit program to provide us with sufficient audit evidence in order that we could present an opinion on the significant financial information included in the consolidated accounts. In Sweden, the audit was performed by the group team, while in Norway and the US the local teams within the PwC network performed the audit activities. The group team studied the work undertaken by these unit auditors to ensure that sufficient audit evidence had been obtained but also communicated on an ongoing basis with those auditors to understand and follow the execution of the audits.

In addition to these three units, the group audit has included, after consultation with Gunnebo Industrier Holdings AB's Board of Directors and group management, a further three units where local auditing firms executed complete ISA audits, supplemented with instructions form the group team. For the other active companies, whose combined operations comprise only a very small portion of the group's total operations, local auditors have performed a review based on instructions from the group team.

The group team has audited the consolidation, the group's annual accounts and a number of complex transactions and issues, such as the impairment of goodwill and implementation of future auditing standards.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether 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 statements as a whole. 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.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment requirement of goodwill Goodwill comprises a significant amount of the group's balance sheet total. On pages 26 and 27 and in Note 10 – Goodwill, Gunnebo Industrier Holding describes the valuation of reported goodwill. As these assets are not written off on an ongoing basis, an impairment test is to be made at least once a year. The group executed this testing during the final quarter of 2018. An impairment test incorporates a number of assumptions on, amongst other things, future market developments, the possibility to achieve growth, profitability development and the discount rate. In other words, both complex judgements and estimations must be undertaken by the company management and Board of Directors. As goodwill comprise a significant amount and, due to the fact that the assumptions that must be made include judgments and estimations, which, each on their own, can be decisive in the valuation, this has been a key area on our audit.	Together with PwC's valuation specialists, we examined, initially, the prepared impairment tests, one per segment, implemented according to generally accepted principles and methods. We also examined to determine that they are consistent with previous years' testing. In our audit we checked the most important assumptions applied by the company management and Board in the impairment testing, such as growth, profitability, changes in working capital and planned investments. We assessed these assumptions by comparing them, on a per segment basis, against the 2019 budget and against the group's strategic plan. We also evaluated the reasonability of the assumptions by comparing them against historical outcome. As the segment Blocks & Sheaves showed the lowest margin in terms of requiring a write-down, we presented supplementary queries to company management concerning this segment, in particular, as regards assumptions regarding growth and profitability. We executed an independent assessment on the basis of the market premises for the various cash generating units

As these tangible assets comprise a significant amount and the required assumptions include assessments and estimations which, taken individually, can have a decisive influence on the valuation, this is a particularly significant area for the audit.	included in each segment. We checked the applied discount rates against observable market data as applicable. We examined other components to ensure that these are consistent with the previous year. We examined the sensitivity analyses undertaken by the group and which provide the basis for the disclosures provided in Note 10.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they provide a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and to applying the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Gunnebo Industrier Holding AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group’s type of operations, size and risks place on the size of the parent company's and the group’s equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company’s organization and the administration of the company’s affairs. This includes among other things continuous assessment of the company’s and the group’s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors’ guidelines and instructions and, among other matters, shall take measures necessary to ensure that the company’s accounting is executed in accordance with the law, and shall handle the management of assets of the company in a reassuring manner.

Auditor’s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess, with a reasonable degree of assurance, whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- has, in any other manner, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriation of the company’s profit or loss and thereby, our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriation of the company’s profit or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors’ website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

The auditor’s examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 8-10 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR’s auditing standard RevU 16 The auditor’s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Auditor’s opinion on the statutory sustainability report

Responsibility for the Sustainability Report on pages 6-7 and for ensuring that it has been prepared in compliance with the Swedish Annual Accounts Act rests with the Board of Directors.

Our review has been conducted in accordance with Recommendation RevR 12 The Auditor’s Opinion on the Statutory Sustainability Report issued by FAR, the Sweden’s professional institute for accountants. Our review of the sustainability report has a different focus and significantly narrower scope than a full audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe this review gives us a sufficient basis for our opinion.

A corporate governance report has been prepared.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, were appointed as auditors of Gunnebo Industrier Holding AB (publ) by the shareholders’ meeting on 14 May 2018 and have been the company’s auditors since 8 May 2008. During the autumn of 2017, the company became a public interest entity.

Jönköping, 5 April 2019

PricewaterhouseCoopers AB

Martin Odqvist
Authorized Public Accountant
Auditor in charge

Christoffer Sillén
Authorized Public Accountant