ANNUAL REPORT 2017

GUNNEBO®

SECURITY MADE EASY

Contents

Dubai skyline above the clouds. Photography: Daniel Cheong

■ The Board of Directors' Report

The Board and President of Gunnebo AB (publ), company registration number 556438-2629, hereby submit the Annual Report and consolidated accounts for the 2017 financial year. The Board of Director's Report is presented on pages 4–9, 26–27, 32–39, 43–48 and 54–85. The Board of Directors' report has undergone reasonable assurance engagement by Gunnebo's auditors. See the Auditor's Report on pages 86–89.

The Sustainability Report, examined by the auditors, can be found on pages 32–39.

The Corporate Governance Report, examined by the auditors, can be found on pages 43–48.

This document is essentially a translation of the Swedish language version. In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.

We're already a leading provider of a safer today, but our vision is to create a safer future.

Through smart, connected solutions that cover the entire security spectrum, Gunnebo wants to lead transformation in the security business.

In 2017, Gunnebo gave customers a first look at its Retail Solution – an open platform for in-store digitisation.

It connects store systems to give retailers actionable data on the shop floor – via a single application. By adding intelligence to that information, retailers benefit from improvements to efficiency, productivity, store security and profitability.

Security Made Easy

GUNNEBO GROUP

COMMENTS BY THE CEO

2017 – CONTINUED FOCUS ON EXECUTING OUR STRATEGY

DEAR SHAREHOLDERS,

2017 has been a year during which we have continued to strengthen our product focus, resulting in good growth with key customers in both Entrance Security and Cash Management. We also started to build a more solid foundation for our value chain including both a new logistics set-up for Europe and more centralised purchasing. We also developed new products and solutions such as our integrated software platform for retail, Gunnebo Retail Solutions, which we showcased at the EuroShop trade fair in March 2017.

DEVELOPMENT OF THE BUSINESS

In our largest region, EMEA, organic sales were slightly negative in 2017. The lower sales are to a large degree due to the slowdown of security integration projects for banks in France. Sales grew however in many smaller markets. In Sweden we received the Nordic security industry's annual prize and in Denmark we were recognised as security company of the year at the annual Security User Expo. In South Europe sales developed well and the continued integration of Sallén has strengthened our product portfolio of cash management solutions. This has resulted in a deeper relationship with a major European partner covering both software and hardware. In France we also received the first orders for the newly developed biometric immigration gate for airports.

In the Middle East we had yet another strong year within both cash management – where we have a strong partnership with CIT company, Transguard – and entrance control.

In South Africa, organic sales were negative due to the declining bank market. Because of the weak demand, we decided to close down local production of safes for the bank market. Closure was finalised in the fourth quarter.

In Region Asia-Pacific, organic growth was slightly negative, mainly due to a slow bank market in India where the sale of safes and vaults to the public bank sector continued to contract in 2017. Sales to ATM manufacturers also declined against an all time high in 2016. Progress was made with efforts to grow the business in new market segments in India and we received our first entrance security orders for both a high-risk site and a metro line. In China, our position as a leading supplier of entrance security for public transport systems was maintained through the delivery of automated ticket gates to many metro and high-speed rail lines. In addition, we developed our safes and vaults business and received an important order for SafeStore Auto, our automated safe deposit locker system, which included 2,000 safe deposit boxes and 17 vault doors. The major order we received from OKI Pulp & Paper in 2015 was finalised in the third quarter.

In Region Americas, organic growth was positive in 2017. In North America we have focused on developing new business which has included the launch of a safe transfer solution for pharmacies and a locally produced cash recycling solution for tellers. In addition, we secured an order to supply NCR with ATM safes in the USA. In Brazil, our strong position in the retail market was maintained and Gunnebo was rated as the top anti-shoplifting surveillance technology brand by retailers in a survey conducted by the magazine Supermercado Moderno. In Mexico we maintained our position as a leading electronic security service provider to banks. However, the bank business in Mexico contracted during the year due to the uncertain investment climate in the country.

PRODUCT DEVELOPMENT

We have continued to develop our product, software and services portfolio across all of the Group's product areas. Within Safes & Vaults, we have further expanded the range of compact home safes as well as a new range of burglary-resistant safes for higher grade protection.

Within Cash Management we have developed several new cash deposit solutions.

Within Entrance Security a biometric immigration gate for airports was launched and several upgrades were made to existing products. We also launched the VulTek range of doors offering certified protection against fire, as well as multi-levels of resistance against manual ballistic and blast attacks.

Within Electronic Security we completed the development of SMI Server 4.0 which integrates access control, intrusion detection and video surveillance. This new release has been certified by the French National Agency of Cybersecurity (ANSSI) and approved for implementation at critical infrastructure sites.

During the year we have also continued to develop the Gunnebo Business Solutions where our complete offering to retail has been connected on a digital platform for ease of use, improved security and greater productivity for our customers.

RESULTS

The operating margin in 2017 was 6.2%. The lower margin compared to last year was mainly due to both a lower demand for security integration projects in Europe where we experienced a slowdown in the second half of 2017, and a lower demand for safes and vaults including reduced sales of ATM safes.

NON-FINANCIAL GOALS

During 2017 we have both worked with clear and measurable activities to meet the non-financial targets for 2020. We have also issued the first standalone Sustainability Report from Gunnebo, explaining in more detail how we work in an integrated way with sustainability in the Group.

ENGAGED AND MOTIVATED EMPLOYEES

At Gunnebo we are roughly 5,200 capable and committed colleagues who continue to strive to make Gunnebo a successful business in all aspects. I would like to send a big thank you to all employees for their great efforts in 2017.

During the year, we have strengthened the leadership performance review process and continued to work with improving employee engagement in the Group. In the fourth quarter we conducted our second employee survey following on from the first survey which was carried out in 2015.

GOING FORWARD

In 2018 we will continue to strengthen our product focus and key account management which will result in improved service delivery with a leaner value chain and improved capital efficiency. All to achieve profitable growth and meet our financial targets.

Finally, I would like to thank all shareholders, customers and business partners for your valuable contribution to our continued development.

Gothenburg, March 2018

Henrik Lange
President & CEO

> “During 2017 we have continued to strengthen our product focus

THE GUNNEBO GROUP

The Gunnebo Group is a global supplier of security products, services and software with a vision to become the leading provider of a safer future.

OFFERING

CASH MANAGEMENT

Closed cash management, cash recycling and cash deposit solutions which optimise the whole cash cycle for retailers, banks and CIT.

ENTRANCE SECURITY

Entrance control solutions for commercial buildings and high-risk sites as well as airports and public transport systems to regulate the flow of people.

SAFES & VAULTS

Certified safes and vaults which protect valuables from burglary, fire and explosions.

ELECTRONIC SECURITY

Integrated systems for access control, intrusion detection, remote surveillance and electronic locking. Sold predominantly in France.

OTHER

Fire Security

Full range of firefighting and fire suppression systems. Sold predominantly in Indonesia and India.

Traded Products

Products which protect the outer perimeter of high-risk sites. Sold predominantly in the Middle East.

STRONG BRANDS

GUNNEBO® Chubbsafes Fichet-Bauche HAMILTON sallén

STEELAGE ROSENGRENS gateway Minimax elkosta

CUSTOMER FOCUS

GLOBAL PRESENCE

The Group has its own sales companies in 28 countries, an extensive Channel Partner network covering an additional 100 markets and manufacturing units in every region.

17	7	4	10
SALES COMPANIES	SALES COMPANIES	SALES COMPANIES	FACTORIES
REGION EMEA	REGION ASIA-PACIFIC	REGION AMERICAS	MANUFACTURING
			6 EMEA, 3 Asia-Pacific, 1 Americas

2017 IN BRIEF

HIGHLIGHTS FOR 2017

- Net sales amounted to MSEK 5,991 (6,088), organically it decreased by 3%
- Operating profit excluding items affecting comparability, decreased to MSEK 369 (438) and operating margin to 6.2% (7.2)
- Operating profit decreased to MSEK 304 (366) and operating margin decreased to 5.1% (6.0)
- Net profit for the year decreased to MSEK 160 (209)
- Basic earnings per share decreased to SEK 2.00 kronor (2.71)
- Free cash flow decreased to MSEK –74 (159)
- The Board proposes a dividend of SEK 1.20 per share (1.20)

Gunnebo automated pre-security gates at Billund Airport, Denmark

NET SALES

MSEK 5,991

OPERATING PROFIT

MSEK 369

KEY RATIOS

	2017	2016
Net sales, MSEK	**5,991**	6,088
EBITDA excl. items affecting comparability, MSEK	**486**	561
EBITDA margin excl. items affecting comparability, %	**8.1**	9.2
Operating profit excl. items affecting comparability, MSEK	**369**	438
Operating margin excl. items affecting comparability, %	**6.2**	7.2
Operating profit, MSEK	**304**	366
Operating margin, %	**5.1**	6.0
Net profit for the year, MSEK	**160**	209
Basic earnings per share, SEK	**2.00**	2.71
Free cash flow, MSEK	**–74**	159

HIGHLIGHTS Q1

EMEA

MIDDLE EAST: Transguard extends its partnership with Gunnebo as a supplier for cash management solutions for its retail customers.

FRANCE: Retailer Intermarché continues to roll out the Gunnebo SafePay closed cash handling solution across its stores.

DENMARK: Billund Airport places an order for pre-security gates.

ASIA-PACIFIC

CHINA: Wuhan, Guiyang, Nanjing and Guangzhou choose Gunnebo entrance solutions for their city metro lines.

SOUTH KOREA: Cartier turns to Gunnebo for the protection of valuables in one of its luxury stores.

INDIA: Gold loan company, NBFC, places additional orders for high-graded safes for its national branches.

AMERICAS

BRAZIL: Retail Magazine Luiza extends its agreement with Gunnebo for loss prevention solutions.

MEXICO: A bank places a major order for electronic security solutions across its branches.

HIGHLIGHTS Q2

EMEA

GERMANY: Gunnebo attends EuroShop 2017 and presents a preview of Gunnebo Retail Solutions, an open platform for in-store digitalisation and connectivity.

SPAIN: A government authority responsible for protecting the Spanish cultural heritage of art improves security at its locations with intrusion detection and CCTV supplied by Gunnebo.

ASIA-PACIFIC

VIETNAM: The SafeStore Auto self-service safe deposit locker system is ordered for the first time in Vietnam by a major national bank.

INDIA: A high-risk government site turns to Gunnebo to improve its entrance security.

AMERICAS

CANADA: Medical producer and wholesaler, AgriMed, meets national regulations for the storage of drugs by installing a Gunnebo vault.

BRAZIL: Retailer Carrefour continues to improve loss prevention across its stores with solutions from Gunnebo.

USA: The Hamilton brand celebrates 50 years and updates its brand identity.

HIGHLIGHTS Q3

EMEA

NORDICS: Gunnebo in Denmark is awarded Security Company of the year at the annual Security User Expo. In Sweden, Gunnebo wins the Nordic security industry's prestigious annual prize.

FRANCE: Gunnebo signs an agreement to supply Marseille Airport with biometric border control gates as part of a national programme to automate and accelerate border crossing.

ASIA-PACIFIC

CHINA: Gunnebo receives its first order from the high-speed train segment to install pre-security gates at Nanjing South Railway Station.

MALAYSIA: A major Swedish retailer places an order for a Gunnebo cash management solution for its new store.

AMERICAS

BRAZIL: Gunnebo is rated as the top anti-shoplifting surveillance technology brand by retailers in Brazil. The results are part of an annual brand survey conducted by the magazine, Supermercado Moderno.

CANADA: Samsung chooses Gunnebo to install intrusion detection solutions at its Easton Center office.

HIGHLIGHTS Q4

EMEA

GERMANY: Munich Airport agrees to install Gunnebo's automated pre-boarding gates.

BELGIUM: Hospital group, Chirec, equips its latest hospital with security solutions from Gunnebo, including electronic security, cash management and entrance security solutions.

ASIA-PACIFIC

AUSTRALIA: Gunnebo's Intellisafe cash management solution helps to optimise cash processing at one of the country's first drive-in cinemas.

INDIA: Hundreds of Gunnebo ticket gates for automated fare validation are installed at metro railway stations in a major Indian city.

AMERICAS

BRAZIL: Several orders are recorded from major food retailers for loss prevention solutions.

MEXICO: BBVA Bancomer renews its service agreement with Gunnebo to deliver electronic security services to its national branches.

BUSINESS MODEL

Gunnebo's business model identifies the underlying market drivers and generates opportunities for the Group. The strategy defines priorities and activities focusing on the customer offering and the value which is subsequently created for the Group's stakeholders.

MARKET DRIVERS

Market drivers provide input to the Group's strategy and offering. They help clarify where Gunnebo can create value and generate business opportunities. The following underlying market drivers support continued long-term growth in the security industry:

INCREASED SECURITY AWARENESS

The threat from terrorism has led to more demand for security particularly at public and commercial sites. People are also more conscious about personal safety and the security of those around them.

URBANISATION

A growing proportion of the global population lives in cities. Both the size and population of urban areas are increasing.

DEVELOPMENT OF INFRASTRUCTURES

Urbanisation is leading to an expansion in inner-city infrastructures and a greater demand for better transportation networks.

INCREASED WEALTH AND A HIGHER STANDARD OF LIVING

Just as the global population is growing so is the middle class, particularly in fast developing countries.

TECHNOLOGY-DRIVEN GROWTH AND CONNECTIVITY

As the Internet of Things begins to create real value for customers, previously unconnected security products are becoming intelligent and provide access to data which can be utilised to improve business efficiencies.

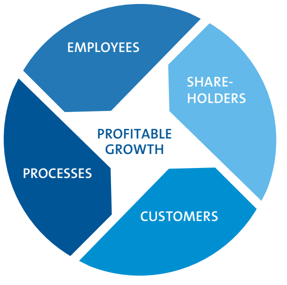
COMPLIANCE WITH LEGISLATION AND REGULATIONS

As new regulations come into force to tackle security issues on a national, regional and international level, many sites have to increase the level of security to ensure compliance.

FOR A SAFER FUTURE

Gunnebo's vision is to be the leading global provider of a safer future. Gunnebo's mission is to offer products, services and software that provide and create value for its stakeholders.

STRATEGY FOR PROFITABLE GROWTH



The Group's Strategy for Profitable Growth helps to reach the targets, manage risks and take advantage of opportunities in a business culture characterised by high ethical standards and efficient governance. The Group's roadmap for profitable growth defines a set of strategic objectives focusing on four areas: shareholders, customers, processes and employees.

▷ Read more on pages 12–13

FINANCIAL AND NON-FINANCIAL TARGETS

Together, the Group's financial and non-financial goals support sustainable, profitable growth.

▷ Read more on pages 10–11

SUSTAINABILITY MANAGEMENT

Gunnebo has clear goals and defined processes to ensure uniform management and control of sustainability work across the Group.

▷ Read more on pages 32–39

RISK AND OPPORTUNITIES

Risk awareness and mitigation as well as opportunity management are prerequisites for creating long-term, sustainable profitability.

▷ Read more on pages 40–41

CORPORATE GOVERNANCE

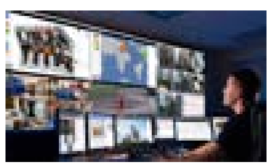
Effective control over Gunnebo's operations ensures that the Group adheres to relevant legislation, regulations and internal policies.

▷ Read more on pages 43–48

OFFERING

The Group focuses its customer offering on four major product areas: Cash Management, Entrance Security, Safes & Vaults and Electronic Security.



Through its offering, Gunnebo addresses the following customer segments: bank, retail, mass transit, public & commercial buildings, and industrial & high-risk sites.

▷ Read more on pages 16–25

CASH MANAGEMENT

- Gunnebo has over 35,000 solutions installed globally of which 10,000 units are connected using CashControl software
- BSEK 825 passes through Gunnebo systems every year

ENTRANCE SECURITY

- 70,000 Gunnebo gates are installed worldwide
- 90 million people a day pass through Gunnebo's entrance security gates

SAFES & VAULTS

- In 2017, Gunnebo produced 65,000 ATM safes and 32,000 safes and vaults

ELECTRONIC SECURITY

- 10,000 branch offices in France use electronic security solutions from Gunnebo
- 2,000 industrial and high-risk sites in Europe have Gunnebo's SMI Server installed
- 100,000 employee ID cards from Gunnebo are used every day in Europe

STAKEHOLDERS

Below is an account of how Gunnebo shared the economic value it created during 2017 with the Group's most significant stakeholders.

CUSTOMERS

The Group's revenue represents the market value of the value Gunnebo delivers to its customers.

Turnover: **MSEK 5,991**

SHAREHOLDERS (10,267)

The profits the Group generates benefit shareholders through dividend payments and increased share value.

Dividend: **MSEK 92**

EMPLOYEES (5,187)

The Group works to ensure a motivated workforce by providing personal development and opportunities to grow professionally within the organisation.

Remuneration and social security charges to employees, subcontractors and consultants: **MSEK 2,312**

SUPPLIERS

Through building strategic supplier partnerships throughout the value chain, the Group supports job creation beyond its own business.

Cost of material, transport, vehicles, travel and other costs: **MSEK 3,263**

CREDITORS

A stable equity ratio and improved profitability allow for strong, long-lasting relationships with financing partners.

Cost of credit facilities and interest: **MSEK 55**

SOCIETY

The Group is committed to creating a sustainable and ethical business which strives to minimise its impact on the environment.

Income taxes paid: **MSEK 86**

MISSION & VISION

The Gunnebo Group's mission is to create a safer world and its vision is to be the leading global provider of a safer future.

MISSION

The Group's mission is to create a safer world. It does this by providing products, services and software giving improved securing and efficiency. This is how value is created for the Group's shareholders, customers, partners, employees and society on a global scale.

VISION

Gunnebo's vision is to be the leading global provider of a safer future.

Being the leading global provider means making a competitive offering available through a global market presence on those markets where customers need the Group's products, services and software.

Providing a safer future means taking a long-term market approach, investing in customer-driven innovative product development and customisation and building lasting business relationships which generate mutual value.

TARGETS AND PERFORMANCE

Gunnebo's targets are those that the Board and the Group Executive Team deem to be most relevant to ensure profitable growth and the development of a sustainable business.

FINANCIAL TARGETS

Gunnebo's financial targets aim to contribute to a good return for the company's shareholders and focus on profitable growth.

ORGANIC SALES GROWTH

Gunnebo's target is organic growth in net sales of 5%.
Outcome in 2017: For 2017, the Group had organic growth of –3%.

OPERATING MARGIN

Gunnebo's target is an operating margin of 7% excluding items affecting comparability.
Outcome in 2017: For 2017, the Group had an operating margin excluding items affecting comparability of 6.2%.

RETURN ON CAPITAL EMPLOYED

Gunnebo's target is a return on capital employed of 15%.
Outcome in 2017: For 2017, the Group had a return on capital employed excluding items affecting comparability of 10.3%.

EQUITY RATIO

Gunnebo's target is an equity ratio of 30%.
Outcome in 2017: At the end of 2017, the Group had an equity ratio of 33%.

5 %	7 %	15 %	30 %
Organic growth	Operating margin	Return on capital employed	Equity ratio

Marian Kamel, Client & Consultant Relations Manager, and Sheila Gonzaga, Sales Support Engineer, at InterSec in Dubai in 2017

NON-FINANCIAL TARGETS

As a complement to the financial targets, Gunnebo's non-financial targets support sustainable, profitable growth. By taking a long-term approach to sustainability, with clearly defined targets, it is ensured that Gunnebo's 5,200 employees create a sustainable, attractive offering for the customers and partners resulting in value for the shareholders.

ENVIRONMENT

In 2016 Gunnebo established new environmental targets, with 2016 as the base year. The focus is on energy and climate, waste management and environmental management – areas where the Group's environmental impact is greatest.

ENERGY AND CLIMATE

Reduce the use of electricity at manufacturing units and major sales units by 8% by 2020.
Outcome in 2017: –5.2%
Reduce CO_2 emissions from manufacturing units and sales units by 15% by 2020.
Outcome in 2017: –2.9%
Reduce CO_2 emissions from own fleet by 20% on average by 2020.
Outcome in 2017: –5.0%

–8 %	–15 %	–20 %	8 %
Use of electricity	CO_2 emissions from production sites and sales	CO_2 emissions from own fleet	Recycling of non-hazardous waste

WASTE

Increase recycling of non-hazardous waste in production by 8% by 2020.
Outcome in 2017: –2%. The total amount of non-hazardous waste decreased by 18%, the proportion of waste recycled decreased.

ENVIRONMENTAL MANAGEMENT

All manufacturing units ISO 14001 certified.
Outcome in 2017: 90% at the end of 2017

SUPPLY CHAIN

As a global organisation, Gunnebo's target is to ensure that all major suppliers comply with the Group's Code of Conduct.
Outcome in 2017: 85% at the end of 2017

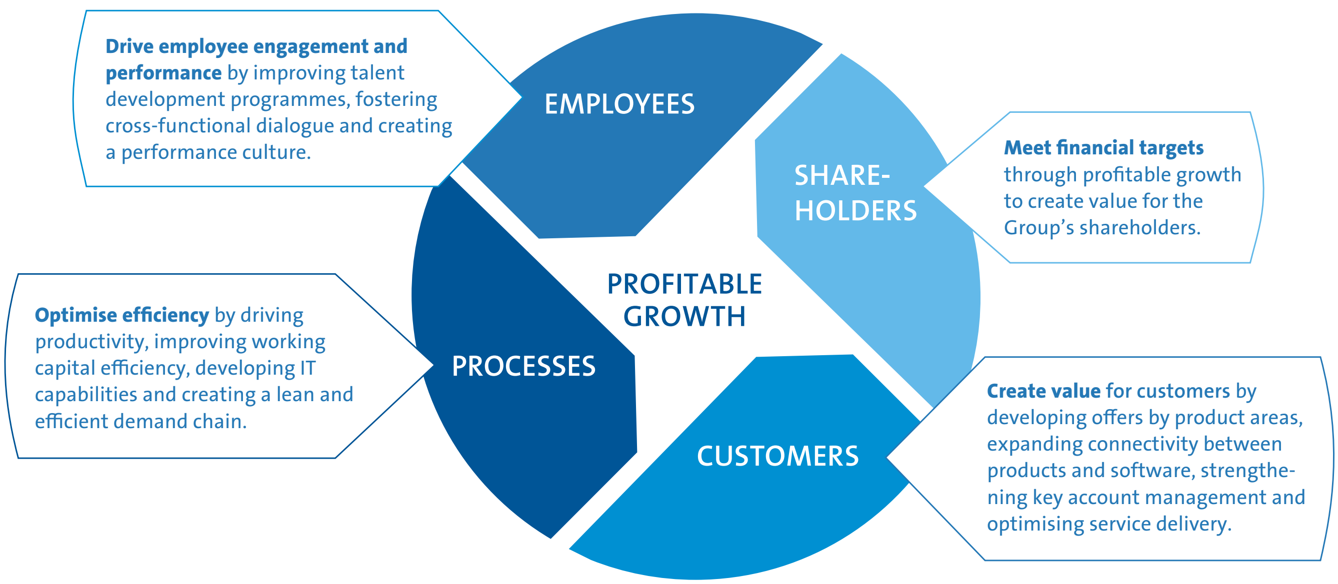
OCCUPATIONAL HEALTH

HEALTH AND SAFETY MANAGEMENT SYSTEMS

Gunnebo's target is to create healthy, suitable working environments where employees can develop their full potential. With regards to safe working environments, the aim is for all major manufacturing units to structure their health and safety work in line with OHSAS 18001.
Outcome in 2017: 70% at the end of 2017

STRATEGY FOR PROFITABLE GROWTH

In 2016 the Group introduced its Strategy for Profitable Growth to be implemented by the end of 2020. The strategy defines strategic priorities and activities in four dimensions: Shareholders, Customers, Processes and Employees.



Execution of the strategy was kicked off in the first half of 2016 at a management conference attended by the Group's 80 top managers. At the conference, each region and product area communicated their priorities and activities with the aim of breaking them down further. A toolkit was developed to support the execution and follow-up. Moreover, a strategy office was formed with one representative per region and per product area. Its role was to ensure harmonisation and focus within strategy execution.

During 2017, execution of the strategy has continued. The key to deliver communicated growth and profitability targets has been defined as focus on the product offering. Therefore, priorities to boost growth within first and foremost product areas Cash Management and Entrance Security has been made during the year. Moreover, a clarification around Gunnebo's go-to-market model has been performed with the same intent.

SHAREHOLDERS

As part of the Strategy for Profitable Growth, Gunnebo aims to create value for its shareholders by meeting its financial targets.

A vision to create a safer future
Gunnebo's vision is to be the leading global provider of a safer future. Being the leading global provider means making a competitive offering available through a global market presence on those markets where customers demand the Group's products, services and software.

A history of acquisitions
Through its history of acquisitions, Gunnebo has created a unique portfolio of products, services and software.

Strong market coverage
The Group has a strong global footprint with its 28 sales companies, 10 manufacturing units and representation on a further 100 markets through partners.

Long-standing customer relationships
Gunnebo's presence on many markets stretches back over 100 years and has established strong, long-lasting customer relationships.

Engaged and experienced employees
Gunnebo has a workforce with a deep understanding of security and customer needs.

Continuous improvements
By fostering an organisation with a lean mindset, the Group ensures that productivity and cost efficiency is integral in ways of working.

With a stable dividend
Gunnebo aims to generate direct return to its shareholders.

CUSTOMERS

Gunnebo focuses on creating customer value by building long-term relationships founded on trust and a consistent and reliable delivery over time.

Grow product areas

Gunnebo's customer offering centres around products, software and services from four product areas: Cash Management, Entrance Security, Safes & Vaults and Electronic Security. When it comes to new product development, Gunnebo considers the needs of the market to ensure its offering generates the right value for its customers. While the product areas drive this process, a close collaboration with the end customer through the sales organisation takes place.

Added customer value through digitalisation

Gunnebo recognises that connectivity adds value for its customers. Gunnebo's digitalisation agenda aims at integrating multiple systems, efficient administration, improved productivity, the ability to analyse large data volumes, provide customer satisfaction, and improved profitability and performance.

Close customer relationships

Gunnebo serves customers across multiple countries or continents through Key Account Management. The Gunnebo Group has the capacity to deliver and provide service across many geographies, with its own sales companies on 28 markets and partners on a further 100 markets.

Optimising service delivery

Approximately 20% of the Group's turnover derives from service sales. Improved service delivery will increase the value delivered to the Group's customers through better service-level agreements and uptime. To achieve this, Gunnebo is working on harmonising its service processes and implement common ways of working using standardised tools and platforms.

PROCESSES

A number of critical activities within the Process dimension support profitable growth through optimised efficiency.

Standardised ways of working drive productivity

By working in a lean and standardised way and implementing common ways of working, Gunnebo will make the transition to an operating, integrated company. Efficient ways of working across the Group ensure reduced working capital and cost of capital. Centralised logistics and purchasing can optimise inventory, lead times and purchase prices.

Efficient management of cash enables growth

Working capital inefficiency is addressed by creating a standardised way of working from order to collection within the Group. Focus on capital employed will enable cash to be released for further expansion and growth.

Development of IT capabilities

Key activities for development of IT capabilities include the continued implementation of a group-wide ERP system driving standardised ways of working enabling increased efficiency and scale of economy.

STRATEGY IMPLEMENTATION

Examples of the Gunnebo strategy implementation during 2017:

- Launch of Gunnebo's digitalisation agenda via Gunnebo Business Solutions.
- The Cash for Growth programme, focusing on working capital efficiency now being fully implemented in EMEA and Asia-Pacific, while Americas will be kicked off early 2018.
- A new European Distribution Centre set-up in place, now supporting Central Europe and UK.
- EMEA's strategic priorities are aligned with the structural measures taken during 2017. All refer to efficient and effective ways of working and enabling growth.

Lean and efficient demand chain

With efficient distribution, logistics and purchasing structure lead times will be reduced and Gunnebo will increase its purchasing power by taking advantage of its size. These activities will lead to improved customer service, reduced working capital and cost savings.

EMPLOYEES

Engaged and motivated employees lay the foundations for achieving the Group targets. Gunnebo works actively to build employee engagement with a performance culture as the base.

Employee engagement drives improvements

At the end of 2015, Group Human Resources conducted its first Your Voice survey to measure employee satisfaction. The second one was performed in the end of 2017 to follow up improvements from actions from the previous survey, and to identify new improvement areas.

Empowering managers in a performance culture

Growing a performance culture in a global company like Gunnebo means empowering managers at all levels and providing them with the tools necessary for developing their staff. Gunnebo's business is spread across the world, thus diversity and inclusiveness are important cornerstones in the Group's culture.

Talent development to accomplish strategic targets

The Group's ambition is that all staff should have their own individual development plan. This ensures employees development to accomplish the Group's strategic targets.

A clearly defined and communicated strategy

Gunnebo's strategy is cascaded down all levels of the Group, through regions and product areas to every business unit. Hence, it is each manager's responsibility to communicate, discuss and drive implementation of the strategy. This ensures that each employee has the prerequisites to be able to deliver on the strategy.

BRANDS

The Gunnebo Group has a portfolio of strong brands several of which have a history stretching back hundreds of years. Over time, these brands are perceived as delivering reliable, high-quality and well-designed products and software.

THE GUNNEBO BRAND

The majority of the Group's products, services and software are sold globally under the Gunnebo brand.

Entrance Security and Electronic Security products and software are exclusively sold under the Gunnebo brand. All service is carried out under the Gunnebo brand.

In markets where the Gunnebo brand is relatively unknown, it has benefited from the strength of local, more well-established brands in the Group's brand portfolio.

GUNNEBO BRAND ORIGIN

Gunnebo is the name of a village in the south-east of Sweden. It was here that a small forge was opened by Hans Hultman in 1764 which grew to become a large metalworking company. When this business was acquired by a venture capital firm in the 1990s, it was the Gunnebo name which was chosen to represent what became the Gunnebo Group and the Gunnebo security brand was born.

THE BRAND IN ACTION

In March 2017, Gunnebo exhibited at EuroShop, the world's premier retail trade fair held once every three years in Germany.

Gunnebo's stand centred around the theme, "Time for an Adventure" and demonstrated how retailers can save time and increase productivity through using smarter solutions. From cash management to loss prevention and access control, Gunnebo showed where operational processes and security procedures can be made more efficient for retailers.

Gunnebo also used EuroShop as the forum to launch Gunnebo Retail Solutions to a selection of invited customers. Guests were given the opportunity to provide feedback on the new platform for in-store digitalisation and this input has been valuable to the continued completion and commercialisation of the solution.

Read more about connected security on page 25.

Key events like EuroShop are an opportunity for customers and prospects to experience the Gunnebo brand

GROUP HISTORY

As a result of a financial crisis in the early 1990s, the Swedish government created six venture capital firms charged with keeping the economy afloat by investing in Swedish businesses. One of these firms, HIDEF, made a large number of acquisitions all within the field of security. The enterprise became a listed company on the Swedish Stock Exchange in 1993 and two years later took the name of Gunnebo from one of the acquisitions it had made.

1995–2005

ACQUISITION

Gunnebo continues to acquire security companies both in Sweden and abroad.

2006–2008

INTEGRATION

The "Gunnebo One" consolidation programme brings most of the companies acquired since 1994 under the Gunnebo brand.

SAFES & VAULTS BRANDS

Chubbsafes

Founded in England in 1818 and part of the brand portfolio since 2000.

In the 1800s the Chubb brothers were famous for their bank safes and ingenious locking systems.

Today the Chubbsafes brand is trusted in markets across the world.

MAJOR MARKETS: UK, South-East Asia, North Europe

Fichet-Bauche

Founded in France in 1825 and part of the brand portfolio since 1999.

The Frenchmen, Fichet and Bauche, made their names creating innovative locks and new fire-resistant materials for safes during the 1800s.

The Fichet-Bauche brand is synonymous with high-quality design and craftsmanship.

MAJOR MARKETS: France, Middle East, North Africa, South Europe

STEELAGE

Founded in India in 1932 and part of the brand portfolio since 2000.

MARKET: India

HAMILTON

Founded in the USA in 1967 and part of the brand portfolio since 2012.

MARKET: USA

ROSENGRENS

Founded in Sweden in 1886 and part of the brand portfolio since 1994.

MAJOR MARKETS: Growth markets

OTHER BRANDS

gateway

Electronic article surveillance brand of anti-theft systems for retailers.

Founded in Sweden in 1984 and part of the brand portfolio since 2004.

MAJOR MARKETS: Scandinavia, Brazil, Portugal, France

sallén

Cash management brand of cash deposit systems for banks and retailers.

Founded in Spain in 1988 and part of the brand portfolio since 2015.

MAJOR MARKETS: France, Spain, Middle East

Minimax

Brand of fire extinguishers and fire safety equipment.

In India since 1905 and part of the brand portfolio since 2000.

MARKET: India

elkosta

Perimeter protection brand of fences and gates for industrial and high-risk sites.

Founded in Germany in 1951 and part of the brand portfolio since 2004.

MAJOR MARKETS: Middle East, India

2009–2015

CORE BUSINESS

"To become the leading global provider of a safer future" is defined as the overriding vision for the Gunnebo Group. Following the creation of a sales company in China in 2010, the Group continues to develop its market presence on growth markets through the addition of Gunnebo Brazil (2011), Gunnebo Malaysia (2011), Hamiton US (2012), Gunnebo South Korea (2013) and Sallén, Spain (2015).

2016–2020

PROFITABLE GROWTH

Gunnebo embarks on a five-year strategy for profitable growth.

OFFERING

The Gunnebo Group is a global provider of security solutions where the core offering is focused on four product areas: Cash Management, Entrance Security, Safes & Vaults and Electronic Security.

CASH MANAGEMENT

Creating an efficient and secure cash cycle

19

%

of Group sales

SAFES & VAULTS

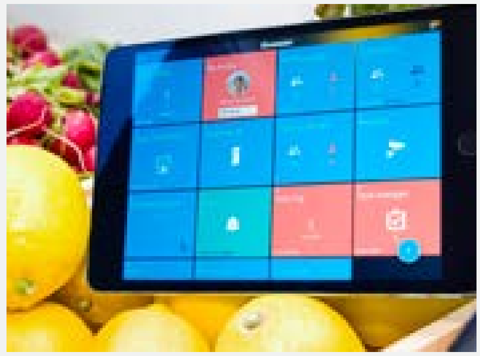
Protecting valued items from burglary, fire and explosion

33

%

of Group sales

During 2017, the Group has started to introduce Gunnebo Business Solutions – a service platform embedding software from all the product areas. It allows all systems in a retail store, for example, to be connected on one platform.



SECURITY MADE EASY

Adding intelligence to data for smart security

ENTRANCE SECURITY

Controlling and regulating access at key entry points

23 %

of Group sales

ELECTRONIC SECURITY

Integrating systems for interior and exterior site protection

18 %

of Group sales

CASH MANAGEMENT

Efficient cash management is about providing trust and sharing transparent information between the main players in the cash management ecosystem: the retailer, the bank, the CIT company and the end customer.

Cash management can be visualised as an ecosystem between the retailer, the bank, the CIT company and the end customer. Gunnebo's cash management solutions are designed to facilitate the flow of cash and related data in this ecosystem, using a solid software platform as the base. Choosing a cash management solution from Gunnebo will not only improve security in those places where cash is being handled, but will also make the whole cash cycle more efficient. A more efficient cash cycle creates value for all parties involved, in particular retailers, whose share of the responsibility for managing cash has been growing over the years.

NEW PRODUCT DEVELOPMENT

During 2017, Gunnebo introduced a new range of low-end deposit units. This range has several new features that will gradually be introduced into the full deposit range. The new features include extensive remote functionality, a new intuitive user interface and a unique heat-seal bag note-stacking system.

Gunnebo also launched a TCR (Teller Cash Recycler) in the USA, which will later be rolled out on other markets.

TRENDS AND MARKET GROWTH

Despite reports that a cashless society is approaching, statistics clearly show that in several parts of the world, cash is still king and the volume of cash in circulation is increasing.

The main concerns for bricks-and-mortar retailers today are fraud and theft prevention, checkout management and optimisation of in-store processes, such as the flow of cash. Retailers are also focused on enhancing the customer experience, integrating payment systems, and adapting mobile solutions and technologies. Gunnebo's solutions add value for the retailer by providing fit-for-purpose hardware solutions alongside software which integrates data from all the relevant systems. Moreover, Gunnebo is teaming up with partners to provide complete, cost-efficient cash service solutions including provisional credit and monitoring of the whole cash cycle.

The market for cash management has an estimated value of BSEK 15 within retail alone, with an average annual growth of 9%. Market penetration is still low with the global average estimated at 5%.

SHARE OF GROUP SALES: 19%

SALES BY REGION: EMEA 67%, Asia-Pacific 8%, Americas 25%

MAIN OFFERING: Deposit and recycling, closed cash management, envelope and coin-roll systems, drive-up systems, application and monitoring software, services

MAJOR CUSTOMER SEGMENTS: Retail, bank and other sites where cash is handled, such as casinos and restaurants

PRODUCTION: Binefar (Spain), Cincinnati (USA), Jakarta (Indonesia), Kunshan (China)

BRANDS: Gunnebo, Sallén, Hamilton

ROUTES TO MARKET: Direct sales and indirect sales through partners such as CIT companies and bank

MAIN COMPETITORS: Arca, Cashguard, CIMA, De La Rue, Diebold Nixdorf, Glory Global Solutions, Scancoin, Suzo Happ, Tidel

15 BSEK
Estimated market value 2020*

9 %
Estimated CAGR market growth 2020*

9 %
Gunnebo global market share 2017

19 %
of Group sales

** excl CIT services and bank*

Bouwmaat | NETHERLANDS, Cash Management

DELIVERING A PROVEN RETURN ON INVESTMENT

Harko Ebbens runs five Bouwmaat franchises in the Amsterdam area. His stores deal with up to 2,500 customers a week and cash is still a common form of payment.

Harko wanted to reduce the security risk derived from having cash on site and minimise the resources required to work with cash. At a single store location, up to 30 hours a week could be spent on counting, checking, depositing and refilling cash.

To tackle these challenges, Gunnebo installed the SafeCash Retail Station at the largest store as a back-office solution for recycling notes and coins.

The Retail Station was introduced in two phases. Firstly, a procedure for depositing cash and issuing new floats so that, with training from Gunnebo, staff could work independently in the back office. Secondly, cash depositing and new cash orders were optimised.

The Retail Station immediately replaced the old four-eyes principle for depositing and counting takings which occupied the time of two store employees, significantly reducing the staff hours needed just for cash counting.

“Now employees receive their daily float for their tills, exchange money, and close at the end of the day. Within five minutes they are outside and I can focus on other activities,” says Franchise Director of Bouwmaat Amsterdam Area, Harkos Ebbens.

“We now order less money and within one year, the Retail Station has already earned back in savings what it originally cost.”

ABOUT BOUWMAAT

Bouwmaat is a Dutch hardware wholesaler which targets small building contractors working on minor renovation, maintenance and construction projects. It opened its first store in 1986 and now consists of four franchise partners who manage 46 sites across the Netherlands.

ENTRANCE SECURITY

Entrance Security focuses on protecting people, assets and buildings by controlling access using passage barriers and detection systems.

Gunnebo provides a wide range of speed gates, turnstiles, high-security doors and interlocking doors designed to regulate the flow of people into, out of and around a site. This includes solutions specifically for office buildings, high-risk sites, mass transit networks (ticket validation gates) and airports (automated boarding gates, anti-return gates, immigration gates and pre-security gates).

Through this offering, Gunnebo helps customers find the right balance between allowing a smooth flow of people and maintaining the necessary security levels. Customer sites benefit from reduced queues and accelerated passenger throughput as well as a solution with a small footprint which can be customised to complement the surrounding architecture. Gunnebo also offers high-security doors, windows and partitions certified to withstand manual, fire, blast and ballistic attacks.

In addition, the Group sells electronic article surveillance (EAS) equipment under the Gateway brand to help retailers combat shoplifting.

NEW PRODUCT DEVELOPMENT

During 2017, Gunnebo successfully launched a new immigration gate for automatic border control and during the year initial installations have been made. Gunnebo has also introduced the first doors, windows and partitions which are certified to resist attacks from a Kalashnikov rifle. These exceed European standards which do not yet cover protection against the type of ammunition used by these rifles. Designed to meet the needs of high-security sites, such as banks, government buildings, police stations, jewellers, head offices and sensitive industrial sites, the DarTek IA-K47 range is specially shielded to resist the impact of high-penetrating ammunition.

TRENDS AND MARKET GROWTH

The market for entrance security is mainly driven by urbanisation, the increased demand for ease of mobility, the perception of greater threats, and the reduction of manned entrance points. Within the mass transit segment, for instance, these drivers result in customer requirements to minimise fare evasion, maximise the return on investment, increase process efficiency and integrate systems into smart city concepts.

The market for speed gates and turnstiles alone has an estimated value of BSEK 7 with an average annual growth of 5%.

Gunnebo also has an offering for high-security doors, offering resistance against firearms, explosives and physical attacks. The demand for this range has increased due to the threat of terrorism. This has in part resulted in public and commercial buildings looking to install a level of protection previously used by high-risk sites.

This market is expected to increase by an average of 9% during the period 2016–2019.

SHARE OF GROUP SALES: 23%

SALES BY REGION: EMEA 61%, Asia-Pacific 22%, Americas 17%

MAIN OFFERING: Speed gates, turnstiles, interlocking doors, manual attack, fire, bullet and blast-resistant doors, windows and partitions, electronic article surveillance, service

CUSTOMER SEGMENTS: Banks, airports, mass transit networks, offices, government and public buildings and high-risk sites. Electronic article surveillance systems for loss prevention are primarily used by retail.

PRODUCTION: Baldenheim (France), Cincinnati (USA), Kunshan (China), Lavis (Italy)

BRANDS: Gunnebo, Gateway

ROUTES TO MARKET: Direct sales and indirect sales via systems integrators and partners

MAIN COMPETITORS: Alvarado, Automatic Systems, Boon Edam, Checkpoint Systems, Digicon, DormaKaba, FAAC, Salzer, Sensormatic, Sommer

7 BSEK
Estimated market value 2021*

5 %
Estimated CAGR market growth 2021*

13 %
Gunnebo global market share 2017*

23 %
of Group sales

** within speed gates and turnstiles*

Burj Khalifa | DUBAI, Entrance Security

MATCHING DESIGN WITH OPERATIONAL RELIABILITY

In 2007 Gunnebo installed speed gates at the entrances to the the newly-built Burj Khalifa's office annex and to its residential area. Each atrium has a completely different design so the speed gates had to match the architecture precisely. The result was a set of black marble speed gates for the offices and white marble speed gates for the apartments.

Gunnebo also installed speed gates with a metallic finish at the entrance to the famous observation deck. This attraction is one of the most popular in Dubai and takes visitors up 124 floors in less than 60 seconds to spectacular views over the city.

By 2013 the observation deck was already drawing over 1.8 million sightseers a year so in 2017 it was decided that an upgrade to the entrance system was necessary.

New lanes of the SpeedStile FP DS were fitted in place of the older turnstiles to allow for a higher capacity of visitors and to bring the design up to the standard of the other entrances. The installation includes an extra wide lane for handicapped access and integrated tablets which confirm ticket validation.

"Being able to meet the architectural demands for a building like the Burj Khalifa is a great advantage," says Jacob Touma, Region Manager for Gunnebo Middle East. "Couple the luxurious design with the high operational reliability of the speed gates and we have an extremely satisfied customer."

ABOUT THE BURJ KHALIFA

Located in Dubai in the United Arab Emirates, the record-breaking Burj Khalifa is the world's tallest building at 828 metres. The 163-storey building incorporates habitable levels, luxury hotel suites and corporate offices, and is owned by Emaar Properties. The tower is a great feat of engineering symbolising the growth and progress of the Middle East.

SAFES & VAULTS

The Safes & Vaults business is all about protecting valuables from burglary, fire and explosion, and ensuring compliance. As well as providing high-level protection, the products are ergonomically designed to be easy-to-use and easy-to-access.

Through long-standing brands such as Chubbsafes, Fichet-Bauche, Hamilton, Steelage and Gunnebo, the Group's secure enclosures, uncertified safes, certified safes, fire safes, ATM safes, vaults, vault doors and safe deposit lockers have been providing customers with peace of mind for centuries.

By having most of its safes and vaults offering independently certified, the Group guarantees a specific level of resistance against burglary, fire or explosives. Since there is no global certification standard, Gunnebo certifies its products in accordance with the most trusted regional norms, such as EN in Europe, UL in the USA and BIS in India.

Independent certification is important for customers as it provides a recognised classification system which corresponds to local insurance ratings.

NEW PRODUCT DEVELOPMENT

During 2017, Gunnebo enhanced the certified safes portfolio with a new range of burglary-resistant safes for Grade IV and V protection. Developed after an important value engineering process, Chubbsafes Custodian and Fichet-Bauche Atrius are a secure and practical range of safes for retailers or banks, at a competitive price.

The Group also introduced SafeStore Auto Mini Xpress, the entry-level automated safe deposit locker system. The solution is plug-and-play and combines simple but reliable equipment to a new user-friendly display terminal.

In addition, the Chubbsafes HomeSafe and Viper safes were launched in Europe and Asia-Pacific. These series of compact home safes provide combined protection against burglary and fire for the home or small office.

TRENDS AND MARKET GROWTH

The market for safes and vaults can generally be split into two segments: high-end and low-end.

The high-end segment is traditionally Gunnebo's strongest and is shrinking due to the dependency on banks, which are themselves contracting in many parts of the world.

As a result, the Group is re-positioning itself in this area. It remains the main business partner for banks but has shifted its offering towards ATM manufacturers, cash management and growing market segments, such as pharmaceuticals storage, where tighter legislation is the main driver.

The low-end market is predominantly driven by private consumption in developing countries and emerging economies. Although this is not Gunnebo's traditional business, the Group is leveraging its strong brands to enter this competitive market via an extended network of channel partners.

The market for safes and vaults has an estimated value of BSEK 32, with a predicted average annual growth of 6%.

SHARE OF GROUP SALES: 33%

SALES BY REGION: EMEA 62%, Asia-Pacific 23%, Americas 15%

MAIN OFFERING: Secure enclosures, uncertified safes, certified safes, fire safes, ATM safes, vaults, vault doors and safe deposit lockers and service

CUSTOMER SEGMENTS: Retail, bank, hospitality, commercial sector, small and medium-sized companies, residential, and warehouses storing high-value or high-risk goods, such as pharmaceuticals

PRODUCTION: Jakarta (Indonesia), Halol (India), Bazancourt (France), Doetinchem (Netherlands), Markersdorf (Germany), Cincinnati (USA)

BRANDS: Chubbsafes, Fichet-Bauche, Rosengrens, Hamilton, Steelage, Gunnebo

ROUTES TO MARKET: Direct sales and indirect sales through a global network of channel partners

MAIN COMPETITORS: AIPU, Diebold, Ferrimax, FireKing, Godrej, Liberty, Promit, Sentry Safe, Sun Safe

32 BSEK
Estimated market value 2020

6 %
Estimated CAGR market growth 2020

7 %
Gunnebo global market share 2017

33 %
of Group sales

Germany and China | Safes & Vaults

COMBINING MANUFACTURING FLEXIBILITY WITH QUALITY

In 2017, Gunnebo was asked not only to build a round vault door but also to have it officially certified for one hour's resistance from physical attack.

THE IMPORTANCE OF STANDARDS AND CERTIFICATIONS

Standards give customers a frame of reference and clarity on the level of resistance a product provides. They also play an important role in ensuring that manufacturers conform to an accepted norm.

Safes and vaults are typically graded to indicate the level of burglary, fire or blast resistance. This is particularly important for insurance reasons, as the contents of a safe or vault will only be insured for the correct value if the product carries the appropriate grade.

Significantly, grading a safe or vault is carried out by a specialised independent testing laboratory. This ensures credible and reliable results based on a recognised classification system. When a safe or vault passes a test, it is awarded with an official certification.

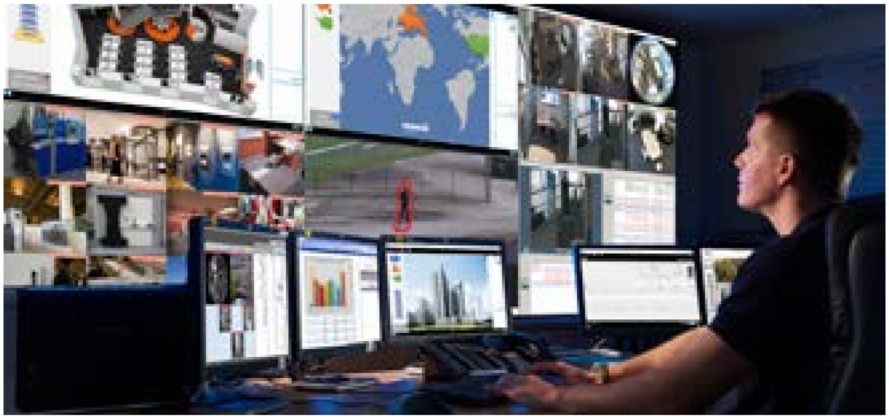
MEETING THE REQUIRED STANDARDS

The customer of the nine-tonne round vault door, who is based in China, specified that it must be certified in accordance with the UL2 standard.

Gunnebo's vault doors are manufactured in Germany where they are typically certified by ECB•S in line with the European norm. UL (Underwriters Laboratories) is a North American organisation using a different standard so the manufacturing unit had to design and produce the door to meet the requirements demanded by the customer – all in the space of six months.

Remarkably not only was this achieved within the timeframe, but when tested, the door attained a higher level of certification – UL3. This denotes that the vault door provides at least two hours of resistance against physical attack.

ELECTRONIC SECURITY



Gunnebo's Electronic Security solutions ensure that any threat or danger to a site's security is quickly and easily detected, analysed and dealt with. Both public and private companies are concerned with protecting their staff, customers and sites.

Due to the major threat of theft, sabotage, espionage and terrorist attacks, there is an increased need for high-risk sites to be protected and for visitors to be checked and identified. The Electronic Security portfolio includes solutions that protect the outer perimeter of a site by effectively detecting and controlling the flow of people and vehicles, and the interior by using access control, intrusion detection and video surveillance.

NEW PRODUCT DEVELOPMENT

During 2017, Gunnebo's integrated electronic security system, SMI, has received top-level accreditation from ANSSI, France's national cybersecurity agency. Certified for identification, authentication and access control, SMI is now one of the few solutions to guarantee a high level of protection for sites of great strategic importance to both public and private entities of any country.

In parallel, the Group has released the 4.0 version of the system with a range of advanced security features, including additional video surveillance integration and a new user-friendly user interface. The SMI Server 4.0 is designed to tackle various configuration and operational issues by offering a simple user experience and security functions that meet the specific requirements of high-risk sites.

TRENDS AND MARKET GROWTH

The market for electronic security is driven by the increasing need to secure people, assets and infrastructures. Other factors driving market growth include terrorist and cyberattacks, rapid urbanisation, and growing investments in smart buildings and cities. Moreover, technological developments such as IP-based systems, networked video surveillance and the Internet of Things are positively influencing market growth. Customers are demanding solutions which are integrated on one and the same platform, ensuring system integrity.

With the ANSSI-certified SMI electronic security system, Gunnebo is well-positioned to offer security solutions that meet the industry's highest standards as well as customers' high demands.

The global market for electronic security is huge, where Gunnebo is a niche player both in terms of offering and geographical reach.

Gunnebo focuses its offering on high-end solutions mainly targeting bank, industrial and high-risk sites as well as office buildings. Geographically, the Group's electronic security business is predominantly focused on the markets of France, Belgium, Spain, the Middle East and Mexico.

The annual growth for the market is estimated at 3% up to 2021.

SHARE OF GROUP SALES: 18%

SALES BY REGION: EMEA 78%, Asia-Pacific 4%, Americas 18%

MAIN OFFERING: Access control, intrusion detection, high-security electronic locking, remote monitoring, services

CUSTOMER SEGMENTS: Banks, retail, offices, public and commercial buildings, high-risk sites

PRODUCTION: Baldenheim (France)

BRANDS: Gunnebo

ROUTES TO MARKET: Direct sales and indirect sales through systems integrators

MAIN COMPETITORS: Honeywell, Lenel, Onet, Nedap, Scutum, Siemens, Stanley, Tyco

>400 BSEK
Estimated market value 2021

3 %
Estimated CAGR market growth 2021

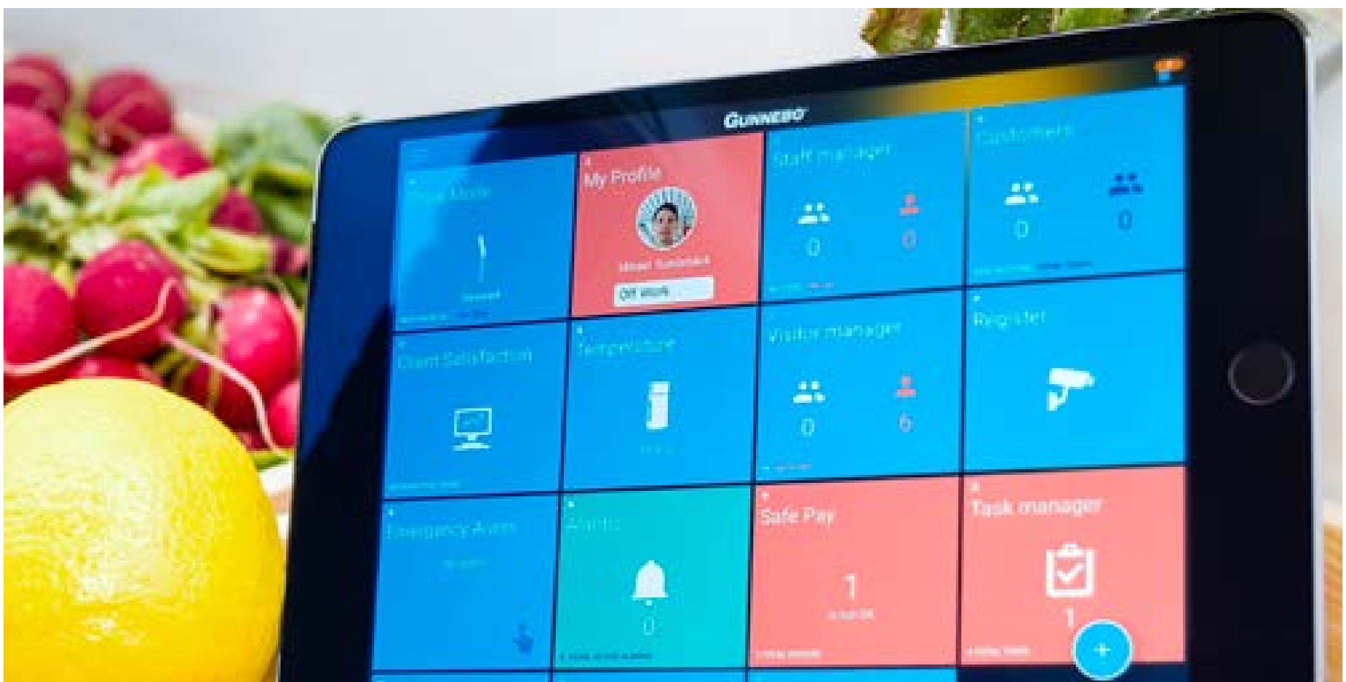
<1 %
Gunnebo market share 2017

18 %
of Group sales

SECURITY MADE EASY

Gunnebo Business Solutions is an open software platform which allows systems and resources to be connected via a single application, accessible anytime, anywhere.

Gunnebo Retail Solutions connects all retail systems and resources on one open platform to improve overall store security, efficiency and profitability.



GUNNEBO BUSINESS SOLUTIONS

The platform gives customers a full overview of their operations and makes it easy to transform the intelligence gathered into actionable tasks.

Gunnebo Business Solutions empowers Gunnebo's hardware offering and can also be easily connected to non-Gunnebo products and systems.

As an initial phase, the platform has been tailored to bricks-and-mortar retailers, connecting Gunnebo security products and other retail systems via one application to provide them actionable data on the shop floor.

This was pre-launched to a selected number of retailers from different countries in March 2017. Following positive feedback, several pilot installations have been carried out in Sweden. The key benefits for the retailers have been confirmed, namely simpler operations, compliance, and less time spent on administration.

Retailers have been turning to digitalisation to simplify their business operations. This has left them with an array of software and hardware systems to manage, which are often complex and typically incompatible. Valuable data is either hidden or only accessible via the back office.

REGIONS

Gunnebo's business is organised into three sales regions: EMEA (Europe, Middle East & Africa), Asia-Pacific and Americas. Across these three regions, Gunnebo has its own sales companies in 28 countries: 17 in EMEA, 7 in Asia-Pacific and 4 in Americas. The Group also has an extensive Channel Partner network, giving it coverage on over 100 additional markets.

REGION EMEA

6 Manufacturing Units: France (Baldenheim and Bazancourt), Germany (Markersdorf), Italy (Lavis), Netherlands (Doetinchem) and Spain (Binefar).

17 Sales Companies: Nordic (Sweden, Norway, Denmark) Central Europe (Belgium, Netherlands, Luxembourg, Switzerland, Germany) Iberia (Spain, Portugal), Italy, France, UK, Ireland, Eastern Europe (Poland), Middle East (Dubai) and Africa (South Africa).

Brands

REGION ASIA-PACIFIC

3 Manufacturing Units: China (Kunshan), India (Halol) and Indonesia (Jakarta).

7 Sales Companies: Australia, New Zealand, China, India, South Korea and South-East Asia: Malaysia and Singapore (with offices in Thailand, Vietnam, Myanmar and Philippines).

Brands

REGION AMERICAS

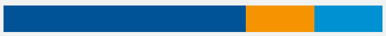
1 Manufacturing Unit: USA (Cincinnati).

4 Sales Companies: Brazil, Canada, Mexico and USA.

Brands

GROUP FIGURES

Group Sales



- EMEA, 64%
- Asia-Pacific, 18%
- Americas, 18%

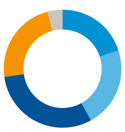
Group Operating Profit

- EMEA, 32%
- Asia-Pacific, 35%
- Americas, 33%

Employees

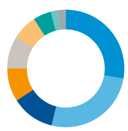
- EMEA, 51%
- Asia-Pacific, 36%
- Americas, 13%

Sales per Product Area



- Cash Management, 20%
- Entrance Security, 22%
- Safes & Vaults, 31%
- Electronic Security, 23%
- Other, 4%

Sales per Sub-Region



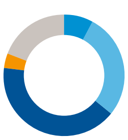
- France, 28%
- Central Europe, 26%
- Nordics, 12%
- Iberia (Spain and Portugal), 9%
- UK/Ireland, 9%
- Middle East, 7%
- Italy, 5%
- South Africa, 2%
- Eastern Europe, 2%

Key Ratios

MSEK	2017	2016
Organic growth, %	–3	0
Net sales	3,831	3,907
Operating profit*	116	172

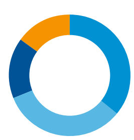
**Excl. items affecting comparability*

Sales per Product Area



- Cash Management, 8%
- Entrance Security, 28%
- Safes & Vaults, 41%
- Electronic Security, 4%
- Other, 19%

Sales per Sub-Region



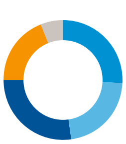
- South-East Asia, 36%
- India, 33%
- China, 16%
- Australia, 15%

Key Ratios

MSEK	2017	2016
Organic growth, %	–4	5
Net sales	1,091	1,129
Operating profit*	130	138

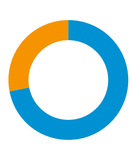
**Excl. items affecting comparability*

Sales per Product Area



- Cash Management, 26%
- Entrance Security, 22%
- Safes & Vaults, 27%
- Electronic Security, 19%
- Other, 6%

Sales per Sub-Region

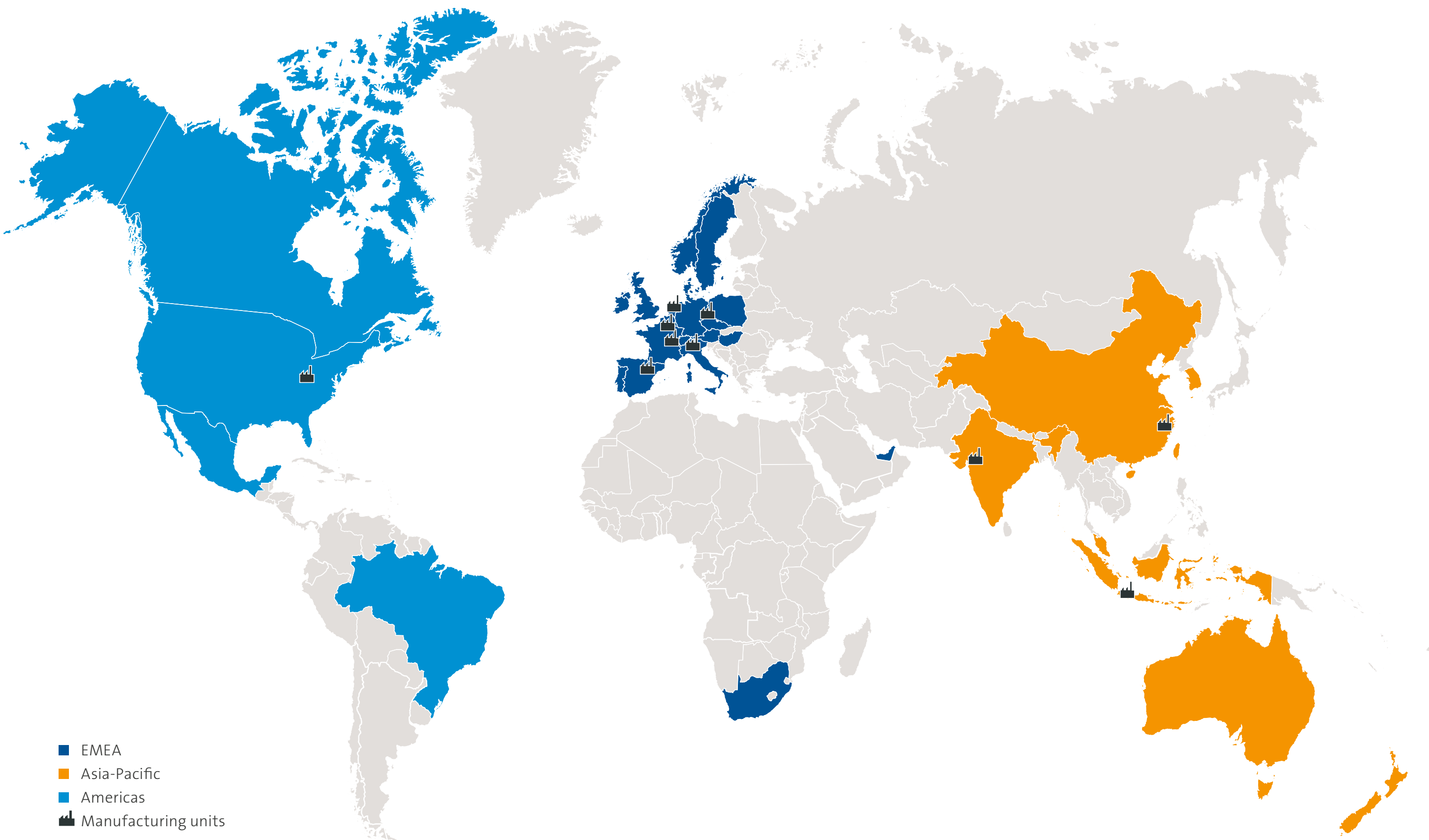


- North America, 72%
- Latin America, 28%

Key Ratios

MSEK	2017	2016
Organic growth, %	1	–2
Net sales	1,069	1,052
Operating profit*	123	128

**Excl. items affecting comparability*



REGION EMEA

EMEA (Europe, Middle East & Africa) is the Group's largest region and accounted for 64% (64) of the Group's sales in 2017.

The region has 17 sales companies split into nine sub-regions: Nordic, Central Europe, Iberia (Spain and Portugal), Italy, France, UK & Ireland, Middle East, Africa, and Eastern Europe.

GUNNEBO'S BUSINESS IN EMEA

The major customer segments in the region are bank, retail, public and commercial buildings, and industrial and high-risk sites. The offering to these segments mainly comprises security solutions from Cash Management, Entrance Security, Safes & Vaults and Electronic Security as well as related software and services.

EUROPE

Each of the sub-region's 14 sales companies sells both directly to the end customer and indirectly through Channel Partners or systems integrators. In France, the integrator business accounts for the majority of sales.

Business development is carried out in line with the Group's strategy roadmap. Part of the region's strategy roadmap is to develop security solutions for well-defined customer segments, often in combination with Key Account Management (KAM). In Europe, this part of the business accounts for an increasing proportion of sales.

MIDDLE EAST

In the Middle East, sales are mostly comprised of solutions from Entrance Security and Cash Management as well as products from Safes & Vaults. Business is carried out both directly and indirectly, and in some cases, Gunnebo adopts a systems integrator role.

EASTERN EUROPE AND AFRICA

In Eastern Europe and Africa, business is a mix of direct and indirect sales. The indirect part is the largest, made up of product sales from Entrance Security and Safes & Vaults and carried out through Channel Partners and systems integrators.

BUSINESS DEVELOPMENT

The areas of Gunnebo's offering that have the best growth potential in Region EMEA are Entrance Security and Cash Management. In 2017, Gunnebo maintained its market position as a leading supplier of entrance security to public and commercial buildings, and industrial and high-risk sites. Moreover, business with the airport segment was further strengthened through the delivery of pre-security gates to airports in Lyon, Marseilles, Munich and at several locations across Sweden.

A niche market within Entrance Security is the sale of security doors and partitions to high-risk sites. During the year, Gunnebo received the ANSSI-certification for SMI access control server products. This means that the Group can provide certified solutions to high-risk sites in France.

Within Cash Management, Gunnebo has continued to win new business with SafePay, its solution for closed cash management. Now 25% of Gunnebo's installed base of 10,000 units and 50% of sales is outside of the Nordics.

The growth in deposit systems from Sallén continues, supported by the launch of new products designed for the Nordic market. During the year the Group also delivered a software platform to one of its large key accounts. This marks a shift in the way the Group is working with major key accounts, with much more focus being put on software, one of Gunnebo's strengths within Cash Management.

Safes & Vaults accounts for the largest volume of sales in EMEA. This business is in transformation, shifting focus from the banking industry to sectors with growth potential. These include retail, hospitality and residential as well as sites storing high-risk goods such as pharmaceuticals. During the year several major installations of the automated safe deposit locker solution, SafeStore Auto, were completed. The region also saw increased demand for vaults outside the banking sector, as well as demand for server safes protecting computers from espionage and the effects of electro-magnetic pulses.

MARKET TRENDS

Cash Management, Entrance Security, Safes & Vaults and Electronic Security with related services account for the majority of Gunnebo's business in Region EMEA.

Within Safes & Vaults, which represents 33% of the region's sales, there is increased demand for safes with lower protection levels due to increasing focus on electronic technology, as well as an increased interest for high protection solutions outside banks such as retail and pharmaceutical, driven by legislation. At the same time, online sales are growing which creates greater price visibility, impacting local pricing. Annual market growth for the next few years in the region is estimated at 6%*.

For Entrance Security, which represents 22% of the region's sales, growth is primarily driven by increased urban mobility, investments in infrastructure such as metro and airports, and the perceived growing threat from terrorism and crime. In addition, as sites are reducing overheads and the number of manned entrances, there is a need for centralised security monitoring such as crowd control management within the sports, concert, hospitality and exhibition sectors. Annual market growth for the next few years in the region is estimated at 4%.**

The global market for electronic security is very fragmented where Gunnebo is a niche player providing high-security solutions to predominantly banks, high-risk sites and office buildings. This business is mainly focused on the markets in France, Belgium, Spain and the Middle East. Here, the main market trends within the high-end of the market where Gunnebo is active are increased legislation, open platforms and connectivity with other systems, as well as increased price competition. The market for electronic security is expected to have an annual growth-rate of 3%.

Business within Cash Management, representing 20% of the region's sales, is driven by trends where banks continue to outsource services and limit touchpoints with cash, pushing cash out into the retail trade. Cash in circulation is predicted to continue to grow over the coming years in both the Eurozone and for most other currencies in the region. The market for cash management is expected to grow by 8%*** over the next few years.

CUSTOMER REFERENCES

BANK
Barclays, Bank of Mozambique, Bank of Tanzania, BNP, Danske Bank, Euronet, Forex, ING, Nordea, SEB, South African Reserve Bank, Stanbic, Swedbank

RETAIL
Aldi, Autogrill, Auchan, BP, Carrefour Market, COOP, Galp, ICA Sverige AB, Intermarché, le Bon Marché, KFC, Leroy Merlin, LIDL, Metro Group, Preem, Shell Oil, Spar, Tokheim, Total, Vodacom, Woolworths

PUBLIC & COMMERCIAL BUILDINGS
Burj Khalifa, Copenhagen Business School (CBS), le Groupe SEB, European Commission, Honeywell, Les Ministrés de la Défence, de l'Intérieur et de la Justice, Orange, Patrimonio Nacional, SAS, Siemens, Swedavia

INDUSTRIAL & HIGH-RISK SITES
Airports Company South Africa, Besix, Bouygues, British American Tobacco, Nestle, Sasol, Transnet

MASS TRANSIT
Airport: Swedavia, SAS, Billund Airport, Aéroport de Toulouse, Aéroport de Lyon, Aéroport de Marseille, Munich Airport, Barcelona Airport, Warsaw Airport

Metro & BRT: Athens metro, Durban Integrated Rapid Public Transport Network, Italian Railways, SL Stockholm, Pretoria Bus Rapid Transit System

* *2015–2019 Global Safes & Vaults Market, Infiniti Research Ltd 2015*
** *IHS 2017*
*** *Fletcher CSI*

REGION ASIA-PACIFIC

Region Asia-Pacific comprises seven sales companies, as well as representative offices and a presence through Channel Partners in several other markets. The region accounts for 18% (19) of Group sales.

The key customer segments in the region are bank, mass transit, industrial and high-risk sites, and public and commercial buildings. The core offering to these customers is made up of security solutions within Entrance Security and Safes & Vaults, as well as fire security projects, contracts, project management, installation and service.

GUNNEBO'S BUSINESS IN ASIA-PACIFIC

Traditionally, business in this region has mainly been represented by the sale of safes and vaults to banks. In recent years, however, the region's business model has gradually been extended, with sales to customers within industrial and high-risk sites, public and commercial buildings, and mass transit showing good growth. As a result, the offering has also evolved and today Entrance Security constitutes one quarter of the region's sales.

Business development in the region is carried out in collaboration with the Group's product areas. An important part of the Group's strategic agenda in the region is to continue to reduce its dependence on banks. Major project contracts in entrance and fire security to industrial buildings and high-risk sites, and mass transit are important drivers. Another important strategy for developing the business is to continuously evaluate and expand the network of Channel Partners, both on markets where Gunnebo already has a presence and on those without representation.

BUSINESS DEVELOPMENT

The areas of Gunnebo's offering that have the greatest growth potential in Region Asia-Pacific are Entrance Security and Safes & Vaults outside the banking sector. Within Entrance Security, Gunnebo has a strong market position within public and commercial buildings and mass transit in the region. This position was further strengthened during the year by continued success in the Chinese metro sector, first orders to high speed rail in China, several major contracts from critical high-risk sites in the region, and entry into the metro sector in India.

The biggest part of Group sales in the region is Safes & Vaults. During the year several major installations of the automated safe deposit locker solution, SafeStore Auto, were made at privately-held companies and real estate sites. In the region there was also an increased demand for safes from companies providing solutions for private use.

Cash Management still accounts for a relatively small proportion of the region's sales. During the year, the Group signed several strategically important contracts with global retailers for installations at their local stores. Cash Management is still immature in the region, where cash in circulation will continue to increase in most markets over the coming years.

In Region Asia-Pacific, the Group also has an offering within fire security solutions. These solutions are offered primarily in India and Indonesia.

MARKET TRENDS

The majority of Gunnebo's business in Region Asia-Pacific is covered by Safes & Vaults and Entrance Security.

Safes & Vaults represents over 40% of sales. Within this area the main trends are an increased demand from sectors other than bank, such as hospitality, retail and residential. Even though the banking sector is shrinking, there is a healthy demand for safes from global manufacturers of ATMs. Also, there is an increased use of locally certified products as opposed to the traditional (ECB•S) high-end labels. Annual market growth for the next few years in the region is estimated at 6%*.

The second largest product area in the region is Entrance Security, accounting for over 25% of sales. The majority of sales within Entrance Security is related to entrance control. Growth in this market is primarily driven by growing terrorism and crime threats, the need for centralised security checks and audit control of personnel, as well as the growth of urban populations and smart city initiatives. Annual market growth for the next few years in the region is estimated at 7%**.

Cash Management still accounts for a relatively small part of the region's sales, where most markets still are at an early stage of adapting solutions to make cash management more efficient and secure. Hence the market potential is interesting, however it is hard to predict estimated market growth.

* *2015–2019 Global Safes & Vaults Market, Infiniti Research Ltd 2015*

** *IHS 2017*

CUSTOMER REFERENCES

BANK
Public Bank Berhad, OCBC Bank Berhad (Malaysia), Standard Chartered Bank (Vietnam), Axis Bank, HDFC Bank, IDBI Bank, State Bank of India, ICICI Bank, Canara Bank (India)

RETAIL
Richemont (South Korea), Plus Circle (Malaysia), Coles, Woolworths, Hungry Jacks, Z Energy Caltex (Australia/New Zealand), Reliance Retail (India)

PUBLIC & COMMERCIAL BUILDINGS
Hyundai Information Technology, Samsung S1, SK C&C (South Korea), G7 Safety Lockers, Sunway Group, Everly Group Hotel (Malaysia), Mayflower BPO Building (Philippines), Optus (Australia)

INDUSTRIAL & HIGH-RISK SITES
Yangjiang Nuclear Power Plant (China)

MASS TRANSIT
Airport: Wellington Airport, Auckland Airport, Port Moresby Airport (Australia/New Zealand)

Metro: Arex Metro (South Korea), Nanjing South Railway Station, Shenzhen Metro, Shanghai Metro, Beijing Metro (China), Delhi Metro (India), Melbourne Metro (Australia)

REGION AMERICAS

In Region Americas, Gunnebo is split into four sales companies: Canada, USA, Mexico and Brazil. The Group also has a presence on most Latin American markets through a network of Channel Partners. The region accounts for 18% (17) of Group sales.

The main customer segments are bank, retail, public and commercial buildings including public administration sites. The core offering to these customers comprises security solutions from Cash Management, Entrance Security, Safes & Vaults, and Electronic Security.

GUNNEBO'S BUSINESS IN AMERICAS

Gunnebo's commercial proposition differs in USA, Canada, Mexico and Brazil.

On the North American market, Gunnebo is known as a manufacturer of safes, vaults and cash management equipment under the Hamilton brand. Business takes place primarily through a well-developed network of Channel Partners, as well as through direct sales to larger national accounts within the bank and public administration sectors. In addition, the Group works with Key Account Management (KAM) to ensure a strong relationship between Gunnebo, the Channel Partner and the end customer.

Business on the North American market is developing towards providing customers with security solutions to help them make the digital transition from physical security to more intelligent, connected security solutions.

In Mexico, the Group's operations include the installation and service of electronic security solutions for branches of several of the country's biggest banks. Business is developed by broadening the customer base and progressively launching selected parts of the Group's global offering.

In Brazil, Gunnebo is known as a provider of complete solutions that increase security and reduce shrinkage within retail. In recent years, the Brazilian sales company has successfully extended its core offering and offers a complete range from Electronic Security, Cash Management and Entrance Security, together with related software allowing the end customer analysing consumer data.

BUSINESS DEVELOPMENT

The areas of Gunnebo's offering that have the greatest potential to grow in Region Americas are Cash Management, Safes & Vaults, and Entrance Security.

Within Cash Management, the base offering is built on an in-house developed solution for drive-up units, allowing banks, retailers and now also pharmacies to offer their customers drive-through services. During the year, selected parts of Gunnebo's global cash management portfolio have been adapted to local needs.

The Safes & Vaults business is driven by a strong network of Channel Partners across the USA, and by sales to banks and retail in Canada. Under the Hamilton brand, Gunnebo is also a proud supplier of solutions produced under license to US Public Administration.

In Region Americas, the Group has good growth potential for its Entrance Security business, predominantly driven by the North American markets. For now, this business is focusing on public and commercial buildings, and schools. Sales developed well in 2017, with several solutions from the global portfolio being successfully introduced to the market.

MARKET TRENDS

Cash Management, Safes & Vaults and Entrance Security account for the majority of Gunnebo's business in Region Americas.

For Cash Management, representing 27% of the region's sales, the main market trends are the continued outsourcing of cash services by banks as they try to limit their touchpoints with cash and push them out instead to retailers. Over the coming years, cash in circulation is predicted to continue to grow in most markets on the American continent. The market for cash management is expected to grow by 10%* in the coming years.

Market trends for Safes & Vaults, representing 27% of the region's sales, are an increased demand for intelligent products, such as biometric safes, and a general increase in demand from sectors other than bank, such as retail and pharmaceuticals. Annual market growth for the next few years in the region is estimated at 4%**.

Another important product area in the region is Entrance Security, accounting for 22% of the region's sales. The majority of sales within Entrance Security is related to entrance control. Growth in this market is primarily driven by growing terrorism and crime threats, reduction of overheads and manned entrances, the need for centralised security checking and audit control of personnel as well as crowd control management for arenas within the sports, hospitality, exhibition and concert sectors. Annual market growth for the next few years in the region is estimated at 5%***.

* *Fletcher CSI*
** *2015–2019 Global Safes & Vaults Market, Infiniti Research Ltd 2015*
*** *IHS 2017*

CUSTOMER REFERENCES

BANK
HSBC, ITAU, Pag Facil (Brazil), BBVA Bancomer, CIBC, HSBC, RBC (Canada), Citibank, Wells Fargo (Latin America), Banorte, BBVA Bancomer, Citibank, Santander (Mexico), Bank of America, Bank Sabadell, CIBC, Compas/BBVA, FifthThird Bank, HSBC, JP Morgan Chase, RBC, Santander, TD Bank, Wells Fargo (USA)

RETAIL
C&A, Carrefour, Cencosud, FNAC, Lojas Americanas, Raia Drogasil, Riachuelo, TIM, Walmart (Brazil), Autozone Target Telfonica, Cencosud, Costco De Mexico, FNAC, Grupo Comercial Control, Super City, McDonalds (Mexico) Best Buy, IKEA, North West, Sobey (Canada)

PUBLIC & COMMERCIAL BUILDINGS
American Express, Coca-Cola, Disney, Johnson & Johnson, Netflix, Procter & Gamble, NASDAQ New York Stock Exchange, Universal Studios, Jones Lange LaSalle, CB Richard Ellis (US)

MASS TRANSIT
Montreal Metro (Canada), Bogota BRT (Colombia), Buenos Aires BRT (Argentina), Panama BRT (Panama)

SUSTAINABILITY REPORT 2017

As a global provider of security solutions within Cash Management, Entrance Security, Safes & Vaults and Electronic Security the Gunnebo Group is engaged in sustainability. The Group manages its sustainability impact based on seven targets focusing on energy and climate, waste management, environmental management, compliance with the Code of Conduct in the supply chain, and health and safety.

The Group's work with sustainability is based on the Code of Conduct that supports sustainable activities across the value chain. The Code of Conduct's ethical guidelines are complementary to clear leadership, which aim to provide the Group's employees with the tools needed to manage the broad spectrum of opportunities and risks faced by a global business.

SUSTAINABILITY MANAGEMENT

In 2016, Gunnebo established seven non-financial targets, with 2016 as the base year. Prior to this, Gunnebo's management team had conducted an evaluation of sustainability aspects of the Group's overall operations to identify material aspects. The targets are based on this assessment and represent areas where Gunnebo has the greatest impact on society, the environment and employees, and what has the greatest influence on Gunnebo's results. The focus is on energy and climate, waste management, environmental management, compliance with the Code of Conduct in the supply chain, and health and safety.

The Group's sustainability reporting runs parallel with other reporting, and includes manufacturing units and major sales units alike. Energy consumption and waste recycling are among the parameters reported on a quarterly basis as well as accidents and status on suppliers' compliance with the Code of Conduct. The reporting procedures enable transparent, trustworthy documentation of Gunnebo's sustainability impact and form the basis of target follow-up.

The management of sustainability risks is an integral part of the Group's risk management process. Read more about the Group's Risk Management on page 40–41.

CODE OF CONDUCT

Gunnebo's Code of Conduct give employees clear guidelines, defining how they should act in an ethical manner in their jobs. The Code provides employees with clear guidelines on

ENVIRONMENTAL TARGETS

Energy & Climate

Reduce the use of electricity at manufacturing and major sales units by 8% from 2016 to 2020.

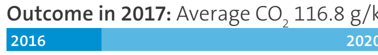
Outcome in 2017: Total electricity consumption 19,956 MWh (21,047), a decrease of 5.2%.

Reduce CO_2 emissions from production sites and sales units by 15% from 2016 to 2020.

Outcome in 2017: Total CO_2 emissions 21,744 tonnes CO2 (22,401), a decrease of 2.9%.

Reduce CO_2 emissions from own fleet by 20% on average from 2016 to 2020.

Outcome in 2017: Average CO_2 116.8 g/km (123), a decrease of 5%.



Waste

Increase recycling of non-hazardous waste in production by 8% from 2016 to 2020.

Outcome in 2017: 95.5% (97.5) of all non-hazardous waste was recycled. The total amount of non-hazardous waste decreased by 18%, the proportion of non-hazardous waste recycled decreased. Total amount recycled 2017 was 5,426 tonnes (6,769).

Environmental Management Systems

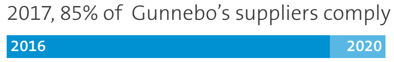
All manufacturing units ISO 14001 certified.

Outcome in 2017: At the end of 2017, nine out of ten sites had been certified, i.e. 90% (82).

SUPPLY CHAIN TARGETS

As a global organisation, Gunnebo's goal is to ensure that all major suppliers comply with the Group's Code of Conduct.

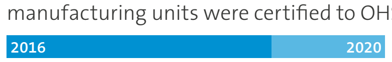
Outcome in 2017: Gunnebo has a system for self-assessments to ensure compliance with the Code of Conduct. For suppliers compliance with the Code is ensured through development activities and required self-assessments. If not possible, suppliers have been phased out. At the end of 2017, 85% of Gunnebo's suppliers comply with the Code of Conduct.



HEALTH AND SAFETY TARGETS

Gunnebo's goal is to create healthy, suitable working environments where employees can develop their full potential. In its work for a safe working environment, the aim is for all major manufacturing units to structure their health and safety work in line with OHSAS 18001.

Outcome in 2017: At the end of 2017, five out of seven of Gunnebo's major manufacturing units were certified to OHSAS 18001, 70% (70).



how to act professionally in their interactions with all of the Group's stakeholders. Gunnebo's Code of Conduct is based on:

- UN Declaration of Human Rights
- UN Global Compact
- ILO Principles of Rights at Work
- OECD Guidelines for Multinational Enterprises

Employees in the Group take interactive training on the Code of Conduct, where they also learn to manage risks related to corruption and anti-competitive practices. The training activities are part of the introduction programme for new employees, and help to assure an understanding of Gunnebo's corporate culture. At the end of 2017, 90% of all new employees had taken the training. The Code of Conduct can be found in its entirety at www.gunnebogroup.com.

It is the responsibility of each manager within the Gunnebo organisation to ensure that employees are fully informed about the Group's Code of Conduct and to ensure that it is implemented and followed. Managers should act in such a way that their behaviour is an example of the Code of Conduct in practice.

SUPPLY CHAIN

Gunnebo's suppliers can be found worldwide, and the conditions for their employees and operations vary widely. The Group strives to ensure that all major suppliers adhere to the Code of Conduct, and uses the principles therein among the criteria for selecting new business partners. Compliance is secured with audits and required self-assessments. The Group's largest suppliers are obliged to submit a declaration of compliance with the Code of Conduct. Approximately 80% of Group's spending is covered by 20% of the suppliers.

REPORTING OF VIOLATION

All Gunnebo employees are informed about how to report any conduct that they believe to be a violation of law or of the Gunnebo's Code of Conduct to their immediate manager. If that manager is in any way involved in the situation being reported or has any other form of conflicting interests, the employee reports the situation to the manager's immediate superior. If, for any reason, neither of these reporting channels can be used, the alleged violation may be reported in accordance with Gunnebo's whistle-blowing procedure. There was no reported violation in accordance with the procedure during 2017.

MANUFACTURING UNITS

At the end of 2017, the Group had ten manufacturing units in nine countries worldwide. Based on their activities, seven of the units are considered to be major. Of these, 86% were certified to ISO 9001, all to ISO 14001 and 70% to OHSAS 18001.

REGION EMEA

BALDENHEIM*, France

Factory employees: 80
Production: Entrance Security, Electronic Security
Certification: ISO 14001, ISO 9001, OHSAS 18001

BAZANCOURT*, France

Factory employees: 130
Production: Safes & Vaults
Certification: ISO 14001, ISO 9001, OHSAS 18001

DOETINCHEM*, Netherlands

Factory employees: 256
Production: ATM safes
Certification: ISO 14001, ISO 9001, OHSAS 18001

LAVIS, Italy

Factory employees: 61
Production: Entrance Security
Certification: ISO 14001, ISO 9001

MARKERSDORF*, Germany

Factory employees: 39
Production: Safes & Vaults
Certification: ISO 14001, ISO 9001, OHSAS 18001

BINEFAR, Spain

Factory employees: 82
Production: Cash Management
Certification: ISO 9001

REGION ASIA-PACIFIC

HALOL*, India

Factory employees: 643
Production: Safes & Vaults, ATM safes
Certification: ISO 14001, ISO 9001

JAKARTA*, Indonesia

Factory employees: 313
Production: Safes, Cash Management
Certification: ISO 14001, ISO 9001, OHSAS 18001

KUNSHAN, China

Factory employees: 54
Production: Cash Management, Entrance Security
Certification: ISO 14001, ISO 9001

REGION AMERICAS

CINCINNATI*, USA

Factory employees: 162
Production: Safes & Vaults, Entrance Security, Cash Management
Certification: ISO 14001

*Defined as a major manufacturing unit

STAKEHOLDER DIALOGUE

Gunnebo's stakeholders can be found worldwide. The Group's business develops through open dialogue, with feedback from the market and the expectations and needs of stakeholders. Gunnebo's most important stakeholders are the groups that most greatly influence or are influenced by its business activities – shareholders, customers, employees, suppliers, creditors, and the local community in its immediate vicinity.

During 2017 there have been several customer surveys on the Group's various markets, the results from which lead to continuous improvements.

The results of the employee survey conducted in 2015 have been used to create an activity plan which has led to improvements in local workplaces. During 2017 Gunnebo launched the second employee survey, to compare the result and observe possible trends.

Relationships with the Group's suppliers are developed through regular communication and cooperation to ensure that the suppliers comply with Gunnebo's Code of Conduct.

The dialogue with shareholders is based on the Annual General Meeting, but also takes place throughout the year in meetings with shareholders, investors and analysts, and lectures at shareholder meetings, with a high level of ambition as regards accessibility.

HUMAN RIGHTS

As a global organisation, it is Gunnebo's ambition to comply with human rights principles in controllable aspects of its business. Gunnebo respects international conventions on human rights, which act as guidance for all of the Group's own operations.

Gunnebo's approach to human rights is stated in the Code of Conduct and stresses that all humans, whatever nationality, gender, ethnic origin, religion, language, or any other status are all equally entitled to human rights without discrimination.

Gunnebo does not tolerate any form of harassment or violence in the workplace, and the use of forced labour and child labour is strictly prohibited in all company operations. This is important to state, as Group operations are conducted to a certain extent in high-risk countries in terms of child and forced labour.

The human right risk means risk of child labour, forced or compulsory labour but also risk of discrimination, prevention of freedom of association and collective bargaining as well as health and safety issues. Human right risk is not considered to be material for Gunnebo's direct operations, but as the Group does business with suppliers from high risk countries the Group strives to get all major suppliers to comply with the Code of Conduct. The Group shall not do business with suppliers that do not uphold basic human rights. Working with human rights with regard to suppliers involves training activities and required self-assessments for compliance with the Code of Conduct. At the end of 2017, 90% of all new employees had taken the course in Gunnebo's Code of Conduct with the required 80% pass rate for certification.

ANTI-CORRUPTION

Gunnebo's approach to anticorruption is stated in the Group's Code of Conduct and in the Fraud and Corruption Policy. The Group applies zero tolerance to all cases of bribery

SUSTAINABILITY IMPACT ACROSS THE VALUE CHAIN

Gunnebo's sustainability impact across the value chain derives from both direct and indirect operations. Ability to manage impact starts with R&D activities, followed by purchasing, manufacturing, sales, delivery and installation, service and end of use. The table below summarises the Group's sustainability impact and how that impact is managed.

	R&D	Purchasing	Manufacturing
Description of impact	Research and Development (R&D) is vital to Gunnebo's strategy of profitable growth. Sustainability concerns starts at the conception phase. Gunnebo creates new products, anticipating future needs, without compromising on quality, price or sustainability. The choice of materials can impact the environment and the people who make and use the products. It is important to consider the length of the products' lifecycle, their energy consumption and the disposal of used ones. Product development is an important step that will set in motion industrialisation, where one can control future costs, avoid unnecessary steps and waste.	To build a strong supply chain, Gunnebo chooses to work with the optimal suppliers. The Group invests in win-win relationships to assure the ultimate objective: to serve the needs of end customers and create value for the Group's stakeholders. When Gunnebo selects business partners for the Group, it is important to consider the impact on them and their impact on the environment. Gunnebo supports jobs creation beyond its operations, through building strategic partnerships. It is the Group's responsibility to make sure that business is carried out in accordance with Gunnebo's Code of Conduct throughout the supply chain with regard to environmental care, occupational health, human rights and anti-corruption.	Gunnebo operates ten manufacturing units worldwide with more than 2,000 employees. This workforce provides the input and flexibility the Group needs to meet customers' demands. Gunnebo works continuously at all these sites to reduce the environmental footprint while optimising performance, and maintaining high standards of quality and safe working conditions.
Factors affecting impact	• Choice of materials (hazardous and non-hazardous) used in products • Length of product lifecycle • End of use, recycling and disposal • Efficiency in industrialisation	• Economic, social and environmental impact on suppliers • The origin of parts and raw materials • Transportation and GHG emissions • Packaging waste	• Energy consumption • Water consumption • Waste disposal and water discharge • Employment and working conditions
Tools to manage impact	• Proportion of different materials in products • Procedures to control the use of hazardous materials • Product certification • Industrialisation procedure	• Group purchasing strategy • Supplier assessment • Code of Conduct • Local supplier policy • Development of suppliers	• Environment and safety management system (ISO 14001 & OHSAS 18001) • Code of Conduct • Group non-financial targets

and corruption. No employee of Gunnebo shall seek or accept any gift or personal favour that might reasonably be believed to have an influence on business transactions. Gifts that do not meet the above criteria should be reported to management. The negative impact of corruption effects both Gunnebo and its stakeholders. Business not conducted in an ethical manner might lead to imprisonment and financial penalties and effects both partners and their employees by unfair and uncontrolled terms, as well as Gunnebo by damage reputation and deteriorated result.

The corruption risk arises in both sales and purchasing situations. As the Group also does business with partners from high-risk countries regarding corruption the Group strives to get all major suppliers to comply with the Group's Code of Conduct. As from 2018 all partners will be encouraged to comply with the Group's Code of Conduct.

TRAINING IN ETHICAL BUSINESS

From 2016 it was made compulsory for all employees to participate in two courses: one covering Gunnebo's Code of Conduct and the other dealing with corruption. These training sessions are now integrated into the Group's introduction process for new recruits and play an important role in communicating a key facet of what it means to work for Gunnebo.

To ensure coverage across the whole Group, courses are available as both online and in-class training. The option to offer physical classes is important as a sizeable number of Gunnebo's employees are factory-based and do not have access to the Internet. At the end of 2017, 90% of all new employees had taken the course in anti-corruption with the required 80% pass rate for certification.

Sales

Gunnebo's work with sustainability is largely customer-driven. By providing high-quality security products, services and solutions, the Group aims to create value and build a safer future for customers around the world.

Split across three regions, Gunnebo has sales companies in 28 countries. The Group also has a channel partner network, giving it access to 100 additional markets.

Gunnebo focuses its customer offering on four major product areas addressing five major customer segments. Local knowledge in each market combined with a global presence allows Gunnebo to deliver to businesses of all sizes, helping them to create a safer world for their customers, their employees and society as a whole.

Throughout the sales process, regardless of channel, Gunnebo works to counter corruption.

- Financial performance of sales
- Employment and working conditions
- Product offering delivering sustainable solutions

- Group sales and marketing strategy
- Customer survey
- Code of Conduct
- Environment and safety management system (ISO 14001 & OHSAS 18001)

Delivery and Installation

In terms of logistics footprint, Gunnebo's manufacturing units are located in all three regions. A centralised logistics strategy is in place in Europe with a central warehouse based in the Netherlands. Its function is to deliver a high standard of service while taking into account cost and environmental impact. The Group also builds partnerships with selected logistics companies to optimise the transportation of products.

Once delivered, products are installed by either Gunnebo's own employees or sub-contractors. The Group works continuously to maintain high standards of quality and safe working conditions throughout the installation process.

- Transportation & GHG emissions
- Economic, social and environmental impact on transporters and sub-contractors
- Employment and working conditions
- Packaging waste

- Group logistics strategy
- Transportation optimisation
- Transporter and sub-contractor assessment
- Code of Conduct
- Environment and safety management system (ISO 14001 & OHSAS 18001)

Service and End of Use

Management of the complete lifecycle is important for Gunnebo. Gunnebo's products are meant to last and the Group's competitive advantage is based on total cost of ownership. It is the Group's ambition to ensure that all clients receive good service throughout the entire lifecycle of a product. Gunnebo offers services which are tailor-made to customer needs.

Gunnebo can also be a preferred partner when it comes to finding a replacement for outdated materials and identifying recycling and disposal options.

- Economic performance in service sales
- End of use, recycling and disposal
- Electronic and metallic waste
- Technicians' transportation and GHG emissions

- Group after-sales and service strategy
- Portfolio of offering for service, replacement and disposal of products
- Route-planning for technicians

ENVIRONMENT

The activities of the Group should always be carried out with consideration for the environment. Environmental impact under the Group's direct control, is to be minimised in the day-to-day operation, and resources are to be used sparingly and efficiently. Environmental impacts primarily take place in production processes through material and energy consumption, emissions to air and water, or the creation of noise and waste. To restrict the environmental impact of production, the Group is aiming to have all of its manufacturing units certified in accordance with ISO 14001. Risk analyses are carried out in connection with such certification and through chemical analyses during, for example, REACH work (Registration, Evaluation, Authorisation and restriction of Chemicals). These risk analyses provide good information about the various risks at the manufacturing units and relevant action programmes can then be implemented.

Responsibilities for environmental care are shared throughout the Group – every employee is responsible for thinking of the world around them and has an important role to play in the Group's environmental work.

A lifecycle perspective has long been used in the Group's product development procedures. Efforts are made in areas such as reducing a product's energy consumption and simplifying source separation when a product can no longer be used.

Gunnebo has identified the areas where its environmental impact is greatest. The Group works with regularly updated information to make sure its environmental management remains relevant. This ensures that challenging, business oriented goals for improving the Group's environmental performance are set.

The Group has identified the following areas as having the greatest environmental impact: the use of electricity at manufacturing units and large sales units, carbon dioxide emissions from manufacturing and sales units as well as from its own fleet of vehicles, and the recycling of non-hazardous waste in production. In 2016, new goals were set for all of these areas, while reporting procedures were improved and quality assured.

ENVIRONMENTAL MANAGEMENT SYSTEMS

Nine of Gunnebo's ten manufacturing units have implemented environmental management systems compliant with the ISO 14001 standard. This ensures an active, business oriented approach to environmental issues. The management systems identify and update environmental aspects on a regular basis. Within the management systems, programmes are established in order to meet targets on both Group and local level. The systems also include procedures for internal audits and the handling of non-conformities. Inspections are performed regularly by external certification bodies. During 2018 all manufacturing units will be certified to the ISO 14001-standard.

HAMILTON MAKES GREAT STRIDES WITH ENVIRONMENTAL AUDIT

Hamilton Safes is a major supplier of physical security products to banks and government authorities in the US and has been part of the Gunnebo Group since 2015.

In 2017, the Cincinnati-based company built on the progress it made in 2016 when its manufacturing units were awarded the ISO 14001 certification for environmental management systems. After having been assessed as part of the Group's audit programme, Hamilton's plants in Mason and Amelia registered much improved scores. Both factories originally underwent audits in 2013 and attained 57 points – a score which jumped to over 90 in 2017. These results render the effort the company has made in sustainability since joining Gunnebo.

"We have made great strides," says Don Wayne, Environment, Health & Safety Leader in the USA. "At Hamilton we are much better than we were in 2013, but we want to raise the bar even higher."

To achieve this, challenging targets have been set for 2018 which include 100% recycling of wooden pallets and cardboard, a 10% reduction in hazardous paint waste and a 10% reduction in the emission of volatile organic compounds.

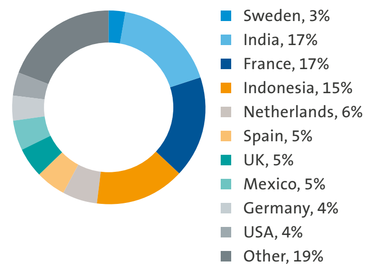
"And as long as we maintain our strict standards governing the plant and the environment," concludes Don, "we will maintain our good reputation with our customers."

Don Wayne, Shane Borke and Gerald Hazelar at Hamilton Safes.

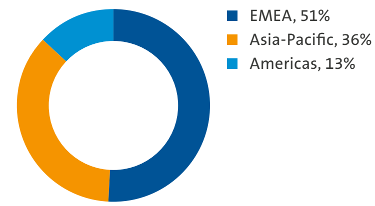
> "We have achieved a 60% improvement in four years

EMPLOYEES

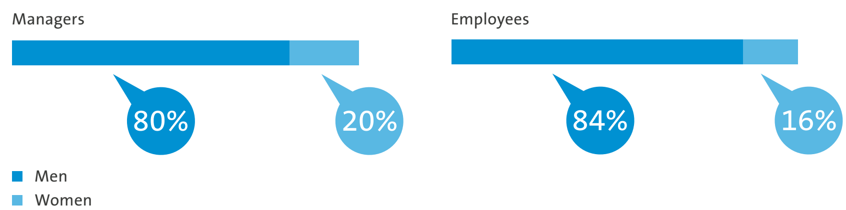
Employees by Country



Employees by Region



Gender Distribution



Gunnebo is working purposefully to create a common culture, with dedicated employees who take responsibility, work together and have an inclusive approach. An important aspect of a successful business is that the Group's 5,210 (5,556) employees at year-end reflect the diversity of its customers and society.

The Gunnebo Group's overriding goal is to be an employer that offers equal opportunities for all employees, and fosters differences and potential in an endeavour to meet customers' needs and build a long-term profitable business. This goal is put into practice through a number of activities in diversity and equality, and various development programmes. By offering safe, healthy working environments, the Group strives to create workplaces where employees can develop.

A material sustainability risk regarding employees is occupational health and safety. Focus on this matter prevents negative impact for the employees in form of accidents at the workplace and it will also effect Gunnebo's reputation as a responsible employer.

OCCUPATIONAL HEALTH AND SAFETY

It is Gunnebo's responsibility to make sure that the Group provides safe working environment. Gunnebo cannot accept any event that could result in a worker being seriously injured. Gunnebo attaches great importance to maintaining and improving the conditions for employee health and safety at its manufacturing units. Key parameters are measured in order to achieve Gunnebo's level of ambition in this area, and these parameters are defined in OHSAS 18001. Gunnebo's aim is that all manufacturing units should be certified to the OHSAS 18001 management system for health and safety. At the end of 2017, the proportion of major manufacturing units having done so was 70% (70).

Efforts to prevent accidents in the workplace are conducted locally based on local labour law, and on Gunnebo's guidelines and policies for accidents at work. Occupational health is also adapted to local and national norms and conditions. During 2017, 147 accidents were reported, 66 in Gunnebo's manufacturing units and 81 in the Group's sales companies.

Risk assessments are conducted for every activity of the Group generating prevention action plan adapted to each local situation. The Group is also starting to implement Group Safety Standards in order to go further than regulations and put under control its high risks activities.

DEVELOPMENT OF LEADERS

Collaboration and capitalising on internal strengths and resources are prioritised areas in Gunnebo's leader development programmes. It is therefore the aim of the Group that all managers should at least participate in one of the below programmes.

During 2017 investments were conducted in the development programme ACE (Action, Communication, Engagement). To reach as many people as possible, the programme is based on a train-the-trainer concept. The aim of ACE is to ensure that all managers in the Group have the right conditions to be a good manager, with focus on communication and building effective teams. ACE will supply managers with different tools to achieve this capability, to develop and communicate with their teams. The goal is for all managers in the Group to have completed the programme by 2018. In 2017, 115 (144) managers became certified ACE managers.

Newly launched Road to Growth is a leadership programme intended for middle managers with potential to grow in Gunnebo. The programme is aimed at developing skills to drive the business towards its strategic goals. The first programme was launched during 2017, with 20 people from 13 countries attending. Road to Growth is an investment in middle managers with mixed roles, tasks and background.

The Group's programme for employees in senior positions who usually report to a member of the Group Executive Team is called Challenger. In this programme, the focus is on developing personal leadership qualities, and gaining an in depth insight into Gunnebo's overriding strategy and strategic agenda. Since the beginning in 2015, 40 employees have completed the programme. There was no Challenger start-up during 2017.

E-PLATFORM FOR TRAINING

To facilitate the dissemination of knowledge and increase accessibility to training, the Group uses the interactive Gunnebo Training Center (GTC). The GTC continued to grow during the year and had a 10% increase in active employees and 8% more e-course completions. GTC covers a range of topics from strategy and product functionality to maintenance procedures and certification methodology. In 2017 Gunnebo invested in increased trainability by broaden the scope for GTC with more generic skills courses as Project Management, Communication, Sales training etc. During 2017, the platform had 3,549 active users who jointly completed 19,440 hours of training. Taking courses online also contributes to reducing the costs and environmental impact associated with travelling.

PERSONAL DEVELOPMENT

The human capital risk is material for Gunnebo. The Group strives to recruit and retain the right people. The risk is handled by clearly defined wanted behaviours stated in the Performance Cornerstones. The Performance Cornerstones are used in the recruitment process for profile mapping as well as in Performance management.

It is clearly understood that Gunnebo's success depends on its employees. Therefore, the Group has touched into to foster a true performance related culture. IMPACT is Gunnebo's updated process for performance management, launched in December 2017. Gunnebo's focus is to plan for its employees' development, so that it goes hand in hand with the Group's business goals. The aim is to give all employees opportunities to develop to their full potential, and to know what is expected of them in the short and long term. Structured personal development reviews are therefore conducted every year with all employees in the Group. The aim of these reviews is to set individual goals and formalise the assessment of personal progress. They are also an important tool in ensuring that all employees work towards the same goals, i.e. full implementation of the Group's strategy.

There is an ongoing assessment of employees in the Group, supporting the global succession planning process.

During 2018 Gunnebo will launch a method for assessment and implementation of HR processes and policies regarding compensation, performance, succession planning, recruitment, work environment and diversity. A pilot was conducted in 2016, which is now ready to go global.

EMPLOYEE SURVEY

Employee surveys are important tools for understanding what is working well and identifying where further efforts are needed. The global employee survey conducted in late 2015 disclosed areas of improvements and resulted in different local activities as well as general actions as an investment in the development programme ACE (see above).

During 2017 Gunnebo launched its second employee survey, following a similar structure to the survey conducted in 2015, to compare the result and observe possible trends. There were also open questions for employees to fill in. The aim of the survey was to follow up improvements from actions derived from the previous survey, and identify new improvement areas. During 2018 the result from the 2017 survey will be analysed and actions taken.

Road to Growth brought together employees from 13 countries

PREPARING GUNNEBO'S FUTURE LEADERS

In 2017 Gunnebo launched a new leadership training programme called Road to Growth. Its goal is to develop the management skills necessary to drive the business forward and achieve the Group's strategic targets.

"Leadership training is essential to delivering growth," says Christian Carlsson, SVP Human Resources & Sustainability. "We need to equip our employees with new insights if we are to maintain a long-term competitive edge in the market."

The programme uses a mix of theory, case studies and practical exercises to relate learning to current business challenges and opportunities within Gunnebo. Role playing provides practical examples of leadership challenges faced by senior managers inside the Group.

The first Road to Growth sessions took place in Sweden in 2017 and brought together 20 employees from 13 countries. As well as being culturally diverse, the group represented a variety of business disciplines including sales, operations, engineering and finance.

All business and financial topics covered as part of the programme were led by internal Gunnebo experts to ensure that the content is as relevant as possible.

"We want to foster a dynamic environment founded on regular feedback, coaching and exchanging individual experiences," adds Christian Carlsson. "By doing so, Road to Growth will create stronger networks and a more open dialogue within the Group."

SOCIAL CONDITIONS

Gunnebo strives to be an organisation characterised by equality and diversity, traits which contribute to creativity and breed new ideas, which in turn are a prerequisite for business success. Gunnebo continuously has several global projects under way to ensure that the company fosters the Group's diversity and develops equal workplaces.

The risk regarding social conditions is not being able to secure that employees are affected by discriminatory actions. The Group's recruitment tool supports an objective recruitment process as it measures 32 different personality traits that are relevant to occupational settings. Ultimately the test measures traits with the purpose of determining behavioural styles of work. This enables Gunnebo to as objectively as possible determine the best candidate for the job posted. Social conditions are not considered to be material for Gunnebo's direct operations. Gunnebo manages this sustainability risk with support from the Group's Code of Conduct, its recruitment and remuneration policy as well as global system for pay structure. Well managed it can strengthen Gunnebo's reputation and ability to recruit and retain employees.

DIVERSITY

One of Gunnebo's strategic goals is to increase insight into and harness the benefits of the Group's diversity. For a global company, having an understanding of local market conditions, cultural and employee needs, is pivotal to develop the business. Diversity is encouraged at all levels in the Group and Gunnebo strives to represent as many dimensions of diversity as possible and to meet customer demands in a global market. This work considers gender, origin, industry background and other indicators of diversity. At year-end 2017, Gunnebo had 212 company managers and members of management teams, representing 30 nationalities.

EQUALITY

Gunnebo's employees are recruited and promoted solely based on their qualifications for the job. Equal opportunities and treatment apply for all the Group's employees irrespective of gender, marital status, ethnic or national background, etc. Each employee shall be rewarded in a correct and fair manner in accordance with their individual performance and contribution to the success of the company.

Equality is an important element of the Group's work with diversity. Gunnebo operates in a male-dominated sector and this is reflected in the gender distribution of staff across the Group as a whole. Among the staff the proportion is 16% women. At management level, however, the ratio is more balanced. 20% of the Group Executive Team is made up of women, and in management the proportion is 20%. Gunnebo's aim is to ensure that women and men are treated equally and provided with the same conditions to develop. The Group works actively to improve the proportion of female employees and to achieve a more balanced long-term gender distribution. The inclusion of female employees in the succession planning process and the participation of women in leadership development programmes is promoted. As a result, 30% of participants in the 2017 Road to Growth development programme were women. Since the Group's pay structure is based on a global system, it supports the ambition of equal pay for equal work, where any differences in pay levels are driven by local conditions.

LOCAL ACTIVITIES

The Gunnebo Code of Conduct helps ensure that the Group runs its business ethically and that potentially negative social impact is understood and avoided.

In addition to social issues in purchasing and production, Gunnebo also plays an active role in the communities where it operates, creating additional positive social impact and strengthening the local communities where the Group operates. Its local companies are encouraged to support politically and religiously unaffiliated grass root projects in their vicinity which lead to greater equality, and a higher level of education and general standard of living.

Gunnebo is backing an initiative for job creation

SUPPORTING YOUTH DEVELOPMENT IN INDIA

In 2017, Gunnebo began its support of a skills development programme for young people in India.

Together with a partner approved by the Indian government's National Skill Development Centre (NSDC), Gunnebo hopes to make it easier for young jobseekers from poorer sections of the community to find opportunities in the security industry. The initiative will also focus on creating more openings for young women.

The initiative will provide 150 young men and women with new skills and knowledge to increase their employability and give them access to careers previously closed off to them.

HANDBALL FOR EVERYONE

During 2017, the Gunnebo Group began supporting an inclusive initiative in Sweden which gives children with learning disabilities the opportunity to play handball. Handball for Everyone is run by the IK Sävehof handball club. Through the initiative, around 30 young people with learning disabilities can train together to improve at handball, develop physically, and feel part of a wider community.

IK Sävehof handball club

RISK MANAGEMENT

Exposure to risk and uncertainty with regards to future development is a natural aspect of all businesses. Risk awareness, assessment and risk mitigations are integral parts of management and prerequisites for creating sustainable profitable growth. Gunnebo therefore strives to continuously evaluate and manage the risks to which the business is exposed and to carefully monitor the development of factors that influence the main risks that have been identified.

Gunnebo is a global group with a broad geographical spread. The Group currently has operations in 28 countries and ten manufacturing units in nine countries. The Group is therefore exposed to various kinds of strategic, operational and financial risks. Strategic and operational risks include external environment risks, raw material risks, production risks and legal risks. The financial risks are linked to changes in interest and exchange rates, financing and counterparty risks. Financial risk is also related to the value of the balance sheet, where intangible assets and deferred tax assets are the two main assets where periodic valuation is made by Gunnebo due to their elements of judgements and estimates.

RISK MANAGEMENT

Risk management within the Group is an important part of governance and control and aims to identify, evaluate and manage risks and, thereby, mitigate potential negative effects. The management teams in Gunnebo's regions, product areas, sales companies and manufacturing units are ultimately responsible for identifying, assessing and managing risks in their area of responsibility. The respective management teams are supported by resources within central group functions and bound by group-wide policies, principles, guidelines and instructions.

The Group's risk management is monitored by the Group Executive Team, partly through operational review meetings and partly through quarterly business board meetings. In these the management teams describe developments in their respective units as well as identified risks. Further control is achieved through the inclusion of representatives of the Group Executive Team and senior management on the internal Boards of Directors. The Group CEO reports regularly to the Group Board of Directors about the development of the Group's significant risks and Gunnebo's Board of Directors has the overall responsibility for the Group's risk management and for deciding the Group's strategic direction.

STRATEGIC RISKS

Gunnebo's strategic risks relate to risks linked to Gunnebo's external dependencies such as demand and market conditions, and Gunnebo's reputation as a supplier, employer and business partner, as well as industry risks such as technological and regulatory changes.

OPERATIONAL RISKS

Operational risks are risks directly linked to the operative business, from product development to access to raw materials and the right suppliers. They also include risks related to the Group's own manufacturing and sustainability as well as the risk that products, services and deliveries do not meet the required standards. Furthermore they cover risks related to IT, customer credit risks and counterparty risks.

FINANCIAL RISKS

Financial activities are carried out in accordance with the finance policy established by the Board, which regulates how financial risks are to be managed and the limits within which the internal bank and Gunnebo's subsidiaries may operate.

▷ Read more about Gunnebo's financial risk management on page 73–75, note 17.

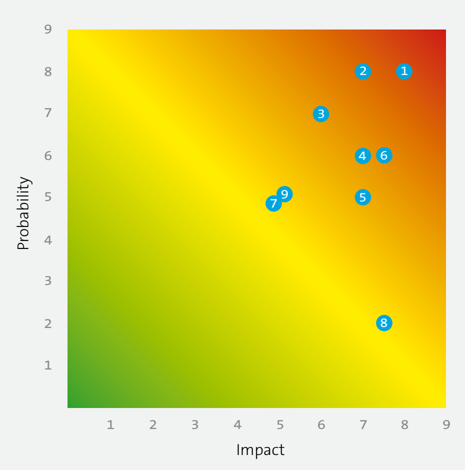
INSUREABLE RISKS

Gunnebo has established a group-wide insurance programme to protect the Group's insurable assets. The programme covers property and business interruption insurance, general and product liability, transport insurance, business travel, crime insurance, directors' and officers' liability and employment practices liability. Linked to the insurance programme is a programme for identifying and evaluating risks at the Group's manufacturing units and related financial consequences. The programme includes both self-assessments and regular factory inspections. The results of these reviews are summarised in a points system for risk exposure at each plant, enabling management to control the risks and to assess the need for risk-reduction measures and establish priorities.

GUNNEBO'S 9 MOST SIGNIFICANT RISKS

In this risk matrix, Gunnebo has assessed its nine most significant risks by considering the category probability against impact.

1 Customer behaviour
2 Change of technologies
3 Product, service and delivery
4 Product development
5 Reputation
6 Human capital
7 Compliance risk
8 Manufacturing
9 Macroeconomic risk



THE GUNNEBO GROUP'S 9 MOST SIGNIFICANT RISKS

Risk	Description	Mitigation actions	Tools to manage risk
Customer behaviour	The Gunnebo Group's business and results are exposed to market risks such as the impact of the business cycle on demand for the Group's products and services and changes in customer investment plans and production levels.	The Group's relatively broad product range and customer structure, as well as its global market coverage with sales and production in a large number of countries, provide a good distribution of risk restricting the effect of a change in demand limited to a particular customer, industry, region or country.	• Customer survey • Market intelligence
Change of technologies	Fast changing technology standards and technological leaps in parts of the world leading to an offering no longer compatible with the new standards. If Gunnebo fails to identify these changes and adapt technologies in a timely manner, this may affect the Group's business.	Gunnebo's R&D strategy, together with a close dialogue with key customers, aim at ensuring that Gunnebo develops innovative solutions that create customer value.	• R&D strategy • Customer dialogue • Market intelligence
Product, service and delivery	The Group could be at risk of losing customers and market share if the products which reach the customer do not meet expectation levels in terms of quality and/or functionality. Each manufacturing step should ensure that the product is built according to its definition, so that it meets expectations in terms of performance and appearance. The same standards in terms of quality, functionality and delivery are expected of distributors and suppliers in the value chain.	For products manufactured in-house, Gunnebo ensures that every production step is well defined, and that the right controls are in place throughout the process, so that when the product is packed and shipped, it is correct. Every employee should be trained accordingly and should understand not only how their work contributes to a product of the right quality but also how working in the wrong way can affect product quality negatively. For outsourced production, distributors and suppliers should be given clear specifications and expectations in terms of quality, functionality and delivery. This requires good collaboration between all parties.	• Quality policy • ISO 9001 certifications • Quality KPI • Manufacturing checklists • Sourcing specifications and related control reports • Claim system
Product development	The Group could be at risk of losing customers and market share if it does not develop products which comply with new legislation or does not provide products which meet customer expectations. Each development project is planned and monitors risks regarding project and product quality and cost, project lead time and product features.	Gunnebo surveys all new legislation that could have an influence on the products that the Group develops and supplies. It also keeps track of the evolution of standards and their impact. Group standards and certification experts are involved in national and international working groups managing standards and their development. This includes specific business-related standards as well as HSE standards. The Group has put in place a strong product development process, with tollgates and validation steps. Starting with the initial specification, it covers the whole product lifecycle, including launching and phase-out. The process enables project costs and timing to be monitored, and validation steps to ensure that the right quality level is attained.	• Customer survey • Group development project tollgate model • Gunnebo guidelines • Environmental policy • Engagement in national and international regulatory bodies
Reputation	Reputation – including brand, trust and customer satisfaction – can impact the sustainability of current and future demand for a company's product or service and the company's commercial freedom. Manufacturing quality and customer service are examples of factors which affect a company's reputation. Today's multi-channel world makes it challenging to control how the brand is perceived in the marketplace.	Activities to maintain and further strengthen Gunnebo's good reputation are constantly ongoing. These include ensuring compliance with Gunnebo's Code of Conduct. The Code defines the Group's values with regard to business ethics, human rights and labour standards, environment, health and safety.	• Code of Conduct • Customer survey • Customer dialogue • Frequent scans of online media • Brand strategy
Human capital	Not recruiting and/or retaining people with the right competence and values can create a lot of damage to the business. Another identified risk related to employees is key person dependency.	Clearly defined wanted behaviours expressed as the Group's "Performance Cornerstones". In recruitment processes, profile mapping and recruitment tests are connected to the Performance Cornerstones, as are the personal development reviews. A process for succession planning has been in place for several years.	• Personality test when employing based on Performance Cornerstones • Succession planning process
Compliance risk	Compliance risks may affect the Group's ability to protect value through threats posed to our organisation's financial, organisational or reputational standing, and may affect the Group's ability to live by its values. This includes stock exchange related issues, competition law issues, anti-corruption, export control and privacy as well as corporate governance and compliance. As a global company, the Group works in some politically unstable countries where compliance risks tend to be higher than in other countries.	The Group's Code of Conduct, as well as policies and guidelines on compliance with applicable laws in certain areas, have been implemented. The Group's legal department is responsible for monitoring the management of compliance risks. Compliance risks are managed through tactical and operational business decisions and operations regarding compliance to rules and regulations in all businesses throughout the Group on all levels, by all employees.	• Code of Conduct • Insider policy • Fraud and corruption policy • Export control policy • Data protection policy (GDPR)
Manufacturing	Production takes place in ten manufacturing units and comprises a chain of processes where stoppages or disruptions can impact on Gunnebo's ability to fulfil its obligations to customers.	The manufacturing units are involved in an audit programme driven by the Group's insurance company. It is aiming to regularly review the risks associated with each plant and help design action plans to reduce them. Hence, a Group crisis management procedure and local business continuity plan for each plant have been implemented. These allows the Group to anticipate its response to any major unplanned event.	• Code of Conduct • Certification (ISO 90001, ISO 14001 & OHSAS 18001) • Insurance audit • Group manufacturing policy • Business continuity plan • Group crisis management procedure
Macroeconomic risk	Gunnebo's geographical distribution means exposure to external environment risk such as country-specific risks in the form of political decisions and changes to regulations as well as macroeconomic fluctuations.	The Group's Board and senior management team monitor the development in key markets to assess macroeconomic and political risks, but also opportunities that may influence the Group's strategy and operations in those markets.	• Business boards • Market intelligence

SENSITIVITY ANALYSIS

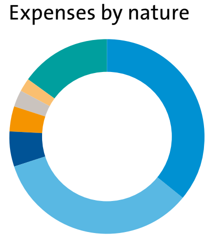
Profit is affected by changes in certain factors of importance to the Group, as explained below. The calculation is made on the basis of the Group's structure at year-end and assuming all other factors remain unchanged.

	Change	Effect
Selling Prices	A 1% increase in the selling price	would positively affect income and operating profit by approximately MSEK 60.
Labour Costs	A 1% increase in labour costs, including social security charges	would negatively affect operating profit by Approximately MSEK 20.
Steel Prices	A general increase in steel prices of 10%	would negatively affect profit by around MSEK 30 for the subsequent 12 months.
Currencies	A 10% depreciation of the value of the SEK	would positively affect profit before tax by approximately MSEK 36 in total. Of this, MSEK 20 would be netted transaction exposure, without taking the Group's forward cover into account. The remaining would be attributable to translation exposure.
Interest Expenses	Given the same borrowing liability and the same fixed interest terms as at the end of the year, a one percentage point increase in all of Gunnebo's borrowing currencies	would negatively affect profit by approximately MSEK 9, after interest rate hedging, for the subsequent 12 months.

COSTS

The annual cost of steel-based products account for approximately SEK 300 million. Consequently, an increase of 10% in the cost of these products reduces the operating profit by around SEK 30 million. An increase of 1% to wages and salaries (including social security charges) reduces the operating profit by around MSEK 20. An increase of 1% in interest rates would increase the Group's annual interest cost with around MSEK 9, based on the current position. The Group had a net debt of MSEK 1,493 on 31 December, 2017.

Expenses by nature



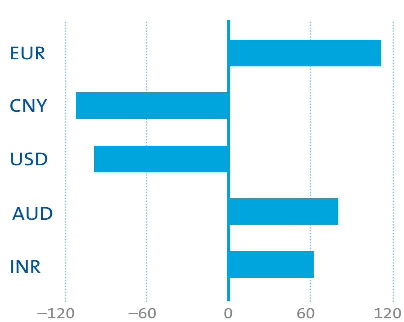
- Material costs, 36%
- Remuneration to employees, 34%
- Temporary personnel and subcontractors, 6%
- Vehicle and travel costs, 4%
- Transport costs, 3%
- Depreciation and amortisation, 2%
- Other costs, 15%

CURRENCY IMPACT

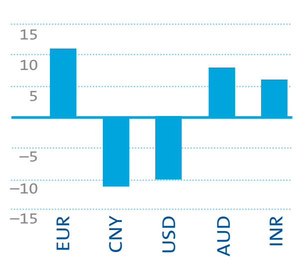
Most of the operating profit is made outside Sweden, meaning that the Group is exposed to translation risks from currencies into the reporting currency SEK. The largest currency flows are shown in the first graph below.

The effects on profit before tax of a 10% depreciation of the Swedish krona against the Group's top five individual currencies are shown in the graphs below, separately for transactional and translational exposures.

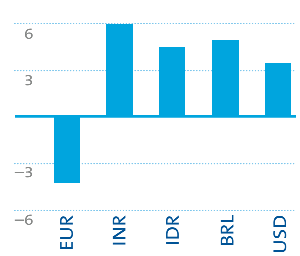
NET CURRENCY FLOWS 2017, MSEK



TRANSACTIONAL EFFECT OF 10% WEAKER SEK AGAINST TOP FIVE CURRENCIES



TRANSLATIONAL EFFECT OF 10% WEAKER SEK AGAINST TOP FIVE CURRENCIES



CORPORATE GOVERNANCE

Gunnebo AB (publ) is a Swedish public limited company listed on Nasdaq Stockholm, Mid Cap. The company applies the Swedish Corporate Governance Code and hereby submits its 2017 Corporate Governance Report.

In addition to Swedish law, the Group's corporate governance is based on the Swedish Corporate Governance Code (referred to below as "the Code"), Nasdaq Stockholm AB's Rule Book for Issuers and the Swedish Securities Council's statements on good practices in the Swedish stock market. This Report summarises the structure of corporate governance and how corporate governance has been performed and developed within the Group during the 2017 financial year. Gunnebo follows the rules of the Code and provides the following explanations for the cases in which it deviated from the Code rules in 2017.

GOVERNANCE AND DIVISION OF RESPONSIBILITIES

Corporate governance structured around and adapted to the Group's operations is essential to commercial success and increased profitability. Effective corporate governance involves a well-defined segregation of duties and responsibilities, transparency vis-à-vis the shareholders and the market and efficient governance and effective control over the Group's operations to ensure that the Group meets its commitments to shareholders, customers, employees, suppliers, lenders and society, and that the operations meet established targets, applicable legislation, other regulations and internal policies.

In 2017, the following groups were primarily in charge of the governance, management, control and segregations of responsibilities at Gunnebo:

- Shareholders
- Board of Directors
- President
- Group Executive Team
- Regional and product area management teams
- Group corporate functions

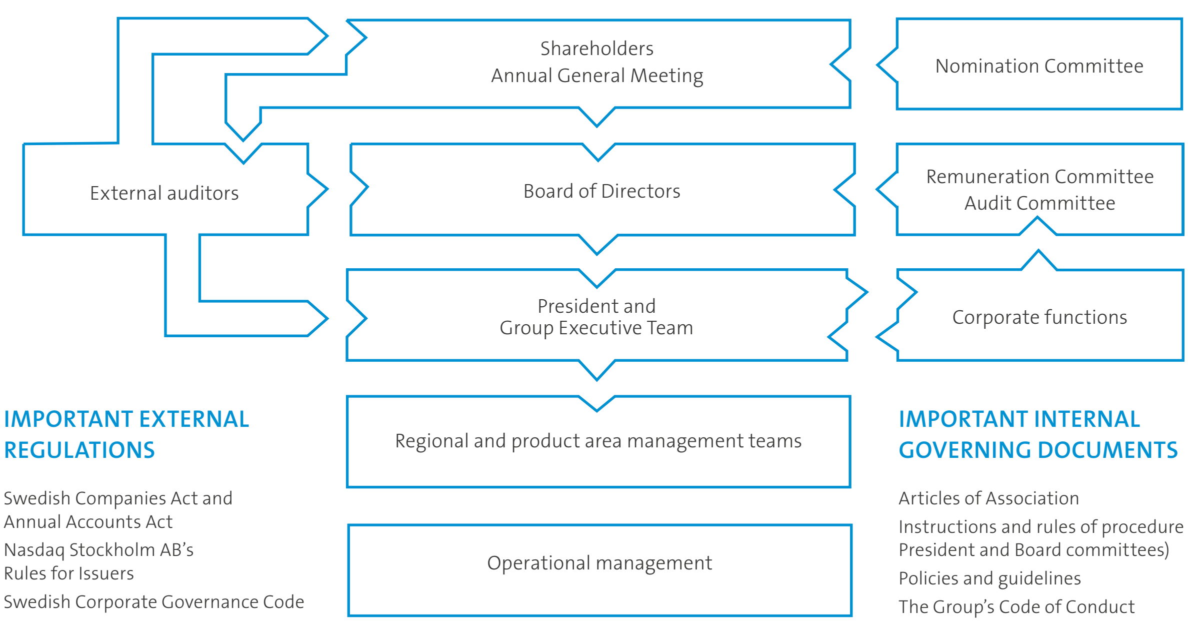
SHAREHOLDERS AND THE SHARE

For information about shareholders and the Gunnebo share, refer to pages 92–93 and www.gunnebogroup.com.

GENERAL MEETINGS

Shareholders exercise their influence at the Annual General Meeting or, if held, at Extraordinary General Meetings, which are Gunnebo's highest decision-making bodies. All shareholders registered in the transcript of the shareholders' register a certain point of time before the Meeting and who have registered their attendance at the Meeting before the stipulated deadline in the notice to attend are entitled to participate in the Meeting and exercise full voting rights. Shareholders who are unable to attend the Meeting in person may appoint a proxy. Shareholders wishing to have an issue addressed at a General Meeting should submit their request in writing to the Board well enough in advance to be included in the convening notice to the General Meeting.

OVERVIEW OF GUNNEBO'S CORPORATE GOVERNANCE



IMPORTANT EXTERNAL REGULATIONS

Swedish Companies Act and Annual Accounts Act

Nasdaq Stockholm AB's Rules for Issuers

Swedish Corporate Governance Code

IMPORTANT INTERNAL GOVERNING DOCUMENTS

Articles of Association

Instructions and rules of procedure (Board, President and Board committees)

Policies and guidelines

The Group's Code of Conduct

2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting was held on April 5 at the Chalmers Student Union building in Gothenburg. A total of 131 shareholders attended in the Meeting, representing 70% of the number of shares and votes in the company. Chairman of the Board Martin Svalstedt was elected Chairman of the Meeting. All Board members elected by the Meeting attended.

Minutes from the Annual General Meeting have been published on Gunnebo's website, www.gunnebogroup.com. The Meeting adopted resolutions including:

- Adoption of the income statements and balance sheets for the company and the Group included in the annual report for the 2016 financial year,
- A dividend according to the Board's proposal of SEK 1.20 per share for the 2016 financial year,
- Re-election of all Board members, except for Tore Bertilsson who declined re-election, and Martin Svalstedt as Chairman of the Board. Anna Borg Sæther was elected as a new member of the Board,
- Determination of remuneration to the Board of Directors and auditor,
- Principles for remuneration of senior executives,
- Process for appointments to the Nomination Committee,
- Election of Deloitte AB as the company's auditor until the end of the Annual General Meeting for the 2017 financial year,
- Introduction of a long-term share-based incentive programme including hedging measures in respect thereof,
- Authorisation for the Board to, in conjunction with agreements on company acquisitions, on one or several occasions during the period up until the next Annual General Meeting, resolve on the issue of shares, with or without deviation from the preferential rights for the shareholders for payment in cash, by contribution in kind or by set-off, for a maximum number of shares corresponding to 10% of the total shares in the company.

2018 ANNUAL GENERAL MEETING

The next Annual General Meeting of shareholders in Gunnebo AB (publ) will be held in the Chalmers Student Union building, Chalmersplatsen 1, in Gothenburg on 12 April 2018. More information about the Annual General Meeting is available on page 90 of this Annual Report and at www.gunnebogroup.com.

NOMINATION COMMITTEE

The task of the Nomination Committee is to present proposals to the Annual General Meeting for decisions in such matters as the election of the Chairman of the Meeting, Board members (number, name and Chairman), fees to the Board of Directors, remuneration for Committee work, auditor's fees, procedures for the appointment of the Nomination Committee and, where applicable, the election of auditors.

It was decided at the 2017 Annual General Meeting that, for the period until the 2018 Annual General Meeting, and subsequently until further notice, Gunnebo's Nomination Committee would consist of the Chairman of the Board and one representative from each of the three largest shareholders as per the final banking day of August of each year. This means that the following shareholder representatives constituted the Nomination Committee for the period until the 2018 Annual General Meeting: Dan Sten Olsson (appointed by Stena Adactum), Mikael Jönsson (appointed by Vätterledens Invest), Ricard Wennerklint (appointed by If Skadeförsäkring) and Martin Svalstedt, Chairman of the Board and convener. The Chairman of the Nomination Committee is Dan Sten Olsson. In the Nomination Committee's opinion, all of the Committee members are independent of the company and its Group Executive Team. Furthermore, Mikael Jönsson and Ricard Wennerklint are deemed to be independent of the company's largest shareholders in terms of votes. In a deviation from item 2.4 (second paragraph) of the Code, two of the Nomination Committee's members are also Board members who are not deemed to be independent of the company's largest shareholders. The reason for the deviation is that Mikael Jönsson is the person in Vätterledens Invest who has the best knowledge of the company and its board. No remuneration is paid by the company to the members for their work on the Nomination Committee. The Nomination Committee held two meeting prior to the date of this Annual Report. Contact the Nomination Committee by e-mail to valberedningen@gunnebo.com or by post to Gunnebo AB to the address printed on page 98.

BOARD

The overall task of the Board of Directors is to be accountable for the company's organisation and management of the company's business. In the execution of its duties, the Board is to manage the interests of the shareholders. It is also the Board's duty and responsibility to ensure that this Corporate Governance Report is prepared. The Articles of Association stipulate that the Board shall comprise no fewer than five and no more than seven members, with no more than two deputies. Board members are elected every year at the Annual General Meeting for a period that extends to the close of the next Annual General Meeting.

In 2017, Gunnebo's Board comprised seven members elected by the Meeting. The employees have the right to appoint two representatives and two deputies to the Board. During the year, one of the employee representatives has left the Group, and has now resigned from the Board. None of Gunnebo's senior executives are members of the Board. The President and the CFO participate at Board meetings, the latter also serving as secretary. Furthermore, other senior executives participate at meetings whenever required.

The Board's work is primarily governed by the Swedish Companies Act, the Code and the Board's rules of procedure. The rules of procedure are adopted every year at the statutory meeting of the Board. The current rules of procedure state that the Board shall hold at least six scheduled meetings between Annual General Meetings including the statutory board meeting. The rules of procedure also outline the segregation of work and responsibilities between the Board, the Chairman, the Board Committees and the President.

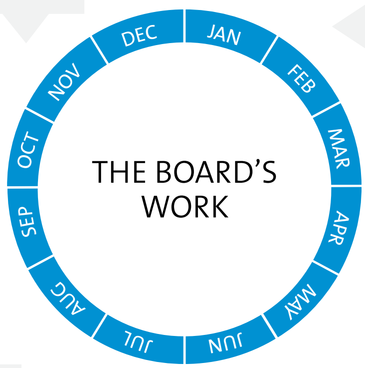
BM = Board Meeting
AC = Audit Committee
RC= Remuneration Committee

DECEMBER
BM: Report from the Board's committees, report from the CEO and CFO, Budget 2018, acquisition activities, strategic issues, presentation of HR and sustainability, evaluation of the Board's work.
AC: CFO function's priorities, accounting and valuation issues, tax, risk management, interim report from auditors.
RC: Overview of remuneration and bonus targets for 2018, LTIP.

JANUARY
RC: Bonus outcome 2016, analysis LTIP, decision on remuneration to CEO.

FEBRUARY
BM: Report from the Board's committees, report from the CEO and CFO, audit report, year-end report, proposal for dividends and other General Meeting issues, presentation of acquisition activities, presentation of Region EMEA.
BM: LTIP 2017, guidelines for remuneration of senior executives and Remuneration Committee's evaluation, authorisation to carry out new share issue and other General Meeting issues.
AC: Accounting issues, financial results and position, audit report, interim report, annual accounts, new financial targets.
RC: Decision on remuneration of Executive Management, LTIP 2017 and bonus issues.

NOVEMBER
RC: LTIP 2015, 2017, 2018 as well as bonus structure and pension policy for Management.



OCTOBER
BM: Report from the Board's committees, report from the CEO and CFO, including new financial targets, interim report, presentation of IT, strategic issues.
AC: Accounting issues, taxes, CFO function's priorities, financial results and position, interim report, financial risks, intangible assets, tax loss carry forwards and auditors' review of the third quarter.

APRIL
BM: Report from the Board's committees, report from the CEO and CFO, presentation of acquisition activities, presentation of Safes & Vaults product area.
BM: Statutory meeting.
BM: Report from the Board's committees, report from the CEO and CFO, interim report, strategic issues.
AC: Review of rules of procedure, strategic priorities within CFO function, accounting issues, financial results and position, interim report, taxes, audit and internal control planning 2017.

JULY
BM: Report from the Board's committees, report from the CEO and CFO, interim report
AC: Taxes, sustainability issues, review of Group's disputes, financial results and position, interim report, procurement of auditor.

JUNE
BM: Strategy review.

MAY
BM: Acquisition activities.

THE BOARD'S WORK IN 2017

In 2017, the Board convened nine times in addition to the statutory meeting. The work of the Board has been performed as illustrated above.

CHAIRMAN OF THE BOARD

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the 2017 Annual General Meeting. It is the Chairman of the Board's responsibility to lead and divide the Board's work and to ensure that it is conducted in an organised and effective manner. This includes ensuring that the Board completes its duties, monitoring the progress of the company and ensuring that the Board continuously receives the information required for the Board to perform its work to the necessary standard in accordance with the relevant regulations. The Chairman does not participate in the operational management of the company.

INDEPENDENCE OF BOARD MEMBERS

Pursuant to the Code, the majority of Board members elected at the Annual General Meeting must be independent of the company and its Group Executive Team, and at least two of its members must also be independent of the company's major shareholders. The shareholdings of the individual Board members and their independence of the company, its Group Executive Team and the major shareholders, and other assignments in other companies are presented on page 51.

EVALUATION OF THE BOARD'S WORK

The work of the Board is evaluated every year by a survey completed by the members of the Board. The results of this survey form the basis for continuous improvements to the Board's work in the company. The evaluation, for which the Chairman of the Board is responsible, includes issues regarding the composition of the Board, meetings, material, Committees and the manner in which the Chairman of the

Board and the Board in general perform their main duties in accordance with the Code. The results of the survey have been presented to and discussed by the Board and been presented to the Nomination Committee by the Chairman of the Board. The evaluation is the basis for the Nomination Committee in terms of its various proposals regarding the Board.

BOARD COMMITTEES

During 2017, the Board of Directors of Gunnebo had two Committees: the Remuneration Committee and the Audit Committee. The representatives sitting on these Committees are appointed by the Board from among its own ranks.

AUDIT COMMITTEE

The Audit Committee is a preparatory body for contact between the Board and the auditors. The Audit Committee follows written rules of procedure. The Committee's duties include:

- Monitoring the company's financial reporting and submitting recommendations and proposals to ensure the reliability of the reporting,
- Monitoring the efficiency of the company's internal control and risk management as regards the financial reporting,
- Remaining informed about the status of the audit of the annual report and the consolidated financial statements and about the conclusion of the Swedish Inspectorate of Auditors' quality controls of the auditors,
- Examining and monitoring the impartiality and independence of the auditors, and in particular identifying whether the auditors provide any other services to the company than the audit, and discussing any threats to impartiality and independence and any other matters with the auditors,
- Providing assistance in preparing proposals for resolution by the General Meeting on the election of auditors and fees to auditors, for which the Committee is to monitor that the auditors' mandate period does not exceed applicable regulations, submit a recommendation on the election of auditors and, when electing a new auditor, procure an audit in accordance with the provisions of Article 16 of the EU Auditor Regulation. If new auditors are to be elected, the recommendation is to provide reasoning and contain at least two alternatives and the Committee is, in such cases, to provide reasons on which auditor it prefers,
- Ensuring that the Group's nine-month report is reviewed by the Group's auditors.

Following the 2017 Annual General Meeting, the Committee comprised Eva Elmstedt (Chairman), Mikael Jönsson and Martin Svalstedt. All of the members of the Audit Committee are independent of the company and company management and one member is also independent of the company's major shareholders.

The Committee held six meetings during the year and the Group's auditors participated in all of them. The Group's auditors also participated at one Board meeting to present an overview of their audit and review of internal control. The auditors have also met with the Board without the presence of representatives from the Group. Matters addressed by the Committee are illustrated on page 45. The attendance of the Committee members at meetings is presented in the table on page 47.

During 2017, the Group performed an Audit tendering for the period 2018–2021. The tender was mandatory as the current auditors have been engaged for a period of 10 years. Firms were evaluated with respect to a number of qualitative factors as well as total audit fees. After the evaluation, the Audit Committee proposed to recommend to the Nomination Committee the auditing company Deloitte AB, and Hans Warén as Auditor in charge, to be elected at the Annual General Meeting in 2018.

REMUNERATION COMMITTEE

The Remuneration Committee follows written rules of procedure. The Remuneration Committee's tasks include:

- Submitting proposals on guidelines for remuneration of the President and other senior executives,
- Monitoring and evaluating ongoing variable-remuneration programmes for the Group Executive Team and programmes concluded during the year,
- Monitoring and evaluating the application of the guidelines for remuneration of senior managers as adopted by the Annual General Meeting and current remuneration structures and remuneration levels in the company,
- Addressing strategically important HR issues, such as management development and succession planning,
- Preparing other matters related to employment terms and conditions, such as general principles for salary levels, company car policy, Code of Conduct and other matters delegated to the Committee by the Board.

Following the 2017 Annual General Meeting, the Committee comprised Martin Svalstedt (Chairman), Mikael Jönsson and Göran Bille. All of the members of the Remuneration Committee are independent of the company and company management and one member is also independent of the company's major shareholders. The Committee held four meetings during the year, at which items such as long-term incentive programmes, bonus model, bonus outcomes and guidelines for remuneration to senior executives were discussed. The attendance of the committee members at meetings is presented in the table on the following page.

AUDITORS

Gunnebo's auditors are elected at the Annual General Meeting. The auditor audits the annual report, accounting and consolidated accounts as well as the Board and CEO's management of the company in accordance with generally accepted auditing standards in Sweden. After every financial year, the auditor submits an auditor's report for the Parent Company and a consolidated auditor's report to the Annual General Meeting as well as a supplementary report to the Audit Committee under the Auditing Regulation. At the 2017 Annual General

Meeting, the registered public accounting firm Deloitte AB was elected as the auditor with Hans Warén as the auditor in charge. The current mandate period expires at the 2018 Annual General Meeting. The auditors present their audit to the Audit Committee and the Board of Directors. In addition to their standard audit assignments, Deloitte provides assistance in the form of advisory and investigative assignments. The assignments performed are not deemed to give rise to a disqualification situation. Information regarding fees to auditors is provided in note 5 in the financial statements.

PRESIDENT & CEO AND GROUP EXECUTIVE TEAM

Henrik Lange is Gunnebo's President and CEO and leads Gunnebo's business activities. It is the President's responsibility to implement and ensure the execution of the strategies, business plans and operational targets adopted by the Board. The President is also responsible for ensuring that the Board receives the information and material necessary for making decisions. Furthermore, he presents reports at Board meetings and continuously keeps the Board and Chairman informed of the Group's and company's financial position and performance.

The President is assisted by a Group Executive Team comprising managers for regions, product areas and corporate functions. At year-end 2017, the Group Executive Team consisted of ten individuals. These individuals are presented on pages 50–51 of this Annual Report. In 2017, the Group Executive Team held 14 meetings. The meetings mainly focused on the Group's strategic and operational development, performance monitoring as well as discussions about acquisitions.

REGIONAL AND PRODUCT AREA MANAGEMENT

Gunnebo's business activities consist of the regions EMEA, Asia-Pacific and Americas with sales companies as well as the Cash Management, Entrance Security, Safes & Vaults and Electronic Security product areas. Each unit has an operational management team which is responsible for the unit's business operations. The operational management teams are the bodies under the Group Executive Team that are responsible for strategy implementation and ensuring that the decisions which have been made are executed. Other members of the operational management teams include representatives from the Group Executive Team and representatives from the business. These management teams are responsible for leading the day-to-day operations in each unit and usually comprise the head of each unit and the most important heads of corporate functions.

CORPORATE FUNCTIONS

Gunnebo's head office houses the corporate functions for the coordination of corporate management, business development, human resources & sustainability, legal & compliance, finance, IT, logistics and brand management & communications. These functions are responsible for preparing relevant group-wide strategies, priorities and business plans for their respective areas of responsibility and for driving, supporting and controlling the development of the organisation based on their respective areas of expertise.

STATISTICS ON ATTENDANCE AND INDEPENDENCE OF BOARD MEMBERS 2017

					Independent in Relation to:		
Name **Elected at Annual General Meeting**	Elected	Board Meetings	Remuneration Committee	Audit Committee	The Company and Executive Management	The Company's Largest Shareholders	Total Remuneration, SEK
Martin Svalstedt	2003	9 (C)	4 (C)	2 (M)	Yes	No	500,000
Tore Bertilsson (resigned 2017)	2012	2 (M)		2 (M)	Yes	Yes	150,000
Göran Bille	2008	8 (M)	4 (M)		Yes	Yes	280,000
Anna Borg Sæther (elected 2017)	2017	7 (M)			Yes	Yes	125,000
Charlotte Brogren	2012	9 (M)			Yes	Yes	250,000
Bo Dankis	2006	8 (M)			Yes	Yes	250,000
Eva Elmstedt	2015	9 (M)		6 (C)	Yes	Yes	290,000
Mikael Jönsson	2000	9 (M)	4 (M)	6 (M)	Yes	No	310,000
Employee Representatives							
Crister Carlsson (resigned in December 2017)	2010	8 (M)					38,700
Irene Thorin	2011	9 (M)					38,700
Number of Meetings:		**9**	**4**	**6**			**Total: 2,232,400**

C=Chairman M=Member

BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

The Board is responsible for internal governance and control stipulated by Swedish law (Companies Act and Annual Accounts Act) and the Swedish Corporate Governance Code. Gunnebo AB applies and complies with these requirements. The Board's report is limited to addressing internal control in respect of financial reporting and Gunnebo has elected to describe how the internal control is organised.

INTERNAL CONTROL IN RESPECT OF FINANCIAL REPORTING

Internal control comprises a number of internally coordinated elements: control environment, risk assessments, control activities, information and communication as well as follow-up and management.

Internal control in respect of financial reporting is part of Gunnebo's total internal control and is one of Gunnebo's central corporate governance components. The purpose of the process is to obtain reasonable assurance with respect to the reliability of external financial reporting in the form of interim reports, annual reports and year-end reports, and to ensure that the financial reporting is prepared in accordance with law, applicable financial reporting standards and other requirements on listed companies.

The Group's internal control environment is evaluated using a self-assessment of internal controls and is performed annually in all subsidiaries. The results of the assessments are compiled centrally and reported to the Audit Committee, and incorporates identified weaknesses as well as areas for improvement to strengthen internal control. The findings are followed up in future assessments. The Board evaluates annually the need for a separate internal audit function and has determined that the Group's current process is sufficient to ensure an adequate internal control environment.

CONTROL ENVIRONMENT

The control environment is the basis for the internal control in respect of financial reporting. Important aspects of the control environment are the values and the ethics that the Board, the CEO and the Group Executive Team communicates and applies in its work, as well as the Group's organisational structure, leadership, decision-making, authorities, responsibilities and the competence of its employees.

The Board has the overall responsibility for internal control in respect of financial reporting. The Board has established written rules of procedure that clarify the responsibilities of the Board and regulate the segregation of duties between the Board and its Committees. The Board has appointed an Audit Committee tasked primarily with ensuring adopted principles for financial reporting, compliance with the internal control and that relevant relationships with the company's auditor are maintained. The Board has also prepared instructions for the President. The responsibility for upholding an effective control environment has been delegated to the President. The corporate finance function acts as the Group's internal control function and reports to the Audit Committee and to the CEO. The function develops and improves the internal control in respect of financial reporting, both proactively by focusing on the internal control environment and by reviewing how the internal control works.

Gunnebo's Code of Conduct covers principles for how the operations are to be conducted. Internal governing documents for the financial reporting mainly comprise the Group's Finance Policy, Finance Handbook, Authorisation Policy, Communication Policy and the Policy for Internal Control.

RISK ASSESSMENT

Gunnebo's risk assessment is intended to prevent, identify, evaluate and rectify significant risks that affect internal control in respect of financial reporting in the Group's companies, business areas and processes.

The risk assessment results in control targets that are the basis for how the risks are to be managed through various control structures. The risk assessment is updated every year.

More information about the Group's risks is available in the section "Risk and Sensitivity Analysis" on pages 40–42 and in Note 17 to the financial statements, "Financial Risk Management and Financial Instruments."

CONTROL ACTIVITIES

The control structure is to ensure efficiency and good internal control in the Group's processes and is based on minimum requirements for good internal control in defined significant processes. All Group companies complete a self-assessment on how they conform to the Group's minimum requirements for internal control in selected processes. Weaknesses are identified and remediation measures are planned and carried out by the companies. A review of selected processes is done in the subsidiaries with the help of the company's external auditors. The results of the reviews include recommendations for future measures. The corporate finance function supplies the subsidiaries with information in order to elevate awareness and understanding for effective processes and good internal control.

INFORMATION AND COMMUNICATION

For the purpose of ensuring that the external information is correct, complete and timely, Gunnebo has adopted a Communication policy. Within the company, there are also instructions regarding information security and how to communicate financial information between the Board, Management and other employees. Gunnebo has an established process for whistleblowing, accessible for all employees. It can be used anonymously.

MONITORING

Regular monitoring to ensure good internal control in respect of financial reporting is conducted by the Board, the Audit Committee, the CEO, the Group Executive Team, the corporate finance function and each group company and business area respectively. Monitoring includes following up monthly financial statements against plan and as well as annual statements with results from self-assessments and internal control reviews. In the year ahead, the ongoing internal control process will primarily concentrate on rectifying shortcomings identified in the self-assessment, but also on risk assessment, control activities and monitoring.

See the section Information for the Capital Market on pages 90–91 for information about how communication and monitoring of the Group's financial reporting are carried out externally.

BOARD OF DIRECTORS AS OF 31 DECEMBER 2017

MARTIN SVALSTEDT

Chairman of the Board

Elected: 2003, Chairman since 2008

Born: 1963

Nationality: Swedish

Main position: President, Stena Adactum AB and Stena Sessan AB.

Education: Master of Science in Business Administration

Professional background: CFO Capio AB, senior financial positions at Stora and ABB

Other Board assignments: Chairman of Ballingslöv International AB and Stena Renewable AB, deputy chairman of Envac AB, board member of Scandic Hotels, Stena Adactum AB, Stena Sessan Investment AB and Svedbergs

Shareholding: 195,000

GÖRAN BILLE

Board Member

Elected: 2008

Born: 1955

Nationality: Swedish

Main position: Industry advisor.

Education: Master of Science in Business Administration

Professional background: President and CEO of AB Lindex and Gina Tricot. Leading positions within H&M, including President of H&M Rowells, Country Manager for H&M Sweden and Divisional Manager of H&M Woman

Other Board assignments: Board member of KappAhl

Shareholding: 10,000

ANNA BORG SÆTHER

Board Member

Elected: 2017

Born: 1971

Nationality: Swedish

Main position: CFO Vattenfall

Education: Masters in Economy and Political Science

Professional background: Senior positions at Vattenfall and Klarna

Other Board assignments: —

Shareholding: 3,000

CHARLOTTE BROGREN

Board Member

Elected: 2012

Born: 1963

Nationality: Swedish

Main position: CTO Alimak Group AB.

Education: PhD

Professional background: Leading positions within ABB, Director general Vinnova

Other Board assignments: Chairman of Industrifonden and HMS Industrial Networks AB

Shareholding: 3,000

BO DANKIS

Board Member

Elected: 2006

Born: 1954

Nationality: Swedish

Main position: Professional board member and industry advisor.

Education: Master of Science in Industrial Management and Engineering

Professional background: President of Assa Abloy AB and Perstorp Group as well as leading positions in Forsheda AB and ABB

Other Board assignments: Chairman of IV Produkt, Cleanergy and Gadelius Group Tokyo

Shareholding: 8,666 (of which 2,000 via endowment insurance)

EVA ELMSTEDT

Board Member

Elected: 2015

Born: 1960

Nationality: Swedish

Main position: Professional board member and investments.

Education: Bachelor of Science, double major in Economics and Computer Science

Professional background: Senior positions in Nokia, Ericsson, telecom operator 3 and Semcon AB

Other Board assignments: Board member of Addtech AB, Proact AB, Arjo AB, Thule AB, Axiell AB and KnowIT AB

Shareholding: 5,000

MIKAEL JÖNSSON

Board Member

Elected: 2000

Born: 1963

Nationality: Swedish

Main position: President of Vätterledens Invest AB.

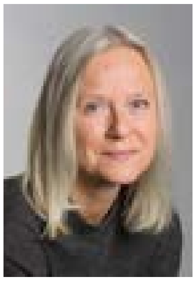
Education: University studies in Economics

Professional background: Stockbroker, various senior positions at Vätterledens Invest AB

Other Board assignments: Chairman of Lids Industri AB and board member of AB Trätälja, Vätterledens Invest AB and subsidiaries, Kopparbergs bryggeri AB, Wipcore AB and Nordic E-commerce Knowledge

Shareholding: 153,333

IRENE THORIN



Employee Representative for Unionen

Elected: 2011

Born: 1959

Nationality: Swedish

Education: Economics, upper secondary level

Shareholding: —

GROUP EXECUTIVE TEAM AS OF 31 DECEMBER 2017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1. HENRIK LANGE

President and CEO

Employed: 2015

Born: 1961

Nationality: Swedish

Education: Master of Science in Business Administration and International Economics from the Gothenburg School of Business, Economics and Law at the University of Gothenburg

Professional background: Executive Vice President and Chief Financial Officer of SKF, President for SKF's Industrial Market, Strategic Industries Division as well as several other leading positions at SKF, CEO of Johnson Pump AB

Board appointments: Board member of Velux Group

Shareholding: 36,765

Warrants and share options: 100,000

2. SUSANNE LARSSON

CFO

Employed: 2015

Born: 1968

Nationality: Swedish

Education: Master of Science in Business Administration from Karlstad University

Professional background: SKF UNITE Programme Director, SKF Industrial Market, Strategic Industries Division Controller, SKF Group Chief Accountant and SKF Group Controller

Board appointments: Chairman of the Foundation for Economic Research at the University of Gothenburg and of the Gothenburg School of Business, Economics and Law Foundation

Shareholding: 8,600

Warrants and share options: –

3. CHRISTIAN CARLSSON

SVP Human Resources & Sustainability

Employed: 2016

Born: 1975

Nationality: Swedish

Education: MA in Human Resources Management from Bournemouth University

Professional background: SVP Human Resources at Papyrus; Director Global HR Operation at Damco; Head of HR Damco Nordic, Baltic and Russia; Compensation and Benefit Manager at Volvo Car Corporation

Board appointments: –

Shareholding: –

Warrants and share options: –

4. ROBERT HERMANS

SVP Entrance Control

Employed: 1996

Born: 1968

Nationality: Swedish

Education: Master of Science in Business Administration from Uppsala University and MBA from Stockholm School of Economics

Professional background: Country Manager Gunnebo South Africa, President Gunnebo Lifting, Managing Director Cargo Control Systems (South Africa) and other senior positions in marketing and sales in the Gunnebo Industries Group

Board appointments: Board member of Tsarmedia AB and Satpack Travel, South Africa

Shareholding: 8,000

Warrants and share options: –

5. HEINZ JACQUI

SVP Region EMEA

Employed: 2016

Born: 1961

Nationality: German

Education: Diploma of Engineering in machine building and process engineering from the University of Kaiserslautern

Professional background: Senior executive positions for companies within the healthcare industry including Olympus Medical, Dräger Medical and Getinge Medical Systems. Most recently President for Acute Care Therapies at Getinge

Board appointments: –

Shareholding: –

Warrants and share options: –

6. ROLF KJÄLLGREN

SVP Safes & Vaults

Employed: 2007

Born: 1965

Nationality: Swedish

Education: Master of Science in Industrial Engineering and Management (1991) and an Executive MBA (2016)

Professional background: Senior positions within quality and supply chain management including Group Vice President Supply Management at ABB in Switzerland as well as Vice President Purchasing, Contract and Risk Management at AF Gruppen

Board appointments: Chairman of Adnavem AB

Shareholding: 10,000

Warrants and share options: –

7. SACHA DE LA NOË

SVP Region Asia-Pacific

Employed: 2005

Born: 1970

Nationality: Swedish

Education: Post-graduate diploma in Business Administration, Warwick Business School, UK.

Professional background: Sub-Regional Director for Gunnebo in South-East Asia, Director Global ATM Safes at Gunnebo, leading international positions within finance at Gunnebo, Wilson Logistics Group, Oriflame and Alfort & Cronholm Group

Board appointments: Board member of Krisma AB

Shareholding: 8,600

Warrants and share options: –

8. DANIEL SCHROEDER

SVP Region Americas

Employed: 2016

Born: 1964

Nationality: American

Education: Bachelor of Science in Business Administration from Xavier University, Cincinnati, USA

Professional background: Vice President Sales for North America at Tyco and senior management positions at ADT Security Services

Board appointments: –

Shareholding: 10,800

Warrants and share options: –

9. KARIN WALLSTRÖM NORDÉN

SVP Marketing & Communications

Employed: 2003

Born: 1978

Nationality: Swedish

Education: Master's degree in Accounting and Finance from the University of Gothenburg School of Business, Economics and Law

Professional background: Marketing & Communication Director at Gunnebo, Financial Journalist

Board appointments: Board member of Sweden-Indian Business Council (SIBC)

Shareholding: –

Warrants and share options: –

10. TOMAS WÄNGBERG

SVP Business Development

Employed: 2009

Born: 1958

Nationality: Swedish

Education: Marine Engineering, Chalmers 1981

Professional background: President and CEO ABS Group, AB Pharmadule, ABB Carbon AB; senior positions in marketing, sales and production management at ABB

Board appointments: Board member of Sofos Harbert Renewable Energy, LLC

Shareholding: 21,843

Warrants and share options: –

FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED INCOME STATEMENTS

MSEK	Note	2017	2016
Net sales	2	5,991	6,088
Cost of goods sold	2, 3	–4,306	–4,319
Gross profit		**1,685**	**1,769**
Selling expenses	2, 3	–720	–737
Administrative expenses	2, 3	–675	–680
Other operating income and expenses, net	6	14	14
Operating profit		**304**	**366**
Financial income and expenses, net	7	–57	–53
Profit before taxes		**247**	**313**
Income taxes	8	–87	–104
Net profit		**160**	**209**
Net profit attributable to:			
Shareholders of the Parent Company		153	206
Non-controlling interests		7	3
		160	**209**
Basic earnings per share, SEK	13	2.00	2.71
Diluted earnings per share, SEK	13	2.00	2.70

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

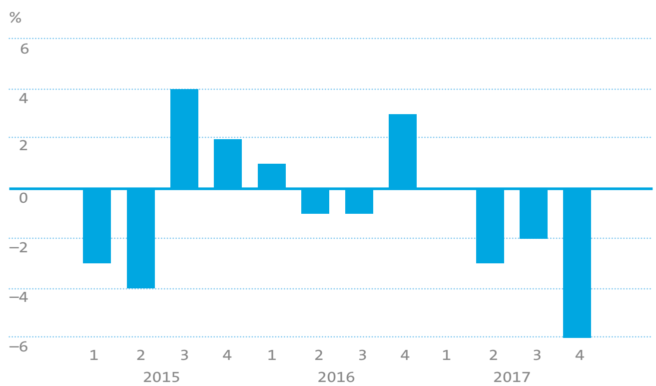
MSEK	Note	2017	2016
Net profit		**160**	**209**
Other comprehensive income			
Items that will not be reclassified to the income statement			
Remeasurements (actuarial gains and losses)	14	–24	–133
Income taxes	8	4	34
Subtotal		**–20**	**–99**
Items that may be reclassified to the income statement			
Translation differences in foreign operations		–74	95
Hedging of net investments		0	5
Cash flow hedges		5	3
Income taxes	8	–1	–1
Subtotal		**–70**	**102**
Other comprehensive income		**–90**	**3**
Total comprehensive income		**70**	**212**
Total comprehensive income attributable to:			
Shareholders of the Parent Company		66	205
Non-controlling interests		4	7
		70	**212**

COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS

Net Sales
The Group's net sales amounted to MSEK 5,991 (6,088) representing a 2% decrease. Organic growth was –3%, with EMEA at –3%, Asia-Pacific at –4% and Americas at 1%. The currency effect was 1%. Organic sales growth per quarter was 0%, –3%, –2% and –6% respectively in 2017.

Net sales comprised of MSEK 4,740 (4,882) related to product sales and MSEK 1,251 (1,206) related to sales of services.

ORGANIC GROWTH BY QUARTER



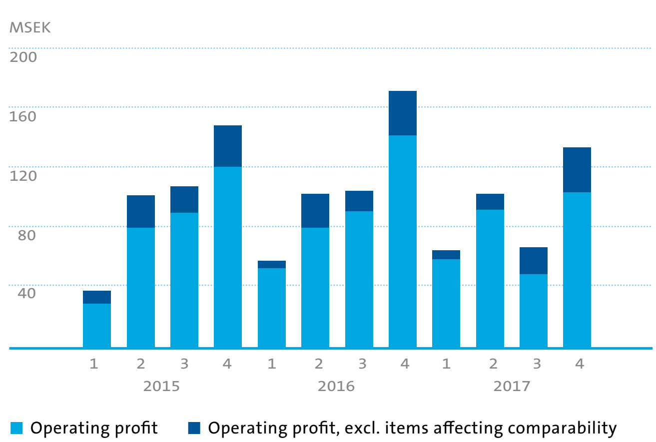
Operating Expenses
The gross profit margin was 28.1% (29.1) and excluding items affecting comparability it was 28.6% (29.5). Selling and administrative expenses, excluding items affecting comparability, decreased by some MSEK 15 over the same period 2016, representing 22.6% of net sales for 2017 compared to 22.5% for 2016. Adjusted for currencies, the selling and administrative cost reduction was some 30 MSEK year over year.

The Group´s gross spending on product research and development, which includes amounts that have been capitalised, increased over 2016, and amounted to MSEK 116 (104) equaling 1.9% (1.7) of net sales. This increase reflects the Group's strategy to strengthen the product and solution development roadmap for all product areas.

Of the total operating expenses of MSEK 5,701 (5,736), 36% (36) referred to direct materials, 40% (41) referred to employee related costs, 2% (2) referred to depreciation and amortisation, and other costs were 22% (21).

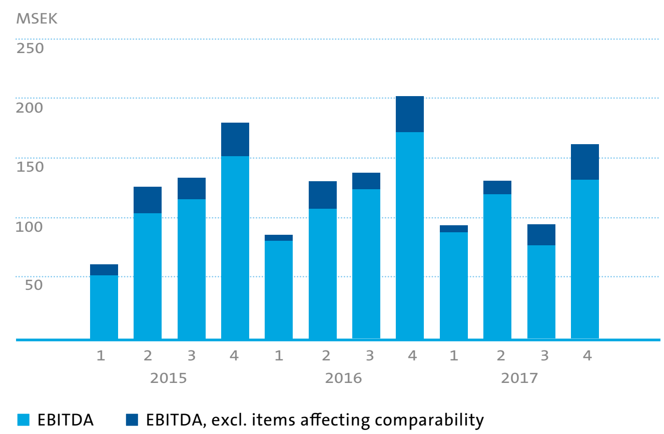
Operating Profit
Operating profit was MSEK 304 (366), equalling an operating margin of 5.1% (6.0). Excluding items affecting comparability, it amounted to MSEK 369 (438), equalling an operating margin of 6.2% (7.2). Operating profit per quarter in 2017 was MSEK 59, MSEK 92, MSEK 49 and MSEK 104 respectively.

OPERATING PROFIT BY QUARTER



EBITDA excluding items affecting comparability reached MSEK 486 (561) equalling 8.1% (9.2) of net sales. Depreciation was MSEK 66 (68) and amortisation was MSEK 51 (55), of which MSEK 22 (24) come from acquisition-related intangible assets. EBITDA excluding items affecting comparability per quarter was MSEK 95, MSEK 132, MSEK 96, MSEK 163 respectively in 2017.

EBITDA PER QUARTER



Items affecting comparability for the year totalled MSEK –65 (–72) whereof MSEK –26 (–25) were included in cost of goods sold, MSEK –6 (–13) were included as selling expenses and MSEK –33 (–34) were included as administrative expenses. The main items were measures for increased productivity and structural changes as well as management changes in Asia-Pacific and Americas.

The bridge of the operating profit for 2017 over 2016 was:

MSEK	Jan–Dec
Operating profit 2016	**366**
Organic	–39
Structure	54
Currency	17
Other	–94
Operating profit 2017	**304**

- The negative organic growth impacted the operating result with MSEK –39.
- The positive net structural effects of MSEK 54 reflect realised savings from implemented productivity measures and structural changes as well as the changes in items affecting comparability.
- Currency effects totalled MSEK 17, including transaction effects of MSEK 12 and translation effects of MSEK 5.
- Other included negative gross margin development caused partly by under absorption of fixed costs and partly by the unfavourable product mix and material cost increases.

Financial Income and Expenses, net
Net financial items totalled MSEK –57 (–53) where the increase is due partly to costs taken in connection with the Group's refinancing.

Taxes
Tax expense was MSEK –87 (–104) resulting in an effective tax rate of 35.2% (33.2). The effective tax rate was negatively impacted by current losses not recognised, taxes on distributions from certain subsidiaries and mix effects of profits in higher tax jurisdictions. These were offset by a net positive effect from tax rate changes in the US, France and the UK.

CONSOLIDATED BALANCE SHEETS

MSEK	Note	31 December 2017	31 December[1)] 2016
ASSETS			
Non-current assets			
Goodwill	9	1,596	1,628
Other intangible assets	9	314	294
Property, plant and equipment	10	345	347
Deferred tax assets	8	322	332
Other long-term assets		17	14
Total non-current assets		**2,594**	**2,615**
Current assets			
Inventories	11	902	825
Accounts receivable	12	1,413	1,317
Current tax receivables		85	111
Other short-term assets	16	209	201
Cash and cash equivalents		498	581
Total current assets		**3,107**	**3,035**
TOTAL ASSETS		**5,701**	**5,650**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of Parent Company		**1,834**	**1,862**
Equity attributable to non-controlling interests		**32**	**28**
Total equity		**1,866**	**1,890**
Non-current liabilities			
Long-term financial liabilities	17	1,396	1,152
Provisions for post-employment benefits	14	494	484
Deferred tax provisions	8	66	90
Total non-current liabilities		**1,956**	**1,726**
Current liabilities			
Accounts payable		742	739
Current tax liabilities		69	72
Short-term provisions	15	80	82
Short-term financial liabilities	17	108	251
Other short-term liabilities	16	880	890
Total current liabilities		**1,879**	**2,034**
TOTAL EQUITY AND LIABILITIES		**5,701**	**5,650**

1) Reclassification made to previously published report. See note 1 of the Group.

COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

Intangible Assets and Property, Plant and Equipment
Intangible assets and property, plant and equipment changed by MSEK –12 (110) and MSEK –2 (–11) respectively during the year, of which MSEK –39 (123) and MSEK –6 (19) respectively, were caused by currency. Amortisation was MSEK 51 (55) of which MSEK 22 (24) comes from acquisition-related intangible assets. Depreciation was MSEK 66 (68). Capital expenditures on intangible assets were MSEK 74 (39) related to product and software development. For property, plant and equipment, they were MSEK 76 (67) related to the Group's facilities in the Netherlands and India.

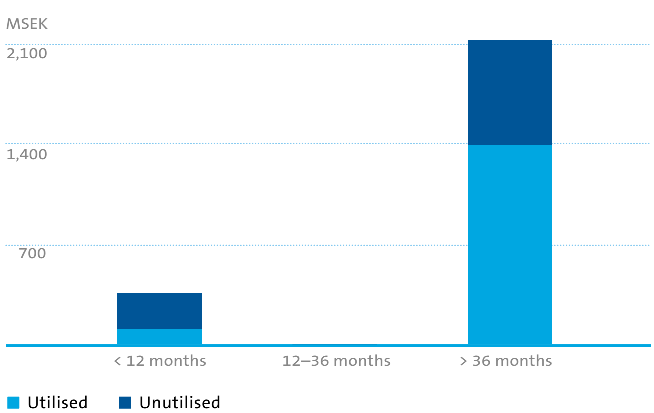
Net Operating Working Capital Development
Net operating working capital increased to MSEK 822 (632), which represented 12.1% (9.5) of net sales calculated on an average basis.

Net operating working capital	2017	Avg. as % of sales	2016	Avg. as % of sales
Inventories	902	14.4%	825	13.2%
Accounts receivable	1,413	22.8%	1,317	20.3%
Accounts payable	–742	12.4%	–739	11.3%
Other operating assets/liabilities	–751	12.7%	–771	12.6%
Total	**822**	**12.1%**	**632**	**9.5%**

Accounts receivables and inventories accounted for the majority of the net working capital increase, with currency effect being minor. December sales were high which affected the receivables level. Further, the inventories increase mirrored higher levels of long distance goods in transit between Europe and Asia-Pacific. The Group's Cash For Growth programme is now running in EMEA and was introduced in Asia-Pacific during 2017, and is planned for Americas in 2018.

Long- and Short-term Financial Liabilities
The Group's long- and short-term financial liabilities amounted to MSEK 1,504 (1,403) whereof MSEK 64 (54) related to bank overdraft facilities and the remainder to borrowings from financial institutions. During the second quarter of 2017, the Group completed the refinancing of its long-term credit facilities. This refinancing was closed with improved terms and increased the available loan facility. The credit facilities consist of a seven-year bilateral financing provided by the Swedish Export Credit Corporation of 75 MEUR, plus a five-year syndicated loan facility of 140 MEUR, provided by French bank BNP Paribas and Sweden's SEB. The refinancing resulted in repayments of EUR, USD, and DKK loans totalling MSEK –1,286 and new borrowings in EUR and DKK totalling MSEK 1,399. Total credit facilities amounted to MSEK 2,501 (2,025) of which MSEK 997 (622) remained unused at the end of 2017.

CREDIT FACILITIES AND UTILISED

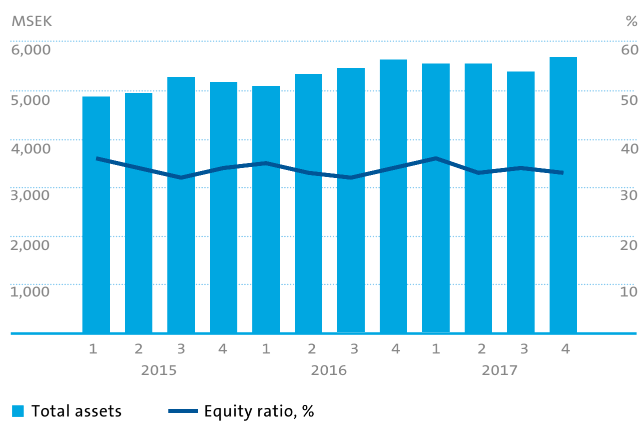


Post-employment Benefits
The Group's provisions for post-employment benefits were MSEK 494 (484) representing an increase of MSEK 10. Actuarial assumptions were more stable during 2017, resulting in actuarial losses of MSEK 24 compared to MSEK 133 in 2016. The majority of actuarial losses were caused by changes in demographical and financial assumptions in the Group's UK pension plan.

Equity
Equity amounted to MSEK 1,866 (1,890) at year-end representing a decrease of MSEK –24. Net profit decreased to MSEK 160 (209). Currency translation adjustments contributed negatively with MSEK –74 (positively with 100), including the effects of hedging on net investments. Actuarial losses, gross of MSEK –24 (–133) together with their related tax effect of MSEK 4 (34), also caused a net decrease in equity. Dividends paid amounted to MSEK –92 (–76) representing an increase compared to the previous year.

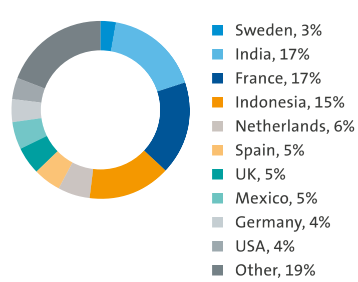
Equity ratio was 33% at the end of the year (34). Negative currency developments were the largest cause for the decline, in addition to the absolute increase in total assets.

EQUITY RATIO



Employees
At the end of 2017, the number of registered employees was 5,210 (5,556). The average number of employees was 5,187 (5,435). The reduction was caused by structural changes as well as temporary workers taken out to match the variability in the business volume.

AVERAGE NO. OF EMPLOYEES PER COUNTRY



CONSOLIDATED STATEMENTS OF CASH FLOW

MSEK	Note	2017	2016
OPERATING ACTIVITIES			
Operating profit		304	366
Adjustment for non-cash items:			
Depreciation and amortisation		117	123
Other non-cash items		31	55
Post-employment benefit payments		–44	–44
Income taxes paid		–86	–99
Interest and other financial items		–51	–45
Changes in working capital:			
Inventories		–83	–17
Accounts receivable		–112	–138
Accounts payable		9	69
Other operating assets and liabilities, net		–14	–36
Net cash flow from operating activities		**71**	**234**
INVESTING ACTIVITIES			
Capital expenditure for intangible assets	9	–74	–39
Capital expenditure for property, plant and equipment	10	–76	–67
Sales of property, plant and equipment		5	31
Net cash flow from investing activities		**–145**	**–75**
Net cash flow after investments before financing		**–74**	**159**
FINANCING ACTIVITIES			
Proceeds from loans		1,483	199
Repayments of loans		–1,417	–243
Change in short-term loans		9	24
Other financing items		32	–23
New share issue		—	4
Dividends		–92	–76
Net cash flow from financing activities		**15**	**–115**
Net cash flow		**–59**	**44**
Cash and cash equivalents at the beginning of the year		581	496
Net cash flow		–59	44
Translation differences		–24	41
Cash and cash equivalents at the end of the year		**498**	**581**

CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES AND NET DEBT

MSEK	Closing balance 2017	Cash changes	Non-cash changes	Translation differences	Opening balance 2017
Long-term loans, including short-term portion	1,440	66	28	–2	1,348
Short-term loans	64	9	—	—	55
Other short-term financial assets	–7	32	–30	—	–9
Total liabilities from financing activities	**1,497**	**107**	**–2**	**–2**	**1,394**
Cash and cash equivalents	–498	59	—	24	–581
Net debt before post-employment benefits	**999**	**166**	**–2**	**22**	**813**
Post employment benefits, net	494	–44	57	–3	484
Net debt	**1,493**	**122**	**55**	**19**	**1,297**

COMMENTS ON THE CONSOLIDATED STATEMENTS OF CASH FLOW

General

The figures in the statement of cash flow have been adjusted to remove the effect of exchange rate differences arising from the translation of the subsidiaries' balance sheets to the Swedish krona, as these do not represent cash flow.

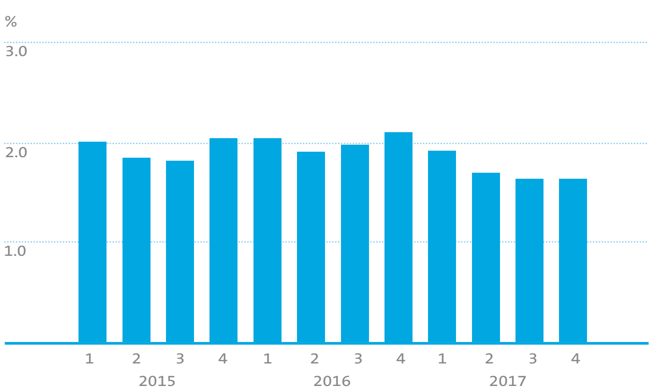
Cash Flow from Operating Activities

Net cash flow from operating activities was MSEK 71 in 2017 compared to MSEK 234 in 2016. The largest causes for the deviation came from the operating profit development as well as the increase in working capital.

Non-cash items isolate the more significant items included in the operating profit that are not representing a cash flow or where the items are a part of cash flows shown separately elsewhere in the cash flow statement. The largest of these are the depreciation and amortisation and other, which mainly includes expenses for provisions and post-employment benefits.

The lower tax payments were in line with net profit development. Interest and other financial items included interest received of MSEK 17 (15) and interest paid of MSEK –41 (–37). The Group's interest rate has declined in 2017 as a result of the Group's refinancing.

AVERAGE INTEREST PAID BY QUARTER



Changes in working capital in total (which represents the changes in local currency) were MSEK –200 (–122). The major increases were seen in accounts receivable, but also within inventories. December sales were high and inventories mirror higher levels of long distance goods in transit between Europe and Asia-Pacific.

Cash Flow from Investing Activities

Capital expenditures on intangible assets totalled MSEK 74 (39) of which the majority related to product and software development. Capital expenditures on property, plant and equipment were MSEK 76 (67) related to specific investments in the Netherlands and India. Additionally, 2016 included a positive cash flow effect of MSEK 31 from sales of property mainly in the UK.

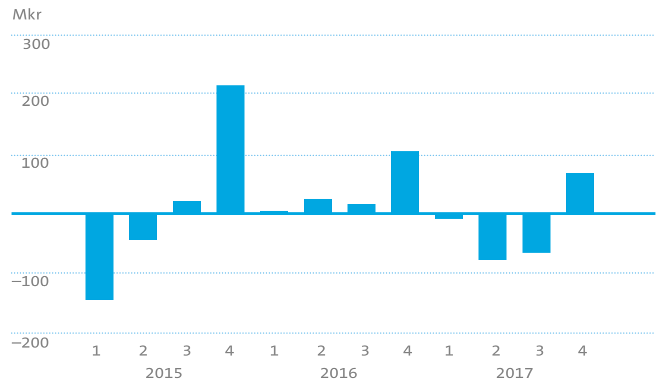
Free Cash Flow

Free cash flow is shown in the following table:

MSEK	2017 Q1	2017 Q2	2017 Q3	2017 Q4	**2017**	2016
Operating profit	59	92	49	104	304	366
Depreciation	18	16	16	16	66	68
Amortisation acquisition-related intangible assets	6	6	6	4	22	24
Amortisation other intangible assets	6	7	7	9	29	31
Other	–28	–57	–42	–23	–150	–133
Change in working capital	–39	–109	–65	13	–200	–122
Operating cash flow	**22**	**–45**	**–29**	**123**	**71**	**234**
Investing cash flow excluding acquisitions	–28	–31	–34	–52	–145	–75
Free cash flow	**–6**	**–76**	**–63**	**71**	**–74**	**159**

Free cash flow for the year 2017 was MSEK –74 compared to MSEK 159 in 2016. The free cash flow per quarter is MSEK –6, MSEK –76, MSEK –63, MSEK 71 respectively during 2017. Free cash flow per share 2017 was SEK –0.97 compared to SEK 2.09 for 2016.

FREE CASH FLOW BY QUARTER



Cash Flow from Financing Activities

Cash flow from financing activities totalled MSEK 15 (–115) mainly impacted from long-term loans and dividend payments. During 2017, the Group completed the refinancing of its long-term credit facilities. Total loan repayments for the year were MSEK –1,417 and new borrowings were MSEK 1,483, including the refinancing. Other financing flows included changes in bank overdrafts and realised currency swaps related to the long-term loans.

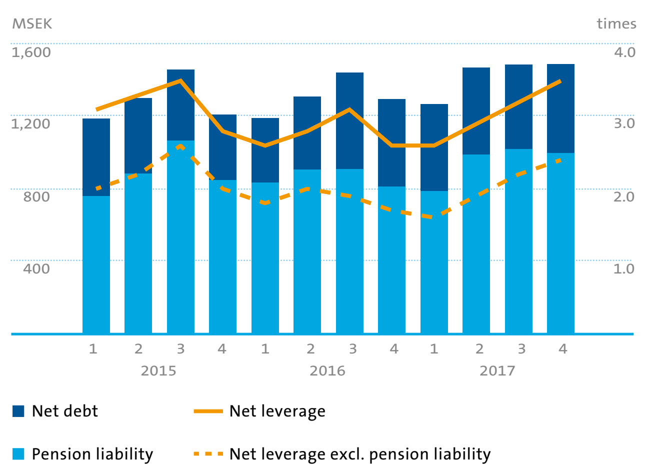
Dividends paid to shareholders totalled MSEK 92 (76) equivalent to SEK 1.20 (1.00) per share.

Net Debt

Net debt amounted to MSEK 1,493 (1,297) at the end of 2017. Excluding the provisions for post-employment benefits, the net debt increased to MSEK 999 in 2017 from MSEK 813 in 2016. The increase comes from the refinancing of the Group's long-term credit facilities.

Net debt/EBITDA ratio (net leverage) increased from 2.6 at the end of 2016 to 3.5 at the end of 2017.

NET DEBT AND NET LEVERAGE



Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments having an original maturity of 3 months.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to the shareholders of the Parent Company							
MSEK	Share capital	Other contributed capital	Hedging reserves	Translation reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Opening balance 1 January 2017	**385**	**988**	**–8**	**–143**	**640**	**1,862**	**28**	**1,890**
Net profit	**—**	**—**	**—**	**—**	**153**	**153**	**7**	**160**
Other comprehensive income								
Translation differences	—	—	—	–71	—	–71	–3	–74
Hedging of net investments	—	—	—	0	—	0	—	0
Cash flow hedges	—	—	5	—	—	5	—	5
Actuarial gains and losses	—	—	—	—	–24	–24	—	–24
Income taxes	—	—	–1	—	4	3	—	3
Subtotal	**—**	**—**	**4**	**–71**	**–20**	**–87**	**–3**	**–90**
Transactions with shareholders								
Share-based remuneration	—	—	—	—	–2	–2	—	–2
Dividends	—	—	—	—	–92	–92	—	–92
Subtotal	**—**	**—**	**—**	**—**	**–94**	**–94**	**—**	**–94**
Closing balance 31 December 2017	**385**	**988**	**–4**	**–214**	**679**	**1,834**	**32**	**1,866**

	Equity attributable to the shareholders of the Parent Company							
MSEK	Share capital	Other contributed capital	Hedging reserves	Translation reserves	Retained earnings	Subtotal	Non-controlling interests	Total
Opening balance 1 January 2016	**381**	**988**	**–10**	**–239**	**606**	**1,726**	**21**	**1,747**
Net profit	**—**	**—**	**—**	**—**	**206**	**206**	**3**	**209**
Other comprehensive income								
Translation differences	—	—	—	91	—	91	4	95
Hedging of net investments	—	—	—	5	—	5	—	5
Cash flow hedges	—	—	3	—	—	3	—	3
Actuarial gains and losses	—	—	—	—	–133	–133	—	–133
Income taxes	—	—	–1	—	34	33	—	33
Subtotal	**—**	**—**	**2**	**96**	**–99**	**–1**	**4**	**3**
Transactions with shareholders								
New share issue[1)]	4	—	—	—	3	7	—	7
Repurchase of C shares	—	—	—	—	–3	–3	—	–3
Share-based remuneration	—	—	—	—	3	3	—	3
Dividends	—	—	—	—	–76	–76	—	–76
Subtotal	**4**	**—**	**—**	**—**	**–73**	**–69**	**—**	**–69**
Closing balance 31 December 2016	**385**	**988**	**–8**	**–143**	**640**	**1,862**	**28**	**1,890**

[1)] Includes new C share issue and ordinary shares issued through the exercise of warrants, see note 13 of the Group.

NOTES – CONSOLIDATED FINANCIAL STATEMENTS

MSEK unless otherwise stated

NOTE 1 CRITICAL ACCOUNTING POLICIES

Basis of Presentation (IAS 1)

The consolidated financial statements of Gunnebo AB are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Furthermore, the Group is in compliance with the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, as well as their interpretations (UFR). The consolidated financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below.

The Annual Report of the Parent Company, Gunnebo AB, has been signed by the Board of Directors on 14 March 2018. The income statement and balance sheet, and the consolidated income statement and consolidated balance sheet are subject to adoption at the Annual General Meeting on 12 April 2018.

Basis of Consolidation (IFRS 10)

The consolidated financial statements include the Parent company, Gunnebo AB, and those companies in which it directly or indirectly exercises control, and hereafter is referred to as "the Group" or "the Gunnebo Group". Control exists when the Group has the right to direct the relevant activities of a company, is exposed to variable returns and can use those rights to affect those returns. For the majority of the Group's subsidiaries, control exists via 100% ownership. There are also a very limited number of subsidiaries controlled by Gunnebo where ownership is less than 100% or where control is exercised through contractual rights. Additionally the Group has several minor holdings where the Group exercises significant influence rather than control. These companies are referred to as Associated companies and are accounted for using the equity method.

Business Combinations and Goodwill (IFRS 3)

All business combinations are accounted for in accordance with the purchase method. At the date of acquisition, the acquired assets, assumed liabilities and contingent liabilities (net identifiable assets) are measured at fair value, which requires the use of estimates. The most significant acquired net assets are intangibles, such as product development, customer lists, and brand name.

The fair values of these were derived with the assistance of external valuation experts using generally accepted valuation techniques based on forecasted future cash flows. Other acquired net assets include, to a lesser degree property, plant and equipment, inventories, financial assets and liabilities which have been valued using reference to available market information. Any excess of the cost of acquisition over fair values of net identifiable assets of the acquired business is recognised as goodwill.

Segment Information (IFRS 8)

Operating segments were identified based on the internal structure of the Group's business activities and whose operating results are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources and assess performance. The internal financial reporting and follow-up of the Group's operating profit occurs at the geographic regions level, where such information is provided to the CODM by Europe, Middle East & Africa (EMEA), Asia-Pacific (APAC) and Americas. Consequently, the Group considers these to be the primary reportable operating segments.

The measurement principles used in the Group's operating segments are based on the IFRS principles as adopted in the consolidated financial statements.

Translation of Foreign Financial Statements (IAS 21)

Gunnebo AB's functional currency is the Swedish krona (SEK), which is also the Group's reporting currency. All foreign subsidiaries report in their functional currency being the currency of the primary economic environment in which the subsidiary operates, in almost all cases this is the country of operation. Upon consolidation, all balance sheet items are translated to the Swedish krona based on the year-end closing rates. Income statement items are translated at average exchange rates for the year. The accumulated exchange differences arising from these translations are recognised via other comprehensive income to the translation reserve in equity. Such translation differences are reclassified into the income statement upon the disposal of the foreign operation.

Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at the respective transaction date. Assets and liabilities denominated in a foreign currency, primarily receivables and payables and loans, have been translated at the exchange rates prevailing at the balance sheet date. Exchange gains and losses related to accounts receivable and payables and other operating receivables and payables are included in other operating income and expenses. The exchange gains and losses relating to financial assets and liabilities are included in financial income and expenses.

The major currency rates were:

			Average rates		Closing rates	
Country	Unit	Currency	2017	2016	2017	2016
Australia	1	AUD	6.55	6.36	6.42	6.57
Brazil	1	BRL	2.68	2.47	2.49	2.79
China	1	CNY	1.26	1.29	1.26	1.31
EU	1	EUR	9.64	9.47	9.85	9.57
UK	1	GBP	11.00	11.58	11.10	11.18
Indonesia	1,000	IDR	0.64	0.64	0.61	0.68
India	100	INR	13.12	12.74	12.86	13.40
USA	1	USD	8.55	8.56	8.23	9.10

Revenue (IAS 18)

Revenues arise from sales of finished products and services and are recorded net of any applicable value-added tax, returns, and discounts. The amount of revenue recognised is reliable as fixed prices and quantities are most often the case. Revenues from the majority of products sales are recognised when the significant risks and rewards have been transferred to the buyer, in most cases at the point of delivery or installation. To a lesser degree, the Group has contracts for products involving more integration/customisation requiring more time to fulfill, and which are built to a certain extent on customer site. Revenue for these contracts is recognised based on the percentage of completion using a cost-based approach. Revenues from sale of extended warranty and or service contracts are recognised on a linear basis over the contract period unless there is evidence that some other method better represents the matching of revenue and expense.

Intangible Assets (IAS 38)

Intangible assets are stated at initial cost less any accumulated amortisation and any impairment. Amortisation is made on a straight line basis over the estimated useful lives and begins once the asset is ready for its intended use. The useful lives are based to a large extent on historical experience, the expected application, as well as other individual characteristics of the asset. The useful lives are:

- Customer relationships 5–10 years
- Capitalised software 3–5 years
- Product development expenditures 3–5 years
- Product development acquired in business combinations 3 years
- Strategic brand name, indefinite
- Goodwill, indefinite

Internally developed intangibles

The Group's most significant internally developed intangibles are product development and software developed for internal use. Development expenditures are capitalised when, in management's judgement, it is probable that they will result in future economic benefits for the Group and the expenditures during the development phase can be reliably measured. Management evaluates the ability to complete the project, evidence of technical feasibility, intention and

NOTE 1 CONT.

ability to use or sell the asset. In evaluating product development projects, management considers the existence of a customer order as significant evidence of technological and economic feasibility.

All other research expenditures as well as development expenditures not meeting the capitalisation criteria are charged to cost of goods sold in the income statement when incurred.

Property, Plant and Equipment (PPE) (IAS 16)

Machinery, land, buildings and office equipment are stated in the balance sheet at cost, less accumulated depreciation and any impairment loss.

Depreciation is provided on a straight-line basis and is calculated based on cost, with significant components depreciated separately. The rates of depreciation are based on the estimated useful lives of the assets, which have been determined mainly with reference to historical experience. The useful lives are:

- Buildings 20–50 years
- Machinery 5–15 years
- Office equipment 3–5 years

Impairment of Intangible Assets and Property, Plant and Equipment (IAS 36)

Intangible assets with definite useful lives and property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets with indefinite useful lives

Goodwill and brand name with indefinite useful lives have been allocated to the cash generating units (CGUs) and are tested for impairment annually and whenever an indication of impairment exists. CGUs are defined as the product areas, being the lowest level that the Group monitors these intangible assets. The Group determined that the acquired strategic brand name has an indefinitive useful life, as the intention is to retain and develop this brand in the foreseeable future.

Calculation of recoverable amount

The recoverable amount is the greater of the estimated fair value less costs to sell and value in use. In assessing value in use, a discounted cash flow model (DCF) is used. This assessment contains a key source of estimation uncertainty because the estimates and assumptions used in the DCF model encompass uncertainty about future events and market conditions. The actual outcomes may be significantly different. However, estimates and assumptions have been reviewed by management and are consistent with short-term forecasts and the long-term strategic plans.

The DCF model involves the forecasting of future operating cash flows and includes estimates of revenues, operating costs and working capital requirements, as well as a number of assumptions, the most significant being the growth rates and the discount rate. These forecasts of future operating cash flows cover a five-year period and are based on business and strategic plans extrapolated using growth rates determined for the Group as a whole. The business plans represent management's best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts and other currently available information as determined on the lowest operating level of the product areas. A terminal value is then calculated based on the Gordon Growth model, which includes a terminal growth factor representing the real growth rate and expected inflation. Forecasts of future operating cash flows are adjusted to present value by an appropriate discount rate, taking into account the long-term risk-free government bond rate, a market risk premium, a country risk premium where applicable, and the systematic risk of the Group at the date of evaluation.

Management determines the discount rate to be used based on the risk inherent in the Group's current business model and industry comparisons.

Inventories (IAS 2)

Inventories are stated at the lower of cost (first-in, first-out basis) or market value (net realisable value). Initially raw materials and purchased finished goods are valued at actual purchase costs and work in process and manufactured finished goods are valued at actual production costs. Production costs include direct costs such as material and labour, as well as manufacturing overhead as appropriate.

Adjustments to the cost of inventory may be necessary when the cost exceeds net realisable value. The estimates used in determining net realisable value are a source of estimation uncertainty. Management's estimates are based on current prices, rates of turnover and aging.

Income Taxes (IAS 12)

Income tax include current taxes on profits, deferred taxes and other taxes such as withholding taxes on transfers of income from group companies. Income taxes are recognised in the income statement, except to the extent that they relate to items directly taken to other comprehensive income.

Current taxes

All the companies within the Group compute current income taxes in accordance with the tax rules and regulations of the countries where the income is taxable. Provisions have not been made for taxes which may arise on distribution of the remaining unrestricted earnings of foreign subsidiaries as they can be distributed free of tax or as the Group does not intend to internally distribute them in the foreseeable future.

Deferred taxes

Deferred tax assets and liabilities are recorded based on enacted tax rates for differences between accounting and tax bases of assets and liabilities, as well as for tax loss carry-forwards.

Significant management judgment is required in determining deferred tax assets related to tax loss carry-forwards. Deferred tax assets are recorded for these, when it is probable that sufficient future taxable income will be generated to utilise the losses. Management's assessment considers historical profitability, tax planning strategies, as well as the expiration of the tax losses, which in all is considered to be strong evidence for the conclusions.

Financial Assets and Financial Liabilities (IAS 32, IAS 39, IFRS 7)

The Group's financial assets include primarily accounts receivable. The Group's financial liabilities include primarily accounts payable and loans to financial institutions. All of these are categorised as "loans and receivables" and are measured at amortised cost.

Impairment losses relate primarily to allowances for doubtful accounts, which are recognised if management believes that sufficient objective evidence exists indicating that the receivables may not be recovered.

Other financial assets and liabilities include, to a minor extent, derivative instruments. The Group uses derivative instruments to manage the volatility of interest rates (where hedge accounting is applied) and for currency exposure on external borrowing and internal lending.

When hedge accounting is applied, the effective portion of the change in fair values is recognised in other comprehensive income until the hedged item is recognised in the income statement. For other derivatives, which are categorised as "held for trading", the changes in fair value are taken through the income statement.

Post-employment Benefits (IAS 19)

The post-employment provisions arise from defined benefit obligations in plans which are either unfunded or funded.

For the unfunded plans, benefits paid out under these plans come from the assets of the company sponsoring the plan. The related provisions carried in the balance sheet represent the present value of the defined benefit obligation.

For funded defined benefit plans, the assets of the plans are held in trusts legally separate from the Group. The related balance sheet provision represents the deficit of the fair value of plan assets over the present value of the defined benefit obligation.

The projected credit unit method is used to determine the present value of all defined benefit obligations and the related current service cost. Valuations are carried out quarterly for the most significant plans and annually for other plans. External actuarial experts are used for these valuations. Estimating the obligations and costs involves the use of assumptions. Such assumptions vary according to the economic conditions of the country in which the plan is located and are adjusted to reflect market conditions at valuation point. However, the actual costs and obligations that in fact arise under the plans may be materially different from the estimates based on the assumptions due to changing market and economic conditions.

The most significant assumptions can vary per plan but in general include discount rate, pension inflation rate and salary growth rate. These assumptions are established for each plan separately. The discount rate for each plan is determined by reference to yields on high quality corporate bonds (AA-rated corporate bonds or indexes as well as mortgage bonds for the plans in Sweden) having maturities matching the duration of the obligation.

Remeasurements arise from changes in actuarial assumptions and experience adjustments, being differences between actuarial assumptions and what has actually occurred. They are recognised immediately in other comprehensive income and are never reclassified into the income statement.

For all defined benefit plans the cost charged to the income statement consists of current service cost and net interest cost. Net interest cost is classified as financial expense while all other expenses are included in the operating profit.

Some post-employment benefits are also provided by defined contribution schemes, where the Group has no obligation to pay benefits after payment of an agreed-upon contribution to the third party responsible for the plan. Such contributions are recognised as expense when incurred.

Critical Accounting Estimates and Judgements (IAS 1)

The preparation of financial statements requires management to make estimates and judgements that affect reported assets, liabilities, revenues and expenses. These estimates can be based on historical experiences, other internal/external sources, and/or assumptions that management believes are reasonable under the circumstances. These estimates also form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes may differ from management's estimates which could have a significant impact on the Group's financial statements.

Management believes that the following areas contain the most key judgements and the most significant sources of estimation uncertainty used in the preparation of the financial statements, where a different opinion or estimate could lead to significant changes of the Groups financial statements in the upcoming year.

- Estimates and key assumptions used in impairment testing of intangibles (note 9 of the Group)
- Judgement on the realisability of deferred tax assets (note 8 of the Group)
- Important assumptions when calculating post-employment benefit obligations (note 14 of the Group)

Reclassification on the Balance Sheet

Strategic priorities for the Group are Demand Chain and Cash for Growth. In order to increase transparency related to these priorities, the Group has reclassified "Advance payments from customers" from Inventory in the Group's balance sheet to Other short-term liabilities. Consequently, inventory has increased by MSEK 99 at December 2017 as well as December 2016. Earlier periods have also been restated.

New or Amended IFRS Standards and New Interpretations in 2017

New or amended standards and new interpretations have not had any material effect on the Group's financial statements in 2017.

New or Amended IFRS Standards and New Interpretations not yet Effective

The International Accounting Standards Board (IASB) has issued several new or amended standards which have not yet come into force.

Revenue from Contracts with Customers (IFRS 15)

IFRS 15 Revenues from Customers has a mandatory implementation date of 1 January 2018.

As part of its IFRS 15 implementation project, the Group has evaluated all revenue streams by mapping deliverables within the product areas Cash Management, Entrance Security, Safes & Vaults and Electronic Security as well as Other. The deliverables identified in these product areas are similar globally, include both product and services, and are relatively non-complex. The majority involve a fixed quantity of goods where revenue is recognised at a point in time, typically at delivery or after installation. The Group also has contracts involving more integration/customisation and which are built to a certain extent on customer site. Revenue is recognised over time for these contracts, as well as for maintenance contracts.

The Group has concluded that the revenue recognition patterns required under IFRS 15 for the Group's products and services are consistent with how the accounting is performed today. These conclusions have been confirmed in conjunction with the year-end closing 31 December 2017, and therefore IFRS 15 is not expected to have any material effect on its financial position or performance.

The Group intends to use the cumulative effect option for the adoption of IFRS 15, where equity at 1 January 2018 would be adjusted for the accumulated effect caused by IFRS 15. In line with the Group's conclusion, no adjustment is expected.

The Group will provide more disclosures related to 2018 revenues and movements in related balance sheet items, as required under IFRS 15. However, under the cumulative effect option no comparison year information related to 2017 is required to be provided.

Financial Instruments (IFRS 9)

The Group does not anticipate that the adoption of IFRS 9 Financial instruments, which replaces IAS 39 as from 1 January 2018, will have any significant impact on its financial position and/or performance. The use of hedge accounting is very limited. Additionally, impairment losses (doubtful accounts) on accounts receivable are not currently, nor have historically been, significant.

Leasing (IFRS 16)

IFRS 16 Leasing replaces IAS 17 Leasing and is effective as from 2019. The new standard requires that all leases are recognised in the balance sheet. There are some exceptions for short-term leasing and rental of property with low value. The Group discloses its leasing obligations in note 19 and will continue to evaluate the effect of the new standard during 2018.

NOTE 2 REPORTING BY SEGMENT

The Group operates primarily through three regions; region Europe, Middle East & Africa, region Asia-Pacific and region Americas. The regions offer different products and services to different customer groups. For more information regarding the regions and product areas, see pages 15–31.

	Net sales[1]		Reconciliation to profit before tax	
	2017	2016	**2017**	2016
Region Europe, Middle East & Africa	3,831	3,907	69	113
Region Asia-Pacific	1,091	1,129	118	133
Region Americas	1,069	1,052	117	120
Subtotal operating segments	**5,991**	**6,088**	**304**	**366**
Financial income and expenses, net	–	–	–57	–53
Total	**5,991**	**6,088**	**247**	**313**

[1] Intra-group sales are not material and therefore not disclosed.

Region EMEA
Net sales in Region EMEA amounted to MSEK 3,831 (3,907). Organically sales decreased by 3%. Sales in the Middle East, UK and South Europe developed well during the year, while development on other markets was weaker. The major drop in sales during the year came from France and South Africa.

In terms of product areas, sales in Entrance Security and Cash Management with related services developed well. During the year, the Group made strategically important inroads to the Airport market segment with its Entrance Security offering, and several larger installations were made in the region. Moreover, Gunnebo made a major installation of ticket-gates (SpeedStiles) to metro network in one of Greece's major cities, and the Italian Mass Transit Ministry selected Gunnebo as supplier of gates to its business stations. Within Cash Management, sales of the closed cash management system SafePay had a good development. For the first time, the majority of installations were made outside the Nordic markets. Also, sales of cash management solutions in the Middle East together with the regional CIT company Transguard had a strong development during the first half of the year. Sales within Electronic Security had a weaker development during the year, where the sharp drop in sales to customer segment bank in France had the greatest impact. Sales within Safes & Vaults had a weak development during the year.

Operating profit excluding items affecting comparability amounted to MSEK 116 (172) and the operating margin to 3.0% (4.4). During 2017, the Group has continued to focus on increased productivity and structural changes in the EMEA organisation. In the third quarter, a strategic review of the French business was initiated, and additional decision to close underutilized manufacturing in South Africa was taken. Items affecting comparability amounted to MSEK –47 (–59), mainly related to activities described above.

Region Asia-Pacific
Net sales in Region Asia-Pacific amounted to MSEK 1,091 (1,129) during the year. Organically, net sales decreased by 4%. Sales developed well in China, Australia and South-East Asia. However, sales in India were weak due to public sector banks' low spending. Sale of safes to global manufacturers of ATM's were lower than last year.

In terms of product areas, Entrance Security had a very strong year in the region. The metro-business in China continued to develop well, and important orders for installation of ticket-gates in major Indian cities were signed. In Australia, start-up of delivery to government facilities across the country supported the good sales development. Cash Management is still a relatively small part of sales in the region. However, several strategically important installations were made in 2017 to among others a major Swedish retailer's store in Malaysia. Sales of Safes & Vaults had an overall weak development during the year, which is mainly explained by lower sales to public sector banks in India and ATM safes. During 2017, the Group experienced an increased interest in its solution for automated safe deposit lockers, SafeStore Auto, and several major installations were made across the region. The Group also has a fire security business in the region (Other). Fire security sales decreased during the year due to the major OKI project in Indonesia being finalised according to plan.

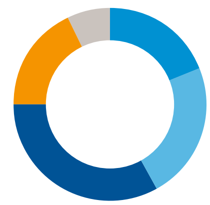
Operating profit excluding items affecting comparability amounted to MSEK 130 (138), which gave an operating margin of 11.9% (12.2). The weaker result is mainly explained by lower sales in India where the Group is undertaking a customer segment repositioning to reduce the dependency on the banking sector. Items affecting comparability amounted to MSEK –12 (–5), related to structural changes in South-East Asia.

Region Americas
Net sales in Region Americas increased to MSEK 1,069 (1,052). Organically, net sales increased by 1%. Sales in the Brazil developed well and US was on par with last year, while Canada and Mexico had lower sales than in the previous year. Sales in the region were affected by severe weather conditions during the third quarter.

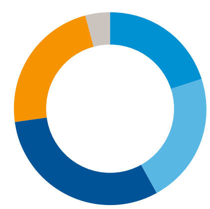
In terms of product areas, sales in Safes & Vaults and Entrance Security developed positively during the year, Cash Management was on par with 2016 and Electronic Security had a weaker development. The positive development within Safes & Vaults was derived from sales to the public administration picking up at the end of the year. Entrance Security had a generally good year with increased sales to banks, public buildings and offices. Cash Management had a good start of the year, but experienced delays in installations at the end of the year due to the effects of severe weather conditions. The drop in Electronic Security is related to Mexico, where the earthquake in the third quarter impacted sales negatively in the fourth quarter.

Sales per product area 2017

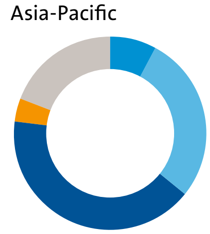
Group



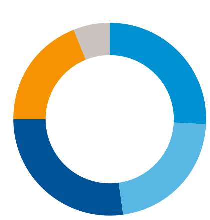
EMEA



Asia-Pacific



Americas



Operating profit excluding items affecting comparability amounted to MSEK 123 (128) and the operating margin to 11.5% (12.2). The lower profit is explained by product mix of sales as well as the severe weather conditions hampering sales during the second half of the year.

Items affecting comparability totalled MSEK –6 (–8), mainly related to management changes.

	Assets		Liabilities	
	2017	2016[1]	**2017**	2016[1]
Region Europe, Middle East & Africa	3,090	2,946	1,177	1,192
Region Asia-Pacific	847	778	344	348
Region Americas	834	886	175	170
Subtotal operating segments	**4,771**	**4,610**	**1,696**	**1,710**
Financial and tax items	930	1,040	2,139	2,050
Total	**5,701**	**5,650**	**3,835**	**3,760**

[1] Reclassification made to previously published report. See note 1 of the Group.

Segment assets are comprised of goodwill, other intangible assets, property, plant and equipment, inventories, accounts receivable, other receivables as well as prepaid expenses and accrued income. Segment liabilities include accounts payable, other liabilities, short-term provisions as well as accrued expenses and deferred income. Capital expenditure includes intangible assets and property, plant and equipment.

The geographical net sales by market below are based on the geographical location of the customer. Non-current assets consist of goodwill, other intangible assets and property, plant and equipment and are disclosed based on their geographical location.

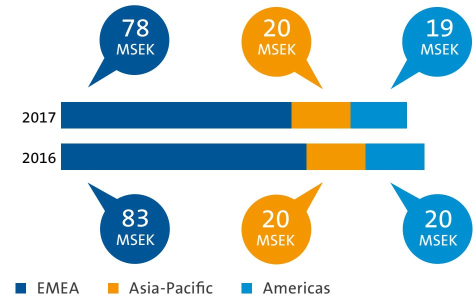
	Net sales by market		Non-current assets	
Geographical disclosure	**2017**	2016	**2017**	2016
Sweden	181	191	162	89
Belgium	207	203	21	21
France	1,047	1,122	302	286
Germany	235	225	246	234
India	364	441	64	68
Indonesia	254	267	24	31
Italy	201	190	17	26
Spain	305	292	196	216
UK	333	333	72	65
USA	573	597	462	511
Other – Europe, Middle East & Africa	1,322	1,351	158	170
Other – Asia-Pacific	473	421	288	282
Other – Americas	496	455	243	270
Total	**5,991**	**6,088**	**2,255**	**2,269**

NOTE 3 EXPENSES BY NATURE

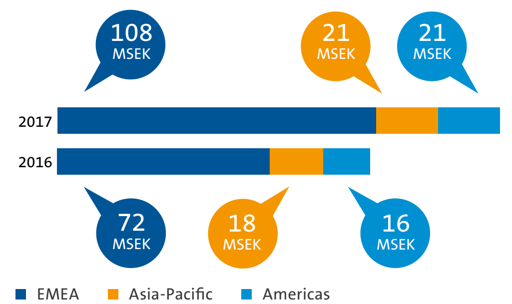
	2017	2016
Material costs	2,045	2,092
Change in inventories	9	–6
Remuneration to employees	1,986	2,040
Temporary personnel and subcontractors	326	327
Transport costs	151	146
Vehicle and travel costs	225	220
Depreciation and amortisation	117	123
Other costs	842	794
Total operating expenses[1]	**5,701**	**5,736**

[1] Relates to cost of goods sold, selling expenses and administrative expenses.

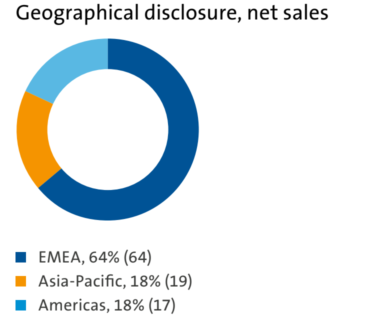
Depreciation by region



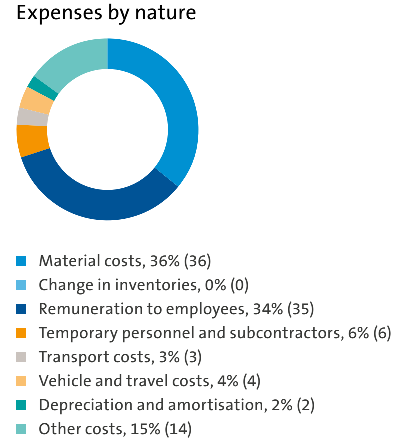
Capital expenditure by region



Geographical disclosure, net sales



Expenses by nature



NOTE 4 REMUNERATION TO GROUP KEY MANAGEMENT

Remuneration Paid to the Board of Directors of Gunnebo AB
Remuneration paid in the calendar year 2017 to the Board of the Parent Company amounted to TSEK 2,130 (2,195), of which TSEK 130 (195) comprises remuneration for committee work. Women occupy 43% (29) of the Board of Directors at year end.

TSEK	2017	2016
Martin Svalstedt, Chairman	475	525
Tore Bertilsson (resigned 2017)	150	290
Göran Bille	280	280
Anna Borg Sæther (elected 2017)	125	–
Charlotte Brogren	250	250
Bo Dankis	250	275
Eva Elmstedt	290	265
Mikael Jönsson	310	310
Total	**2,130**	**2,195**

Remuneration to Members of the Gunnebo Group Executive Team (GET)[5)]

	2017			2016		
TSEK	CEO	Other members in GET (9)[3)]	Total	CEO	Other members in GET (8)[3)]	Total
Salary	6,775	21,861	**28,636**	6,253	20,761	**27,014**
Bonus[1)]	–	–	**–**	861	2,311	**3,172**
Other benefits[2)]	111	2,650	**2,761**	67	3,039	**3,106**
Pension cost	2,673	4,191	**6,864**	2,180	4,907	**7,087**
Term benefits[4)]	–	–	**–**	–	8,701	**8,701**
Total	**9,559**	**28,702**	**38,261**	**9,361**	**39,719**	**49,080**

1) Includes only cash-based short-term variable salary expensed for the bonus year 2017.
2) Other benefits mainly include housing allowance and car.
3) Includes only remuneration for the portion of the year being a member of GET.
4) Term benefits refer to severance pay in accordance with terms of contract.
5) Women occupy 20% (11) of Group Executive Team.

Pensions, Severance Pay and Performance-related Pay
The retirement age for the President is 65. The pension solution is premium-based and the pension cost amounts to 35% of salary, including performance-related pay. The President is entitled to receive a pension from the age of 63.5. If the President resigns the notice period is 6 months. The President is entitled to a notice period of 12 months, during which the normal salary and other benefits shall be paid, in the event of the contract being terminated by the company. At the end of the notice period, severance pay amounting to one year's salary (excluding performance-related pay) is payable in equal amounts over the course of 12 months.

For other senior executives (nine people who, together with the President, constitute GET), the notice period is a maximum of one year, during which salary and other benefits are payable. Members of the GET living outside of Sweden may be offered notice periods that are competitive in the country where they live, preferably equivalent to the notice periods applicable in Sweden. If the senior executive resigns the notice period is 6 months. No severance pay is awarded. The retirement age is 65. A premium-based pension plan is in place for senior executives in Sweden (five people). The agreed premium provision may amount to a maximum of 35% of the basic salary, depending on age and salary level.

Variable salary for the President and other members of GET is dependent on the achievement of predetermined, quantitative financial targets and shall not exceed 70% of the fixed salary, of which maximum 20% may arise from long-term incentive programmes.

Incentive Programmes
Incentive programme 2012
In connection with the 2012 Annual General Meeting (AGM) an incentive programme was adopted for 50 senior executives. The market value of the warrants was determined externally using the Black & Scholes valuation model and the price was set at SEK 4.00 per warrant. A warrant gives the holder the right to subscribe to a share in Gunnebo AB at a price of SEK 31.40 during certain periods in 2015-2016. The last of the warrants were exercised in 2016 and the programme is now fully settled.

Long-term incentive programme LTIP 2015
The 2015 AGM decided on a long-term share-based incentive programme for a maximum of 20 employees including the President, members of GET and other key personnel within the Group. The programme requires that the participant invests in Gunnebo shares within LTIP 2015 ("Savings shares"). The Savings shares must be kept for a three-year earning period from 1 June 2015 to 1 June 2018. Providing that the participant still owns the shares and is still employed within the Group at the end of the earning period, the participant is entitled to receive one Gunnebo share free of charge for each Savings share he/she has invested in ("Matching shares"). Furthermore, the company's President is entitled to receive a maximum of four Gunnebo shares per Savings share, and the other participants are entitled to receive up to three Gunnebo shares if certain performance goals have been met ("Performance Shares"). Allocation of Performance shares will be based on minimum and maximum levels of earnings per share during the vesting period as determined by the Board. The minimum and maximum levels have been set at SEK 8.00 and SEK 14.00 accumulated earnings per share over a three-year period.

The expected pay-out under this programme is that Matching shares of 103,580 can be allotted depending on the remaining employment condition being fulfilled by the participants and that the saving shares have remained in the employee's securities account during the whole vesting period. No allotment of Performance shares will be made as the related targets have not been fulfilled.

The cost of the LTIP 2015 is based on the share price at grant date times the expected number of shares to be issued and is spread over the vesting period from 1 June 2015 to 1 June 2018. The share price at grant date was determined to be SEK 37.80 and excludes the present value of expected dividends during the period up until the shares are distributed, in accordance with the terms of the programme.

Amounts expensed in 2017 amounted to MSEK +2.2 (–3.6) including social charges of which MSEK +1.8 related to GET members. The provision in the balance sheet amounted to MSEK 4.2 (6.4) including social charges.

Long-term share based incentive programme (LTI 2017/2021)
The AGM approved the implementation of a long-term share based incentive programme (LTI 2017/2021) comprising 20 participants employed within the Group, including the CEO. Under this programme, the participants will receive, subject to the performance and development of three different performance conditions during the financial year 2017, shares free of charge on the allotment day, which will occur after the 2021 Annual General Meeting but before 30 June 2021. The maximum number of shares that may be received shall correspond to 20 percent of the participant's actually paid salary 2017, however with certain limitations regarding the maximum number of shares that can be allotted to each participant. A maximum total of 212,986 shares may be allotted excluding shares to cover the cost of social security contributions. Additionally, allotment of shares is conditional upon the participant being employed within the Group until the expiration of 2020. No allotment will be made under this programme due to the non-achievement of the performance conditions.

NOTE 5 AUDITORS' REMUNERATION

	2017	2016
Remuneration to Deloitte		
Auditing	6.9	6.9
Other audit work	0.1	0.3
Tax advice	0.7	0.3
Other services	0.1	0.3
Total remuneration to Deloitte	**7.8**	**7.8**
Audit remuneration to other auditing firms	1.5	1.7
Total auditors' remuneration	**9.3**	**9.5**

Auditing refers to the auditors' remuneration for the statutory audit. Other audit work constitute any examination of administration or financial information resulting from statutes, the Articles of Association, regulations or agreements. Other services are advice not related to any of the previously specified services.

NOTE 6 OTHER OPERATING INCOME AND EXPENSES, NET

	2017	2016
Gains on sale of property, plant and equipment	2	5
Exchange rate gains	7	7
Exchange rate losses	–5	–5
Profit from associated companies	7	–1
Other	3	8
Total	**14**	**14**

Investments in associated companies were MSEK 10 (4). This included a 55% ownership in Gateway Security Portugal Ltda, a 48% ownership in Prodimo AB, a 49% ownership in FBH Fichet Ltd and a 49% ownership in Gateway Varesikring A/S.

NOTE 7 FINANCIAL INCOME AND EXPENSES, NET

	2017	2016
Financial income		
Interest income	17	15
Exchange rate gains and other income	3	5
Total	**20**	**20**
Financial expenses		
Interest expense	–38	–37
Net interest cost on pensions	–13	–12
Exchange rate losses	–2	–6
Bank charges and guarantee costs	–17	–14
Other	–7	–4
Total	**–77**	**–73**
Financial income and expenses, net	**–57**	**–53**

NOTE 8 INCOME TAXES

	2017	2016
Current tax expense	–94	–99
Deferred tax expense	7	–5
Total	**–87**	**–104**

Taxes reported in other comprehensive income includes MSEK 4 (34) related to remeasurements of post-employment benefits and MSEK –1 (–1) related to cash flow hedges.

Reconciliation of Swedish tax rate with effective tax rate	2017	2016
Profit before taxes	247	313
Tax using the Swedish tax rate 22%	–54	–69
Effect of tax rates in foreign jurisdictions	–14	–34
Non-deductible expenses/Tax-exempt income	3	–6
Current year losses not recognised	–9	–13
Recognition of previously unrecognised losses	—	16
Change in tax rates	4	—
Taxes related to prior years	–7	4
Other, incl. withholding taxes	–10	–2
Total	**–87**	**–104**
Effective tax rate, %	*35%*	*33%*

During 2017, the UK corporation tax rate was decreased to 19% (effective 1 April 2017), with further reductions to 17% in 2020. This change resulted in a loss of MSEK 4 (–) related to the re-measurement of deferred tax assets and provisions of the Group's UK subsidiaries, being recognised during the year ended 2017.

In December 2017, new tax legislation was enacted in the US, resulting in a reduction of the corporate tax rate from 35% to 21% for tax years beginning after 31 December 2017. This change resulted in a positive effect of MSEK 13 (–) related to the re-measurement of deferred tax assets and provisions of the Group's US subsidiaries, being recognised during the year ended 2017.

In December 2016, a new corporate tax law was enacted in France, where the corporate income tax rate will be progressively reduced from the current 33.33% to 28% over the period 2017 to 2020. In addition, in December 2017, a further progressive reduction of the corporate income tax rate to 25% by 2022 was enacted. This change resulted in a loss of MSEK 5 (–7) related to the remeasurement of deferred tax assets and provisions of the Group's French subsidiaries, being recognised during the year ended 2017.

	2017	
Deferred tax balances, net	Deferred tax assets	Deferred tax provisions
Non-current assets	—	56
Current assets	12	3
Provisions for post-employment benefits	81	4
Short-term provisions	14	—
Other	38	3
Tax loss carry-forwards	177	—
Closing balance	**322**	**66**

	2016	
Deferred tax balances, net	Deferred tax assets	Deferred tax provisions
Non-current assets	—	76
Current assets	7	1
Provisions for post-employment benefits	82	—
Short-term provisions	20	—
Other	29	13
Tax loss carry-forwards	194	—
Closing balance	**332**	**90**

Change of net deferred taxes	2017	2016
Opening balance, net	242	211
Recognised in net profit	7	–5
Tax recognised in other comprehensive income	3	33
Translation differences	4	3
Closing balance, net	**256**	**242**

Tax Loss Carry-forwards

At 31 December 2017 the Group had total tax loss carry-forwards of MSEK 2,055 (2,107). There is no expiration date for the utilisation of approximately 96% of the tax loss carry-forwards.

Deferred tax assets regarding tax loss carry-forwards are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable within the near future. Deferred tax assets of MSEK 177 (194) related to tax loss carry-forwards of MSEK 553 (807) have been recognised in the balance sheet. These deferred tax assets include an amount of MSEK 109 (80) related to subsidiaries which have incurred taxable losses during the current period. Management believes that the loss carry-forwards will be utilised in the future mainly due to the following reasons: there is a history of pre-tax income; these subsidiaries will generate taxable income in the near term; there are viable tax strategies that could be implemented to accelerate taxable income in order to realise a portion of the recorded deferred tax assets; and a significant portion of the net operating losses have an indefinite life or do not expire in the near term.

NOTE 9 INTANGIBLE ASSETS

2017	Goodwill	Other intangible assets
Acquisition costs		
Opening balance	1,628	781
Capital expenditure	–	74
Disposals	–	–3
Reclassifications	–	5
Translation differences	–32	–2
Closing balance	**1,596**	**855**
Accumulated amortisation and impairment		
Opening balance	–	487
Amortisation	–	51
Disposals	–	–2
Translation differences	–	5
Closing balance	**–**	**541**
Net book value	**1,596**	**314**

2016	Goodwill	Other intangible assets
Acquisition costs		
Opening balance	1,517	724
Capital expenditure	–	39
Disposals	–	–15
Reclassifications	–	3
Translation differences	111	30
Closing balance	**1,628**	**781**
Accumulated amortisation and impairment		
Opening balance	–	429
Amortisation	–	55
Disposals	–	–15
Translation differences	–	18
Closing balance	**–**	**487**
Net book value	**1,628**	**294**

Other intangible assets include acquisition-related brand name and customer relations with carrying amounts totalling MSEK 74 (81) and MSEK 70 (95) respectively. Additionally, it includes internally generated capitalised product development and software developed for internal use with carrying amounts totalling MSEK 119 (86) and MSEK 51 (33) respectively. During the year, capital expenditure on product development projects totalled MSEK 52 (33).

Amortisation is included in cost of goods sold with MSEK –39 (–48), selling expenses with MSEK –3 (–1) and administrative expenses with MSEK –9 (–6), in the consolidated income statement.

Impairment Testing

The table below shows the total carrying amount of goodwill and brand name (indefinite life) allocated per CGU for the purposes of impairment testing. The brand name amounted to MSEK 74 (81) and was included within the CGU Safes & Vaults, whereas goodwill was allocated across multiple CGUs (the product areas).

CGUs	2017	2016
Cash Management	529	478
Entrance Security	411	495
Safes & Vaults	562	561
Electronic Security	168	175
Closing balance	**1,670**	**1,709**

The recoverable amount of the CGU's was based on value in use, as described in note 1 of the Group, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The recoverable amount of the CGUs was determined to be higher than its carrying amount and therefore no impairment has been recognised during 2017.

Value in use is calculated using the pre-tax discount rate of 9.6% (9.5) which is the Group's weighted average cost of capital, WACC. A sensitivity test was performed based on a 1 percentage point increase, as a reasonably possible adverse change, which did not result in an impairment situation.

The average growth rate used to extrapolate the future operating cash flows results in growth at a constant margin development over the forecast period. A sensitivity test was performed using a flat operating margin over the forecast period as a reasonably possible, yet aggressive, adverse change. This would not result in any impairment.

A terminal growth value of 2.0% (2.0) was used to calculate growth in the terminal period.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

2017	Buildings and land[1)]	Machinery	Equipment	Construction in progress	Total
Acquisition costs					
Opening balance	384	521	343	27	1,275
Capital expenditure	2	21	20	33	76
Disposals	–2	–10	–12	–	–24
Reclassifications	–	6	3	–13	–4
Translation differences	4	–7	0	1	–2
Closing balance	**388**	**531**	**354**	**48**	**1,321**
Accumulated depreciation and impairment					
Opening balance	270	378	280	–	928
Depreciation	11	32	23	–	66
Disposals	–3	–8	–11	–	–22
Translation differences	5	–1	0	–	4
Closing balance	**283**	**401**	**292**	**–**	**976**
Net book value	**105**	**130**	**62**	**48**	**345**

2016	Buildings and land[1]	Machi-nery	Equip-ment	Construc-tion in progress	Total
Acquisition costs					
Opening balance	406	476	321	28	1,231
Capital expenditure	2	21	24	20	67
Disposals	–43	–22	–22	—	–87
Reclassifications	3	10	4	–20	–3
Translation differences	16	36	16	–1	67
Closing balance	**384**	**521**	**343**	**27**	**1,275**
Accumulated depreciation and impairment					
Opening balance	266	346	261	—	873
Depreciation	11	30	27	—	68
Disposals	–18	–21	–22	—	–61
Reclassifications	0	1	–1	—	0
Translation differences	11	22	15	—	48
Closing balance	**270**	**378**	**280**	**—**	**928**
Net book value	**114**	**143**	**63**	**27**	**347**

[1] Including land improvements.

Depreciation is included in cost of goods sold with MSEK –50 (–46), selling expenses with MSEK –4 (–6) and administrative expenses with MSEK –12 (–16) in the consolidated income statement.

NOTE 11 INVENTORIES

	2017	2016[1]
Raw materials	242	211
Work in progress	39	37
Finished goods	525	469
Installation work in progress	96	108
Total	**902**	**825**

[1] Reclassification made to previously published report. See note 1 of the Group.

Of the inventories, MSEK 872 (790) is measured at cost and MSEK 30 (35) at net selling price. At 31 December 2017 the Group's obsolescence amounted to MSEK 84 (75).

NOTE 12 ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable, not yet due	1,063	1,025
Overdue, 1–30 days	199	183
Overdue, 31–60 days	80	60
Overdue, 61–90 days	32	36
Overdue, over 90 days	73	57
Total	**1,447**	**1,361**

Allowance for doubtful receivables	2017	2016
Opening balance	–44	–45
New provisions	–6	–12
Confirmed losses	7	6
Reversals	7	11
Acquisitions	—	—
Translation differences	1	–4
Closing balance	**–34**	**–44**
Net book value	**1,413**	**1,317**

NOTE 13 SHARE CAPITAL AND EARNINGS PER SHARE

	Number of shares issued			
	Ordinary shares	C-shares	Total	Share capital, MSEK
Opening balance	76,185,001	—	76,185,001	381
Issue of C shares	—	730,847	730,847	3
Issue of ordinary shares	135,000	—	135,000	1
Closing balance 31 Dec 2016	**76,320,001**	**730,847**	**77,050,848**	**385**
Closing balance 31 Dec 2017	**76,320,001**	**730,847**	**77,050,848**	**385**

The quota value for all shares is SEK 5.00. An ordinary share has one vote and a C share has one-tenth of one vote. The C shares have no dividend rights.

In line with the long-term incentive programme (LTIP 2015) the number of shares increased due to a new share issue of 730,847 C shares in 2016. All of these shares were repurchased in 2016 by Gunnebo AB. The shares are intended to be used for the obligations under the LTIP 2015 incentive programme.

In 2016, the number of shares also increased by 135,000 through the exercise of warrants issued under incentive programme 2012/2016, which is closed.

Dividend Policy

The Board's proposed dividend should consider the long-term development, financial position as well as the investment needs of the Group. The Board's objective is that the dividend should in the long-term amount to 30–40% of net profit.

Dividend Payments

Dividends paid in 2017 were MSEK 92. The Board has decided to propose, as in previous year, a dividend per share of SEK 1.20 (1.20) for the year 2017. The total proposed dividend to be paid is MSEK 92 (92). It is also proposed that the dividend is to be paid in two instalments, with the first payment of SEK 0.60 per share in April 2018 and the second payment of SEK 0.60 per share in October 2018.

Earnings per share	2017	2016
Net profit attributable to shareholders of the Parent Company, MSEK	153	206
Weighted average no. of shares outstanding	76,320,001	76,243,567
Weighted average no. of shares outstanding with dilution	76,389,239	76,283,982
Basic earnings per share, SEK	**2.00**	**2.71**
Diluted earnings per share, SEK	**2.00**	**2.70**

Basic earnings per share are calculated by dividing net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares excluding C shares as these have no dividend rights. Diluted earnings per share are calculated by dividing net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares excluding C shares as these have no dividend rights, after dilution. The Group's long-term share-based incentive programme (LTIP2015) causes the dilutive effect.

NOTE 14 POST-EMPLOYMENT BENEFITS

2017

Amounts recognised in the consolidated balance sheet	UK	Canada	Sweden	France	Germany	Other	**Total**
Defined benefit obligations	636	130	109	94	43	97	1,109
Plan assets	–461	–130	–	–4	–	–20	–615
Total provisions for post-employment benefits	**175**	**0**	**109**	**90**	**43**	**77**	**494**

2016

Amounts recognised in the consolidated balance sheet	UK	Canada	Sweden	France	Germany	Other	**Total**
Defined benefit obligations	688	135	103	93	45	96	1,160
Plan assets	–530	–122	–	–4	–1	–19	–676
Total provisions for post-employment benefits	**158**	**13**	**103**	**89**	**44**	**77**	**484**

The Group operates a number of post-employment defined benefit pension plans mainly in the UK, Canada, Sweden, France and Germany.

UK

In the UK, pension commitments are mainly secured through payments into a funded defined benefit pension plan. The plan is a final salary pension plan and is closed to new employees who instead are entitled to defined contribution pension solutions. To meet legal requirements, the plan comprises an independent foundation. The foundation's assets are managed by a board comprising of representatives for the Group and the employees who are members of the plan. The assets are managed in accordance with national legislation and in collaboration with professional advisors and fund managers. The weighted average remaining term of the defined benefit obligation is 19 years.

Canada

Canada has pensions plans offering benefits based on career average earnings for both salaried employees and certain union employees. Both plans are funded and include contributions by members. Additionally there is a funded Supplemental Retirement Plan (SERP), as well as a post-retirement benefit plan which is unfunded, providing medical benefits to retirees and their spouses, and to a closed group of active members upon their retirement. The weighted average remaining term of the defined benefit obligation is 17 years.

Sweden

Pension liabilities in Sweden include a defined benefit pension plan, relating to lifelong retirement pensions, where the benefits are primarily based on the employees' final pay. This liability is guaranteed by a credit insurance from PRI Pensionsgaranti Mutual Insurance Company. The weighted average remaining term of the defined benefit obligation is 19 years. There are no funding requirements for the Swedish plans.

The disability- and survivors' pension part of the ITP-plan is secured through an insurance solution with the company Alecta and is classified as a multi-employer defined benefit plan. However, as Alecta has not been able to provide sufficient information to enable the ITP-plan to be reported as a defined benefit plan, it is reported as a defined contribution plan. Alecta's collective funding ratio was 154% (149) as of 31 December 2017. The collective funding ratio reflects the fair value of Alecta's plan assets as a percentage of plan commitments, measured in accordance with Alecta's actuarial assumptions, which are not consistent with IAS 19. Expected contributions in 2018 for ITP 2 covered by Alecta are MSEK 3.

France

France has retirement plans, which are mainly unfunded. The retirement indemnity plans pay a lump sum retirement benefit to all of its permanent employees on retirement in accordance with regulation and Metallurgy collective agreement. Such indemnities are based and accrued on the employee's estimated salary at retirement date and on his/her years of service. The weighted average remaining term of the defined benefit obligation is 10 years.

Germany

The main pension plans in Germany are unfunded plans. The majority of entitlement conditions are determined in accordance with the governmental pensions act. There are no regulatory funding requirements. The weighted average remaining term of the defined benefit obligation is 12 years.

Other Countries

The most significant plans include the unfunded pension plans in Indonesia. Additionally, there are termination indemnity plans in Italy, where lump sum payments are made upon termination. For other countries, the weighted average remaining term of the defined benefit obligation is 9 years.

Specification of changes in the net defined benefit obligation	2017 Present value of obligation	2017 Fair value of plan assets	2017 Total	2016 Present value of obligation	2016 Fair value of plan assets	2016 Total
Opening balance	1,160	–676	484	1,027	–665	362
Expenses:						
Current service cost	17	—	17	17	—	17
Past service cost	—	—	—	–2	—	–2
Interest expense (+)/income (–)	30	–17	13	36	–24	12
Other	0	3	3	0	3	3
	47	**–14**	**33**	**51**	**–21**	**30**
Remeasurements:						
Return on plan assets excluding amounts included in interest income	—	–8	–8	—	–53	–53
Actuarial gains (–) and losses (+) arising from changes in demographic assumptions	19	—	19	5	—	5
Actuarial gains (–) and losses (+) arising from changes in financial assumptions	10	—	10	215	—	215
Experience-based gains (–) and losses (+)	3	—	3	–35	—	–35
Other	—	—	—	1	—	1
	32	**–8**	**24**	**186**	**–53**	**133**
Cash flow:						
Employee contributions to the plan	2	–1	1	—	–2	–2
Employer contributions to the plan	—	–23	–23	2	–25	–23
Payment of pension benefits	–122	100	–22	–69	50	–19
	–120	**76**	**–44**	**–67**	**23**	**–44**
Other:						
Translation differences	–10	7	–3	–37	40	3
Closing balance	**1,109**	**–615**	**494**	**1,160**	**–676**	**484**

Of the present value of the defined benefit plan, MSEK 793 (850) relates to funded pensions and other plans, and MSEK 316 (310) to non-funded pensions and other plans. The total benefit expense for defined benefit plans amounted to MSEK 33 (30), whereof MSEK 20 (18) has been charged to operating expenses and MSEK 13 (12) to financial expenses. Expenses related to defined contribution plans amounted to MSEK 55 (68). The Group expects to pay MSEK 40 (39) in contributions to its defined benefit plans in 2018.

Specification of plan assets

2017	UK	Canada	Sweden	France	Germany	Other	Total
Government bonds	90	23	—	—	—	10	123
Commercial papers	148	19	—	—	—	—	168
Shares	219	84	—	4	—	—	306
Cash and cash equivalents	4	4	—	0	—	10	18
Total	**461**	**130**	**—**	**4**	**—**	**20**	**615**

2016	UK	Canada	Sweden	France	Germany	Other	Total
Government bonds	145	20	—	—	—	9	174
Commercial papers	166	18	—	—	—	—	184
Shares	214	81	—	4	—	—	299
Cash and cash equivalents	5	3	—	—	1	10	19
Total	**530**	**122**	**—**	**4**	**1**	**19**	**676**

No plan assets comprise financial instruments in Gunnebo AB or assets used within the Group.

NOTE 14 CONT.

Actuarial Assumptions
The following were the main actuarial assumptions at the reporting date (expressed as weighted averages):

2017	UK	Canada	Sweden	France	Germany	Other
Discount rate	2.5	3.5	2.5	1.4	1.9	5.0
Expected salary increase rate	n/a	3.5	2.5	2.3	0.0	6.1
Inflation	3.4	2.5	1.75	2.0	2.0	3.5

2016	UK	Canada	Sweden	France	Germany	Other
Discount rate	2.7	3.3	2.5	1.4	1.8	5.8
Expected salary increase rate	n/a	3.5	2.5	2.3	0.0	6.0
Inflation	3.5	2.5	1.5	2.0	2.0	3.8

Sensitivity Analysis
Reasonably possible changes to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Assumptions	+1 percentage point	–1 percentage point
Discount rate	–229	248
Expected salary increase rate	79	–70
Inflation	50	–47

NOTE 15 PROVISIONS

2017	Restructuring	Litigation	Warranty	Other	Total
Opening balance	9	15	54	4	82
Reclassifications	—	6	1	–1	6
Provisions	3	5	18	1	27
Utilised	–8	–6	–16	—	–30
Reversed	—	–1	–4	0	–5
Translation differences	0	1	–1	0	0
Closing balance	**4**	**20**	**52**	**4**	**80**

Provisions for restructuring activities relate to structural reorganisations and shut-down costs that the Group is obligated to settle.

The Group conducts its normal course of business on a global basis which includes operating in both well developed countries as well as politically instable countries. From time to time, the Group becomes a party in legal disputes. These are monitored and assessed continuously during the year by management. The provision for litigation represents management's best estimate of the future cash flows necessary to settle these at the end of 2017, although the timing of the settlement is uncertain. These estimates take into consideration the nature of the litigation, the legal process in the applicable jurisdiction, the progress of the cases, the opinions of internal and external legal counsel and advisers regarding the outcome of the case and experience with similar cases.

Warranty provisions involve estimates of the outcome of claims resulting from defective products. Assumptions are required for anticipated returns and for cost for replacing defective products and/or compensating customers for damage caused by the Group's products. These assumptions are based on historical claims statistics, and expected costs to remedy as well as time lags.

NOTE 16 OTHER SHORT-TERM ASSETS AND LIABILITIES

Other short-term assets	2017	2016
Prepaid insurance premiums	7	9
Prepaid rent	9	9
Accrued interest	1	1
Derivatives	7	9
Other prepaid items	78	74
Other short-term assets	107	99
Total	**209**	**201**

Other short-term liabilities	2017	2016
Holiday pay liability	116	116
Accrued salaries	100	96
Social security charges	65	70
Deferred income	28	69
Accrued interest	4	5
Advance payments[1)]	126	99
Other accrued items	169	217
Other short-term liabilities	272	218
Total	**880**	**890**

[1)] Reclassification made to previously published report. See note 1 of the Group.

NOTE 17 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial Risk Management
The Group's financial activities are carried out in accordance with the finance policy approved by the Board of Directors, which regulates how financial risks are to be managed and the limits within which the Group's internal bank, Gunnebo Treasury AB, and the subsidiaries may operate.

Risk Description and Risk Management
The main financial risks that the Group is exposed to are; financing risk, interest rate risk, liquidity risk, currency risk and credit risk. Each of these are defined below with a policy description as well as information on the management of them during the year.

Liquidity risk
Liquidity risk refers to the risk of not having access to cash and cash equivalents or undrawn lines of credit in order to fulfil payment obligations. The finance policy stipulates that available cash and cash equivalents and unused lines of credit shall always amount to a minimum of MSEK 350. Cash in the Group shall be deposited with the internal bank or in local cash pools. The Group has centralised its liquidity management in cash pools in the main European countries where it operates, as well as in the USA. These cash pools are used to match the local subsidiaries' surpluses and deficits in each country and currency. Since the Group is a net borrower, the surplus liquidity is used to reduce external loan liabilities.

The contracted maturity dates for the Group's financial assets and liabilities are shown in the table below.

Financing risk
Financing risk refers to the risk that financing of the Group's capital requirement and refinancing of outstanding borrowings are rendered more difficult or more expensive. In order to limit the financing risk, the Group's finance policy stipulates that the total outstanding volume of borrowing must be covered by long-term credit facilities of at least 12 months at any given time.

Credit facilities totalled MSEK 2,501 (2,025) at the end of the year, of which MSEK 1,504 (1,403) was drawn. The average duration of the agreed credit facilities was 5.5 years (1.8). The long-term credit facilities chiefly comprise of a syndicated loan agreement of MEUR 140 which falls due in June 2022. In addition, the Group has a bilateral term loan for MEUR 75 which falls due in April 2024. Furthermore, there are a number of other short- and long-term credit facilities totalling MSEK 383 (404). Individual subsidiaries can have external financing when taxes and other regulations in certain countries make it unfavourable to take up loans from foreign group companies.

Loan maturity structure	Credit facility	Of which drawn
2018	365	108
2019	0	0
2020 and later	2,136	1,396
Total	**2,501**	**1,504**

Interest rate risk
The interest rate risk refers to the negative effect on the Group's result and cash flow of a lasting change in market interest rates. The effect may, however, be limited in the short-term through carefully selected interest maturity structures and by entering into fixed interest agreements in the form of interest rate hedges. The Group's finance policy stipulates that a maximum of 60% of the outstanding volume of borrowing can be hedged with interest derivatives, the average term of which must not exceed 36 months.

At the end of the year, the Group's loan portfolio had an average fixed interest term[1] of 6 (4) months and the average rate of interest on the loan portfolio[1] was 1.6% (2.1).

[1] Including margins and interest derivatives related to the loan portfolio through hedge accounting.

Sensitivity Analysis: Given the same borrowing liability and the same fixed interest terms as at the end of the year, a one percentage point increase in the market interest rate would increase the Group's interest cost by approximately MSEK 15 before and MSEK 9 after interest rate hedges on an annual basis. A one percentage point increase in the market interest rate would also result in an increase in the market value of outstanding interest derivatives of approximately MSEK 4, which affects other comprehensive income.

Contracted maturity dates for financial assets and liabilities		Less than 6 months	6–12 months	1–2 years	2–3 years	**Total contracted cash flow**
Accounts receivable		1,413	–	–	–	1,413
Cash and cash equivalents		498	–	–	–	498
Bank loans and overdraft facilities[1]		–1,517	–13	–25	–25	–1,580
Accounts payable		–742	–	–	–	–742
Derivatives						
- Interest-rate swap agreements	outflow	–3	–3	–3	–	–9
- Currency forward contracts not included in hedge accounting	outflow	–788	–	–	–	–788
	inflow	797	–	–	–	797
Total		**–342**	**–16**	**–28**	**–25**	**–411**

[1] The amounts are nominal and include interest. Roll over dates on borrowing under the Group's syndicated credit facilities fall within 6 months but the guaranteed credit facilities do not mature until 2022 and 2024.

For financial liabilities with a long contracted term but a short/variable fixed interest, the variable interest has been adopted as the quoted interbank rate as of 31 December 2017. The base currency of the currency forward contract has been remeasured at the applicable closing rate as of 31 December 2017 while the future flows of the other type of currency are measured at the contracted rate.

NOTE 17 CONT.

Currency risk

The consolidated financial statements are prepared in the Swedish krona. However, the Group has operations in a large number of countries worldwide, and consequently is exposed to currency risks. These are transaction exposure, translation exposure (net investments) and translation exposure (income statement).

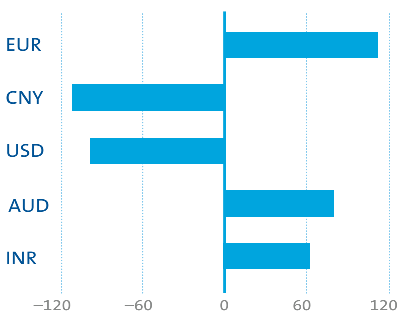
Total currency effects resulted in a positive impact on operating profit of MSEK 17 of which MSEK 12 relates to transaction effects and MSEK 5 to translation effects.

Transaction exposure

The Group has income and purchase cost in several currencies and is therefore exposed to exchange rate fluctuations. This currency risk is called transaction exposure and has an impact on the Group's operating profit. In accordance with the finance policy, the Group does not ordinarily hedge transaction exposure. Hedging may, however, be carried out for large projects and for a large, stable, currency flow, provided the exposure is deemed considerable and the hedging can be done at a reasonable cost. Any hedging should usually not be for more than 12 months. The Group has not hedged transaction exposure in currencies in 2017 or 2016.

The commercial currency flow in 2017 after net calculations of opposite flows amounts to MSEK 198 (283) on an annual basis. The largest transactional currency flows are shown in the chart below. The Group is a net seller of EUR, AUD and INR while a net buyer of CNY and USD.

NET CURRENCY FLOWS 2017, MSEK



Translation exposure (net investments)

Upon consolidation, the net assets of foreign subsidiaries are translated into the Swedish krona, which result in translation differences impacting other comprehensive income and accumulate in equity. In order to limit the negative effects of translation differences on the Group's equity, hedging may be done through borrowing and currency derivative contracts, provided the exposure is deemed considerable and the hedging can take place at a reasonable cost. The net assets of foreign subsidiaries amounted to MSEK 1,518 (1,257) on 31 December 2017. One net investment hedge exists where the currency effect in other comprehensive income was MSEK 0 (5).

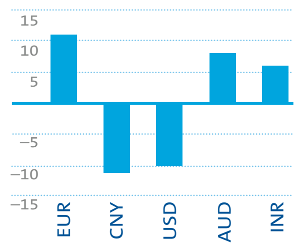
Translation exposure (income statement)

Exchange rate fluctuations also affect Group profit when income statements of foreign subsidiaries are translated into the Swedish krona. Expected future profit in foreign subsidiaries are not hedged against exchange rate fluctuations.

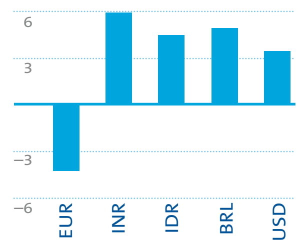
Sensitivity analysis:

A 10% depreciation of the value of the Swedish krona against all other currencies would increase profit before tax by a total of approximately MSEK 36, of which approximately MSEK 20 would be netted transaction exposure. The remaining MSEK 16 is attributable to translation exposure (income statement). The effects on profit before tax of a 10% depreciation of the Swedish krona against the Group´s top five individual currencies are shown in the charts below, separately for transactional and translational exposures.

TRANSACTIONAL EFFECT OF 10% WEAKER SEK AGAINST TOP FIVE CURRENCIES



TRANSLATIONAL EFFECT OF 10% WEAKER SEK AGAINST TOP FIVE CURRENCIES



A 10% depreciation of the Swedish krona against all other currencies would result in an increase in equity of approximately MSEK 100, with the largest effect coming from the EUR.

Credit Risk

Financial credit risk

Credit risk refers to the risk of a loss if the counterparty fails to fulfil its obligations. Exposure arises both when depositing surplus liquidity and in receivables from banks which arise via derivative instruments. The Group's finance policy includes a list of permitted counterparties and maximum credit exposure with each approved counterparty. The Group has also entered into general agreements (ISDAs) with all counterparties for transactions in derivative instruments. Cash and cash equivalents shall primarily be used to reduce outstanding liabilities which limits the volume of outstanding surplus liquidity.

Customer credit risk

An instruction has been established regulating the management of customer credit within the Group. Each subsidiary is responsible for checking and controlling credit risk with customers. The rules applicable for issuing credit locally are documented in local credit policies regulating credit limits, payment terms and collection procedures. Lease agreements and customer financing packages are approved by Gunnebo Treasury.

The Group's maximum exposure to credit risk is equivalent to the book values of financial assets, as shown in the table below:

	2017	2016
Accounts receivable	1,413	1,317
Other short-term receivables	56	61
Cash and cash equivalents	498	581
Maximum exposure to credit risk	**1,967**	**1,959**

Derivative Instruments and Hedging

Currency forward contracts

Currency forward contracts are used to manage the currency risk of receivables and liabilities denominated in foreign currencies. The Group has chosen not to apply hedge accounting since the receivables, liabilities and related forward currency contracts are all valued at the closing exchange rate through the income statement.

Interest rate swaps

Interest rate swaps are used to hedge the interest payments on borrowings. Hedge accounting is applied and the nominal value of outstanding interest rate swap agreements designated as cash flow hedges amounted to MSEK 591 (957) on 31 December 2017.

Under hedge accounting, the effective portion of changes in fair value of derivative instruments which are designated as cash flow hedges and which fulfil the requirements of hedge accounting is recognised via other comprehensive income and accumulated under equity. The amount recognised in other comprehensive income for the year 2017 was MSEK 5 (3).

The nominal amounts of all derivative instruments are as follows:

	2017	2016
Interest rate swap agreements		
Term of less than 1 year	394	383
Term 1–2 years	197	383
Term 2–5 years	0	191
Interest rate swap agreements total	**591**	**957**[1]
Currency forward contracts[2]	797	724
Total	**1,388**	**1,681**

[1] Of which MSEK 191 refers to interest rate swap agreements starting after 31 December 2016.

[2] Currency forward contracts relating to borrowing in foreign currencies, with the gross amount calculated at future forward rate.

Financial Assets and Liabilities covered by Netting or similar Agreements

The Group has entered into general agreements (ISDAs) with all counterparties regarding transactions in derivative instruments. All receivables and liabilities related to such instruments may, therefore, be offset in their entirety against the respective counterparty. The table below shows the Group's derivatives on the closing day taking into account the netting opportunities.

	Gross	Netting agreement	Net
Assets	7	–2	5
Liabilities	–5	2	–3

The Capital Structure of the Group

One of the Group's long-term financial goals is to have an equity ratio of no less than 30%. The equity ratio at the end of the year was 33% (34). Another of the Group's aims is to achieve a return of 15% on capital employed. The return on capital employed (excluding items affecting comparability) for 2017 was 10.3% (12.8).

The Group's borrowing is unsecured. The borrowing is however limited by financial obligations in the loan agreements in the form of covenants. These mainly relate to the key ratios of interest coverage ratio and net debt/EBITDA. With regard to the prevailing terms in the loan agreements, available credit facilities amounted to MSEK 271 (622) at the end of the year as all financial commitments in the form of covenants was fulfilled.

Fair Value Disclosures

The table below presents the financial assets and financial liabilities measured at fair value.

Financial instruments measured at fair value

For all assets and liabilities measured at fair value, which comprise derivative instruments, the fair value has been established based on measurement techniques which are, in all essentials, based on observable market data. According to the fair value hierarchy of IFRS 13, such measurement methods are referred to as Level 2.

Other financial assets and liabilities

For financial instruments such as accounts receivable, accounts payable and other non-interest-bearing financial assets and liabilities, which are recognised at amortised cost less any write-down, the fair value is deemed to be the same as the carrying amount due to the short anticipated duration.

The Group's long-term borrowing primarily relates to long-term credit facilities but with short fixed interest rate periods and a stable credit margin. The fair value is therefore deemed to be the same as the carrying amount.

	2017		2016	
Financial assets	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value[1]	**7**	**7**	**14**	**14**
- of which derivatives for which hedge accounting does not apply	7	7	14	14
Other financial assets[2]	**1,911**	**1,911**	**2,015**	**2,015**
Total financial assets	**1,918**	**1,918**	**2,029**	**2,029**
Financial liabilities				
Financial liabilities measured at fair value[3]	**5**	**5**	**11**	**11**
- of which derivatives for which hedge accounting does not apply	1	1	1	1
- of which interest rate swap agreements for which hedge accounting of cash flows applies	4	4	10	10
Other financial liabilities[4]	**2,246**	**2,246**	**2,143**	**2,143**
- of which financial liabilities for which hedge accounting does not apply	1,655	1,655	1,186	1,186
- of which financial liabilities for which hedge accounting of cash flows applies	591	591	957	957
Total financial liabilities	**2,251**	**2,251**	**2,154**	**2,154**

[1] Assets included in other current receivables.
[2] Assets included in accounts receivable and cash and cash equivalents.
[3] Liabilities included in other short-term liabilities.
[4] Liabilities included in accounts payable as well as short-term and long-term borrowing.

NOTE 18 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	2017	2016
Property mortgages	–	4
Total	**–**	**4**

	2017	2016
Guarantees	295	312
Total	**295**	**312**

Guarantees for the fulfilment of various contractual obligations are part of the Group's normal business activities. At the time of publication of this annual report, there were no indications that guarantees reported as contingent liabilities will result in payments.

NOTE 19 OPERATING LEASE CONTRACTS

Future payment commitments for operating lease contracts have the following breakdown:	
2018	98
2019	71
2020	52
2021	34
2022	25
2023 and later	13
Total	**293**

Assets covered under operating lease contracts mainly comprise leased premises, machinery and office equipment. The expense for leased assets amounted to MSEK 119 (121).

NOTE 20 PERSONNEL

Average number of employees per country	2017	of which men	2016	of which men
Sweden	179	125	170	129
Australia	46	39	47	39
Austria	0	0	5	4
Belgium	69	60	74	64
Brazil	136	102	128	96
Canada	128	100	134	106
China/Hong Kong	107	82	103	75
Czech Republic	0	0	11	9
Denmark	67	55	66	55
Finland	4	3	0	0
France	861	692	880	705
Germany	183	147	202	162
Hungary	7	6	9	7
India	887	855	977	944
Indonesia	758	658	788	695
Italy	152	125	152	126
Luxembourg	6	5	7	6
Malaysia	31	20	33	22
Mexico	241	219	222	204
Netherlands	334	311	358	337
Norway	19	18	23	23
Oman	8	7	6	5
Poland	51	41	46	37
Portugal	36	29	36	29
Saudi Arabia	2	2	2	2
Singapore	22	12	22	12
South Africa	78	50	170	133
South Korea	17	14	18	14
Spain	280	216	263	199
Switzerland	31	23	33	26
Turkey	1	1	1	1
UAE	21	15	18	13
UK	242	178	252	191
USA	183	144	179	144
Total	**5,187**	**4,354**	**5,435**	**4,614**

Of the average number of employees, 833 (821) were female. The average number of employees abroad was 5,008 (5,265).

NOTE 21 RELATED PARTIES

Information on remuneration to members of the Board and the Group key management is provided in note 4 of the Group. A list of group companies is found in note 11 of the Parent Company. There were no other transactions with related parties.

PARENT COMPANY

The Group's Parent Company, Gunnebo AB (publ), is a Swedish public limited company registered with the Swedish Companies Registration Office under the company registration number 556438-2629. The Board has its registered office in Gothenburg in Sweden. The Company's shares are listed on NASDAQ, Stockholm, MidCap.

Gunnebo AB is a holding company which has the main task of owning and managing shares in other group companies, as well as providing group-wide functions and services within corporate management, business development, human resources & sustainability, legal & compliance, finance, IT, logistics and brand management & communications. Net revenue for 2017 amounted to MSEK 239 (236), representing services invoiced to subsidiaries. Profit after financial items was MSEK 11 (24), which included both dividends and write-down of shares in subsidiaries. Net profit amounted to MSEK 78 (110). Group contributions had a positive impact on net profit of MSEK 119 (113).

PARENT COMPANY INCOME STATEMENTS

MSEK	Note	**2017**	2016
Net revenue	2	239	236
Administrative expenses	2, 6, 9, 10	–221	–201
Operating profit		**18**	**35**
Financial income and expenses, net	3	–7	–11
Profit after financial items		**11**	**24**
Appropriations	4	119	113
Profit before taxes		**130**	**137**
Income taxes	5	–52	–27
Net profit		**78**	**110**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

MSEK	**2017**	2016
Net profit	78	110
Other comprehensive income	—	—
Total comprehensive income	**78**	**110**

PARENT COMPANY BALANCE SHEETS

MSEK	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Intangible assets	6	63	7
Property, plant and equipment		3	1
Investments in group companies	11	1,585	1,585
Deferred tax assets	5	20	67
Total non-current assets		**1,671**	**1,660**
Current assets			
Receivables from group companies		59	54
Prepaid expenses and accrued income		20	16
Cash and cash equivalents		2	1
Total current assets		**81**	**71**
TOTAL ASSETS		**1,752**	**1,731**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital (77 050 848 shares with a quota value of SEK 5)		385	385
Statutory reserve		539	539
Development reserve		40	—
Total restricted equity		**964**	**924**
Unrestricted equity			
Share premium reserve		452	452
Retained earnings		54	77
Net profit		78	110
Total unrestricted equity		**584**	**639**
Total equity		**1,548**	**1,563**
Current liabilities			
Liabilities to group companies		150	120
Accrued expenses and deferred income	7	54	48
Total current liabilities		**204**	**168**
TOTAL EQUITY AND LIABILITIES		**1,752**	**1,731**

PARENT COMPANY STATEMENTS OF CASH FLOW

MSEK	Note	**2017**	2016
OPERATING ACTIVITIES			
Operating profit		18	35
Adjustment for depreciation		4	3
Interest expenses to subsidiaries		–11	–11
Taxes paid		–4	–9
Net cash flow from operating activities		**7**	**18**
Cash flow from changes in working capital			
Change in operating receivables		–5	12
Change in operating liabilities		3	10
Total change in working capital		**–2**	**22**
Net cash flow from operating activities		**5**	**40**
INVESTING ACTIVITIES			
Dividends from subsidiaries		280	—
Investments in subsidiaries	11	–276	—
Capital expenditure for intangible assets	6	–60	–6
Net cash flow from investing activities		**–56**	**–6**
FINANCING ACTIVITIES			
Change in interest-bearing liabilities		31	–36
Group contributions received		126	75
Group contributions paid		–13	—
New share issue		—	4
Dividends		–92	–76
Net cash flow from financing activities		**52**	**–33**
Net cash flow		**1**	**1**
Cash and cash equivalents at the beginning of the year		1	0
Cash and cash equivalents at the end of the year		**2**	**1**

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Development reserve	Unrestricted equity: Share premium reserve	Unrestricted equity: Retained earnings	Total
Opening balance 1 January 2017	**385**	**539**	**—**	**452**	**187**	**1,563**
Comprehensive income						
Net profit	—	—	—	—	78	78
Other comprehensive income	—	—	—	—	—	—
Subtotal	**—**	**—**	**—**	**—**	**78**	**78**
Transactions with shareholders						
Share-based remuneration	—	—	—	—	–1	–1
Change in development reserve	—	—	40	—	–40	0
Dividends	—	—	—	—	–92	–92
Subtotal	**—**	**—**	**40**	**—**	**–133**	**–93**
Closing balance 31 December 2017	**385**	**539**	**40**	**452**	**132**	**1,548**

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Development reserve	Unrestricted equity: Share premium reserve	Unrestricted equity: Retained earnings	Total
Opening balance 1 January 2016	**381**	**539**	**—**	**449**	**151**	**1,520**
Comprehensive income						
Net profit	—	—	—	—	110	110
Other comprehensive income	—	—	—	—	—	—
Subtotal	**—**	**—**	**—**	**—**	**110**	**110**
Transactions with shareholders						
New share issue[1)]	4	—	—	3	—	7
Repurchase of C shares	—	—	—	—	–3	–3
Share-based remuneration	—	—	—	—	5	5
Dividends	—	—	—	—	–76	–76
Subtotal	**4**	**—**	**—**	**3**	**–74**	**–67**
Closing balance 31 December 2016	**385**	**539**	**—**	**452**	**187**	**1,563**

[1)] Includes new C share issue and ordinary shares issued through the exercise of warrants, see note 13 of the Group.

NOTES – PARENT COMPANY

NOTE 1 PARENT COMPANY'S ACCOUNTING PRINCIPLES

The financial statements of the Parent Company are prepared in accordance with the Annual Accounts Act and The Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. In accordance with RFR 2, IFRS is applied to the greatest extent possible under Swedish legislation, but full compliance is not possible. The areas in which the Parent Company's accounting policies differ from the Group's are described below.

For a description of the Group's accounting policies including effects of new IFRS standards, see note 1 of the Group.

Group Contribution

According to RFR 2, group contributions paid by the Parent Company to subsidiaries are recognised as an increase in the carrying amount of the participations in the receiving subsidiaries. The Swedish Financial Reporting Board has also introduced an alternative rule which means group contributions, both received and paid, may be recognised as an appropriation. Gunnebo has decided to apply the alternative rule.

NOTE 2 REVENUES AND EXPENSES BY NATURE

Net revenue for 2017 amounted to MSEK 239 (236) representing services towards subsidiaries, whereof MSEK 42 (–) is related to IT services and MSEK 197 (236) relates to management and brand fees. Operating expenses amounted to MSEK –221 (–201) and are specified below.

	2017	2016
Remuneration for employees	65	87
Temporary personnel and subcontractors	35	35
Depreciation	4	3
Other costs	117	76
Total operating expenses	**221**	**201**

NOTE 3 FINANCIAL INCOME AND EXPENSES, NET

	2017	2016
Financial income		
Dividends from subsidiaries	280	–
Financial expenses		
Impairment of investments in subsidiaries	–276	–
Interest expenses to subsidiaries	–11	–11
Total	**–7**	**–11**

NOTE 4 APPROPRIATIONS

	2017	2016
Group contributions received	119	126
Group contributions paid	–	–13
Total	**119**	**113**

NOTE 5 INCOME TAXES

	2017	2016
Current tax expense	–4	–7
Deferred tax expense	–48	–20
Total	**–52**	**–27**

Reconciliation of Swedish tax rate with effective tax rate	2017	2016
Profit before tax	130	137
Tax using the Swedish tax rate (22%)	–29	–30
Non-deductible impairment	61	1
Tax-exempt dividend income	–62	0
Withholding tax	–4	–4
Other, including adjustment of prior year taxes	–18	6
Total	**–52**	**–27**

At 31 December 2017, the Parent Company had total tax loss carry-forwards of MSEK 37 (256) with no expiration date for utilisation. Deferred tax assets in the balance sheet relate primarily to tax loss carry-forwards and pensions amounting to MSEK 8 (56) and MSEK 12 (11) respectively.

NOTE 6 INTANGIBLE ASSETS

	2017	2016
Opening balance acquisition costs	32	27
Capital expenditure	60	5
Closing balance	**92**	**32**
Opening balance accumulated amortisation	25	22
Amortisation	4	3
Closing balance	**29**	**25**
Net book value	**63**	**7**

Intangible assets mainly comprise software for internal use and product development costs. During the year, capital expenditure on product development projects totalled MSEK 16 (–) and the remainder related to software development.

NOTE 7 ACCRUED EXPENSES AND DEFERRED INCOME

	2017	2016
Holiday pay liability	5	5
Social security charges	13	15
Accrued salaries	5	3
Other items	31	25
Total	**54**	**48**

NOTE 8 CONTINGENT LIABILITIES

	2017	2016
Guarantees	1,809	1,633
Total	**1,809**	**1,633**

Refers mainly to guarantees for subsidiaries. There are no pledged assets.

NOTE 9 PERSONNEL

In 2017, the total expense for salaries and other remuneration was MSEK 38 (45). Amounts expensed for social security charges was MSEK 27 (32), which included pension costs of MSEK 11 (14).

The average number of employees in the Parent Company was 39 (37), whereof 18 female (14).

There are three women on the Board of the Parent Company and two in the executive management team at the end of 2017.

Information on remuneration to key management, see note 4 of the Group.

NOTE 10 AUDITORS' REMUNERATION

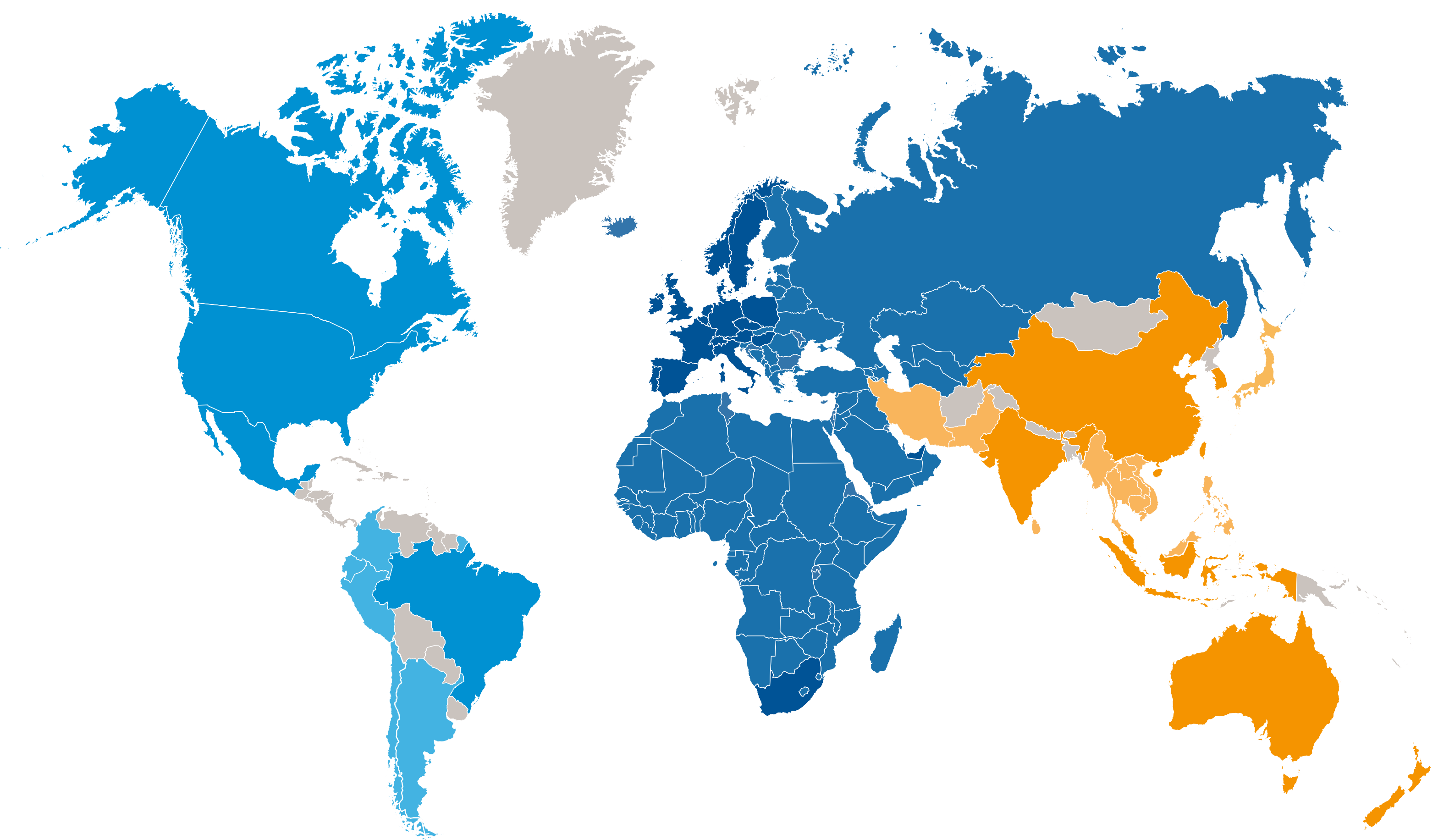
The audit fees of the Parent Company amounted to MSEK 1 (1) during 2017.
For a description of the auditors' remuneration, see note 5 of the Group.

NOTE 11 INVESTMENTS IN GROUP COMPANIES

	2017	2016
Opening book value	1,585	1,585
Investments in subsidiaries	276	—
Impairment of investments in subsidiaries	–276	—
Closing book value	**1,585**	**1,585**

Directly held investments in Group companies	No. of shares	Holding, %	Company registration number (SE)	Reg. offce	Country	Country code	Main activities[1]	Book value 2017	Book value 2016
Gunnebo Holding GmbH	1	100		Garching	Germany	DE	O	0	0
Gunnebo Holding ApS	1,000	100		Skovlunde	Denmark	DK	O	91	91
Gunnebo India Private Ltd	8,059,880	100		Mumbai	India	IN	M, S	116	116
Gunnebo Holding AB	1,000	100	556573-7508	Gothenburg	Sweden	SE	O	90	90
Gunnebo Nordic AB	251,000	100	556041-2362	Gothenburg	Sweden	SE	S	388	388
Gunnebo Treasury AB	1,000	100	556465-2765	Gothenburg	Sweden	SE	O	900	900
Total								**1,585**	**1,585**

[1] M=Manufacturing, S=Sales/service, O=Other incl. treasury, dormant and/or holding activities.



Subsidiaries' holdings in Group companies	Holding, %	Company registration number (SE)	Country	Country code	Main activities
Gunnebo Middle East FZE	100		United Arab Emirates	AE	S
Gunnebo Australia Pty Ltd	100		Australia	AU	S
Gunnebo Österreich GmbH	100		Austria	AT	S
Gunnebo Belgium SA/NV	100		Belgium	BE	S
Gunnebo Gateway Brasil S.A.	80,5		Brazil	BR	S
Gunnebo Gateway Brasil Servicos Ltda	100		Brazil	BR	S
Gunnebo Canada Inc.	100		Canada	CA	S
Gunnebo (Suisse) SA	100		Switzerland	CH	S
Gunnebo Security (China) Co. Ltd	100		China	CN	M, S
Gunnebo CZ s. r. o.	100		Czech Republic	CZ	S
Gunnebo Cash Automation GmbH	100		Germany	DE	O
Gunnebo Deutschland GmbH	100		Germany	DE	S
Gunnebo Logistics GmbH	100		Germany	DE	S
Gunnebo Markersdorf GmbH	100		Germany	DE	M
Rosengrens GmbH	100		Germany	DE	S
A/S Gunnebo Nordic	100		Denmark	DK	S
Grupo Sallén Tech S.L.	100		Spain	ES	M, S
Gunnebo España SA	100		Spain	ES	S
Perimentral Sallén Technologies S.L.	100		Spain	ES	S
Gunnebo Bazancourt SAS	100		France	FR	M
Gunnebo Electronic Sécurité SAS	100		France	FR	M
Gunnebo France SAS	100		France	FR	S
SCI route de Schwobsheim	100		France	FR	O
Gunnebo Entrance Control Ltd	100		England	GB	S
Gunnebo UK Ltd	100		England	GB	S
Gunnebo Magyarország Kft.	100		Hungary	HU	S
Gunnebo Hong Kong Ltd	100		Hong Kong	HK	S
PT Chubb Safes Indonesia	100		Indonesia	ID	M
Gunnebo Services India Private Ltd	100		India	IN	S
Gunnebo Entrance Control S.p.A.	100		Italy	IT	M
Gunnebo Italia S.p.A.	100		Italy	IT	S
Gunnebo Korea Co. Ltd	100		South Korea	KR	S
Gunnebo Luxembourg SARL	100		Luxembourg	LU	S
Diseños Inteligentes de Seguridad S.A. de C.V.	100		Mexico	MX	S
Gunnebo México S.A. de C.V.	85		Mexico	MX	S
Gunnebo Malaysia Sendirian Berhad	100		Malaysia	MY	S
Gunnebo Doetinchem BV	100		Netherlands	NL	M
Gunnebo Holding Nederland BV	100		Netherlands	NL	S
Gunnebo Nederland BV	100		Netherlands	NL	S
Gunnebo Logistics BV	100		Netherlands	NL	O
Gunnebo Nordic AS	100		Norway	NO	S
Gunnebo Polska Sp. z.o.o.	100		Poland	PL	S
Gunnebo Portugal SA	100		Portugal	PT	S
Gunnebo Cash Automation AB	100	556533-2078	Sweden	SE	S
Gunnebo Gateway AB	100	556480-7641	Sweden	SE	S
Gunnebo Business Solutions AB	100	556009-9458	Sweden	SE	S
Gunnebo Singapore Pte Ltd	100		Singapore	SG	S
Gateway Security Inc.	100		USA	US	S
Gunnebo Entrance Control Inc.	100		USA	US	S
Gunnebo Security Inc.	100		USA	US	O
Hamilton Products Group, Inc.	100		USA	US	M
Hamilton Safe Company, Inc.	100		USA	US	M
Safe LLC	100		USA	US	O
All Technologies Access and Parking (Pty) Ltd	100		South Africa	ZA	O
Gunnebo South Africa (Pty) Ltd	100		South Africa	ZA	S

PROPOSED DISTRIBUTION OF EARNINGS

Unrestricted equity in the Parent Company at the disposal of the Annual General Meeting:

Share premium reserve	452,056,121
Retained earnings	53,607,435
Net profit	78,257,453
Total	**583,921,009**

[1] For Euroclear Sweden AB registered owners, the proposed record dates for dividend payments are 16 April 2018 for the first payment and 16 October 2018 for the second payment. The number of dividend-bearing shares on the record day is expected to total 76,320,001.

The Board of Directors proposes:

that a dividend of SEK 1.20 per share be paid to shareholders[1]	91,584,001
and that the remaining sum be carried forward	492,337,008
Total	**583,921,009**

Board statement: The Board has proposed that a dividend of SEK 1.20 per share be paid, a total of approximately MSEK 92. It is also proposed that the dividend is to be paid in two instalments, with the first payment of SEK 0.60 per share in April 2018 and the second payment of SEK 0.60 per share in October 2018. As a result of the dividend, unrestricted equity will change as shown above. The company and the Group are in a good position. There is more than enough scope for the proposed dividend in unrestricted equity. The equity ratio and liquidity will continue to be satisfactory after the proposed dividend. Considering this, the information in the Board of Directors' report and what is otherwise known by the Board, the Board deems the proposed dividend justified with regard to the requirements placed by the operation's nature, scope and risks on the size of the company's and Group's equity and on the company's and Group's consolidation requirements, liquidity and position in general. None of the Parent Company equity on the closing day depends on assets and liabilities being measured at fair value according to Chapter 4 §14 of the Annual Accounts Act.

The Board and the President assure that the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and the International Financial Reporting Standards (IFRS), as adopted by the EU and provide a true and fair view of the financial position and results of the Group. The annual report has been prepared in accordance with generally accepted accounting standards and provides a true and fair picture of the financial position and result of the Parent Company. The Board of Directors' Report for the Group and the Parent Company provides a true and fair view of the development of the Group's and Parent Company's operations, financial positions and results and describes significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, 14 March 2018

Martin Svalstedt
Chairman

Göran Bille
Board member

Anna Borg Sæther
Board member

Charlotte Brogren
Board member

Bo Dankis
Board member

Eva Elmstedt
Board member

Mikael Jönsson
Board member

Irene Thorin
Board member

Henrik Lange
President and CEO

Our audit report was submitted on 14 March 2018.
Deloitte AB

Hans Warén
Authorised Public Accountant

PROPOSED POLICY FOR REMUNERATION TO SENIOR EXECUTIVES

Proposal by the Board of Directors to the Annual General Meeting 2018

These principles concern remuneration and other terms of employment for members of the Gunnebo group management team and are valid for employment agreements entered into after the approval of the principles by the Annual General Meeting and for changes to existing employments agreements made thereafter.

Gunnebo shall offer a level of remuneration and other terms of employment which enables the company to recruit and retain senior executives. The overall principles for salary and other remuneration to senior executives are thus that compensation shall be competitive and on market level.

The total remuneration to senior executives shall consist of fixed salary, variable remuneration including long-term incentive programmes, pension and other benefits.

The fixed salary shall take into account the individual's position, competence, areas of responsibility, performance and experience and shall normally be reviewed on an annual basis. The fixed salary shall constitute the basis for the calculation of the variable salary.

The variable salary shall be dependent upon achievement of specific quantitative financial business objectives and shall not exceed 70% of the fixed salary, of which maximum 20% may arise from long-term incentive programmes.

The Board shall, for each financial year, evaluate whether a share or share-price related incentive programme shall be proposed to the Annual General Meeting or not. It is the Annual General Meeting who decides upon such programmes. The Board has decided to propose to the Annual General Meeting to decide upon a new incentive programme for 2018.

Pension premiums for senior executives resident in Sweden are paid in accordance with a premium based plan. The premiums may, depending on age and salary level, amount to a maximum of 35% of the base salary. Senior executives resident outside Sweden may be offered pension benefits that are competitive in the countries where the senior executives are resident, preferably defined contribution plans. The retirement age shall be 65.

Additional benefits consist of company car and private health insurance.

For senior executives resident in Sweden, the termination period in case of termination by the company shall be 12 months and 6 months in case of termination by the senior executive. Severance pay is not applied. Senior executives resident outside Sweden may be offered notice periods for termination that are competitive in the countries where the senior executives are resident, preferably notice periods comparable to the notice periods applied to senior executives resident in Sweden.

The Board reserves the right to deviate from these principles if special reasons for such a deviation exist in any individual case.

Remuneration to senior executives already decided which has not become due for payment at the Annual General Meeting 2018 falls within the frames of these principles, except that SVP Americas, based on local market conditions, can receive a maximum variable salary not exceeding 95% of the fixed salary, of which maximum 20% may arise from long-term incentive programmes. As previously agreed the CEO is entitled to 12 months' severance pay in case of termination by the company, that any variable salary to the CEO shall be treated as pensionable income and furthermore that the CEO is entitled to retirement at the age of 63.5.

No other deviations from the principles approved by the Annual General Meeting 2017 have been made.

AUDITOR'S REPORT

This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of the shareholders of Gunnebo AB (publ) corporate identity number 556438-2629

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Gunnebo AB (publ) for the financial year 2017-01-01 – 2017-12-31, except for the corporate governance statement on pages 43–48 and the sustainability report on pages 32–39. The annual accounts and consolidated accounts of the company are included on pages 4–9, 26–27 and 54–85 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 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 2017 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 include the corporate governance statement on pages 43–48 and the sustainability report on pages 32–39.

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 adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (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 the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of 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.

Valuation of goodwill

Description of risk

In the balance sheet goodwill amounts to MSEK 1,596 as of 31 December 2017. The value of the goodwill is dependent on future earnings in the cash generating entities, to which the goodwill refers and is assessed for impairment at least once a year. The impairment test is based on assumptions of future cash flows and complex matters including a high degree of judgment such as assumptions for growth, profitability and cost of capital (WACC). Any changes in these assumptions may result in a need for impairment. Management has not identified any impairment need for 2017.

We have considered valuation of goodwill as a key audit matter as a result of its significance and sensitivity for changes in assumptions.

For further information, we refer to the section about accounting principles and areas for significant judgments and estimates on pages 61–63 and note 9 regarding intangible assets on page 68.

Our audit procedures

Our audit procedures included, but were not limited to:

- Review and testing of Gunnebo's procedures for impairment testing of goodwill and reconciliation of significant assumptions with budget and business plan
- Testing of management's assumptions, mainly related to the variables that have the greatest impact on the impairment testing such as growth, profitability and cost of capital (WACC) and performing sensitivity analyses for assessment of headroom for each cash generating unit
- Review of completeness in relevant disclosures to the financial statements
- Our valuation specialists have been involved in the audit procedures.

Valuation of deferred tax assets
Description of risk
In the balance sheet deferred tax assets amount to MSEK 322 as of 31 December 2017, of which MSEK 177 relates to tax losses carried forward. The value is dependent on to which extent it is probable that future earnings can be utilized against the accumulated tax losses. Incorrect judgments and assumptions may have a material impact on the group's result and financial position.

We have considered valuation of deferred tax assets a key audit matter since the valuation is mainly based on assumptions and judgments.

For further information, we refer to the section about accounting principles including important judgments and assumptions on page 61–63 and note 8 about taxes on page 67.

Our audit procedures
Our audit procedures included, but were not limited to:
- Review of Gunnebo's procedures for calculation of deferred tax assets and assessment of the reasonability of judgments regarding future earning capacity for applicable countries
- Review of completeness in relevant disclosures to the financial statements.

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–3, 10–25, 28–31, 40–42, 49–53 and 90–99. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors 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 that they give 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 is 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 using 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to

whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 AB (publ) for the financial year 2017-01-01 – 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets 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
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations 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 appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's opinion regarding the statutory sustainability report
The Board of Directors is responsible for the statutory sustainability report on pages 32–39, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report 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 opinion.

A statutory sustainability report has been prepared.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 43–48 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.

Deloitte AB was appointed auditor of Gunnebo AB (publ) by the general meeting of the shareholders on 3 April 2008 and has been the company's auditor since that date. Hans Warén has been the auditor in charge since the general meeting of shareholders on 15 April 2015.

Gothenburg, 14 March 2018
Deloitte AB
Signature on Swedish original

Hans Warén
Authorised Public Accountant

INFORMATION FOR THE CAPITAL MARKET

Gunnebo strives to give all stakeholders as fair a view as possible of the Group's business and financial results. The goal is to provide owners and the stock market with information that supports these parties in the process of evaluating Gunnebo's business.

Gunnebo's objective is to provide the market with open, consistent and transparent financial information. All external and internal communication shall be fair and appropriate. Relevant information shall be made accessible to all stakeholders simultaneously and at the promised time.

Communication in the form of reporting to various authorities, financial reporting and information for employees takes place in line with external rules and requirements, the Group's internal governing documents as well as Gunnebo's IR and communication policies.

INFORMATION CHANNELS

Gunnebo AB's website, www.gunnebogroup.com, contains publications, financial information, press releases and information about Gunnebo's organisation and offering.

OWNERS

Shareholders are asked what information they would like to see from the company and therefore make an active choice in receiving the required information. The information channels available to shareholders are interim reports and annual reports, as well as the customer magazine Global and the website. Shareholders can also participate at Gunnebo's Annual General Meeting.

Questions may be sent directly to info@gunnebo.com or submitted by telephone on +46 10 209 50 00. It is also possible to order printed annual reports and interim reports from the Group head office on +46 10 209 50 00, from the website or via the above e-mail address.

STOCK MARKET

Gunnebo's aim is always to be available to respond to questions from the stock market. Questions about the company's operations are primarily answered by the Group's President and CEO, the Chief Financial Officer and the SVP Marketing & Communication. There is also detailed information about both the Group's operations and its financial results on the Group website, www.gunnebogroup.com.

ANNUAL GENERAL MEETING

Gunnebo's Annual General Meeting will be held at 4:00 pm CET on Thursday 12 April 2018 at the Chalmers Student Union building, Chalmersplatsen 1, Gothenburg.

REGISTRATION

Shareholders who wish to participate in the Annual General Meeting must have their names entered in the register of shareholders maintained by Euroclear Sweden by no later than Friday 6 April 2018, and must notify the AGM of attendance by no later than Friday 6 April 2018, preferably before 4:00 pm CET, either online at www.gunnebogroup.com, by post to Gunnebo AB, Box 5181, SE-402 26 Gothenburg or by phone on +46 10 209 50 00. Shareholders whose shares are registered in nominee names must, if they wish to exercise their right to vote at the AGM, have their shares re-registered in their own names by 6 April 2018.

DIVIDEND

The Board proposes to the AGM a dividend of SEK 1.20 per share (1.20) for the 2017 financial year.

INVITATION TO THE 2018 ANNUAL GENERAL MEETING

Gunnebo's Annual General Meeting will be held at 4:00 pm CET on Thursday 12 April 2018 at the Chalmers Student Union building, Chalmersplatsen 1, Gothenburg.

REGISTRATION

Shareholders who wish to participate in the Annual General Meeting must have their names entered in the register of shareholders maintained by Euroclear Sweden by no later than Friday 6 April 2018, and must notify the AGM of attendance by no later than Friday 6 April 2018, preferably before 4:00 pm CET, either online at www.gunnebogroup.com, by post to Gunnebo AB, Box 5181, SE-402 26 Gothenburg or by phone on +46 10 209 50 00.

Shareholders whose shares are registered in nominee names must, if they wish to exercise their right to vote at the AGM, have their shares re-registered in their own names by Friday 6 April 2018.

IR POLICY

The goal of Gunnebo's Investor Relations activities is to provide all stakeholders with a fair a picture as possible of the Group's operation and financial results through communication activities.

In addition to day-to-day communication, contact with the finance market takes place in connection with the interim reports and the AGM, and through meetings with analysts, investors and journalists at seminars or individual meetings. Trustful contact with the market's various stakeholders presupposes a smoothly functioning internal reporting system that provides fast and accurate reporting from all the Group's businesses.

Gunnebo keeps important financial information confidential until simultaneously and consistently disclosed to the stock market and to NASDAQ Stockholm. All external financial information about Gunnebo is handled centrally. Financial interim reports are commented on by the President and CEO, the Chief Financial Officer or the SVP Marketing & Communication. One of these people is always available in connection with the publication of interim reports.

Confidence in the Gunnebo share is based on compliance with NASDAQ Stockholm's rules for listed companies and on Gunnebo's ability and willingness to provide clear and relevant information to the market.

ACTIVITIES 2017

In November 2017, Gunnebo arranged a capital market day in Stockholm. It was attended by around 40 analysts, fund managers, investors and journalists. The day focused on giving an update on the Group's strategic agenda and an overview of the key product areas. During the day, Gunnebo also made a demonstration of the Gunnebo Business Solutions that was well received. All presentations were recorded and all material is available on www.gunnebogroup.com.

In 2017, Gunnebo has had an ongoing dialogue with the analysts that follow the Group: Carnegie and Kepler Cheuvreux. There is also a frequent dialogue with analysts from several other major banks that do not publish frequent analyses on the Gunnebo share. In addition, over 20 telephone conferences and face-to-face meetings were held with analysts and investors.

The Group also did two roadshows, to Helsinki and Paris, participated in seminars, breakfast, lunch and dinner meetings as well as shareholder meetings. After each interim report Gunnebo arranges a telephone conference to present the financial results. The call is recorded and the recording is made available on the website.

FINANCIAL GOALS

Gunnebo's financial goals have remained unchanged since 2005. The Group shall achieve organic growth of at least 5% a year. Gunnebo shall earn an operating margin of at least 7% and a long-term return on capital employed of at least 15%. The equity ratio shall not fall below 30%.

THE CAPITAL STRUCTURE OF THE GROUP

One of Gunnebo's long-term financial goals is to have an equity ratio of no less than 30%. The equity ratio at the end of the year was 33%. Another of Gunnebo's aims is to achieve a return of at least 15% on capital employed. For 2017 the Group had a return on capital employed excluding items affecting comparability of 10.3%.

Gunnebo's borrowing is mostly unsecured. Borrowing is limited, however, by financial obligations in the loan agreements in the form of covenants. These mainly relate to the key ratios of interest coverage ratio and net debt/EBITDA. The Group's long-term credit framework on 31 December 2017 amounted to MSEK 2,118 and ensures that financing is available on market terms until the end of June 2022 (MSEK 1,379) and April 2024 (MSEK 739).

DIVIDEND POLICY AND PROPOSED DIVIDEND

The Board's dividend proposal shall take into account Gunnebo's long-term development potential, its financial position and its investment needs. The Board has decided that the target for the dividend is that in the long term it shall amount to 30–40% of the net profit. The proposed dividend for 2017 is SEK 1.20 per share.

ANALYSTS FOLLOWING GUNNEBO

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KEPLER CHEUVREUX

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FINANCIAL INFORMATION AND REPORTS 2018

12 APRIL 2018

Annual General Meeting 2018

24 APRIL 2018

Interim Report
January–March 2018

19 JULY 2018

Interim Report
January–June 2018

23 OCTOBER 2018

Interim Report
January–September 2018

6 FEBRUARY 2019

Year-End Release for 2018

THE GUNNEBO SHARE

The Gunnebo share has been listed on Stockholm Stock Exchange since 1993 and can be found on the NASDAQ Stockholm in the Mid Cap segment and the Industrials sector. The abbreviated name is GUNN and the ISIN code is SE0000195570.

At the end of 2017 Gunnebo had 10,267 shareholders. The percentage of foreign ownership amounted to 23.4%. 11.2% of the share capital was owned by Swedish natural persons, which means that 65.4% was owned by Swedish legal entities or foreign legal entities or natural persons.

SHARE CAPITAL AND VOTES

On 31 December 2017 Gunnebo had a share capital of MSEK 385 divided into 77,050,848 shares, of which 730,847 were C shares, each with a quota value of SEK 5. An ordinary share has one vote and C shares have 1/10th of one vote. C shares have no dividend rights. See note 13 of the Group.

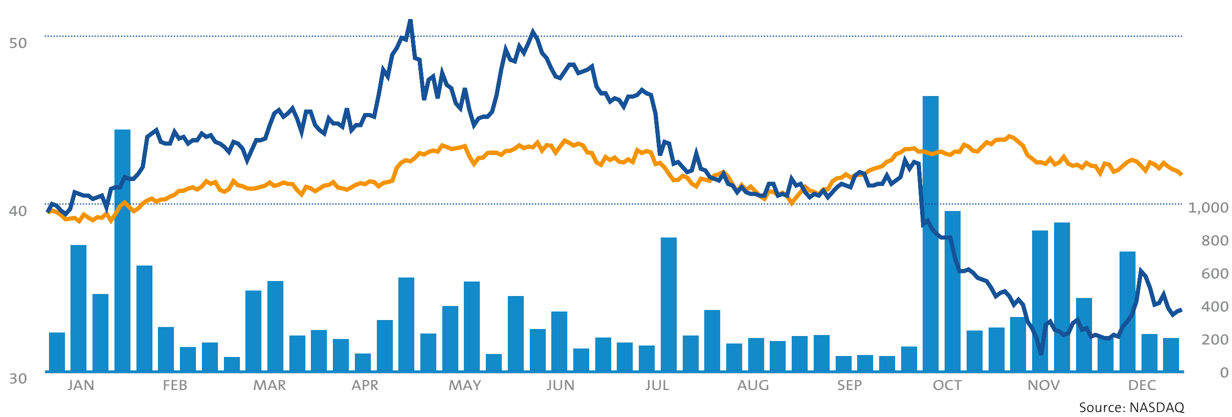
SHARE PRICE

At the end of the year the Gunnebo share was trading at SEK 33.70 which is a decrease during the year of 13%. During the same period, Stockholm Stock Exchange's OMX 30 Index increased by 4%. The lowest share price paid during the year was SEK 30.60 (15 November) and the highest was SEK 51.50 (28 April).

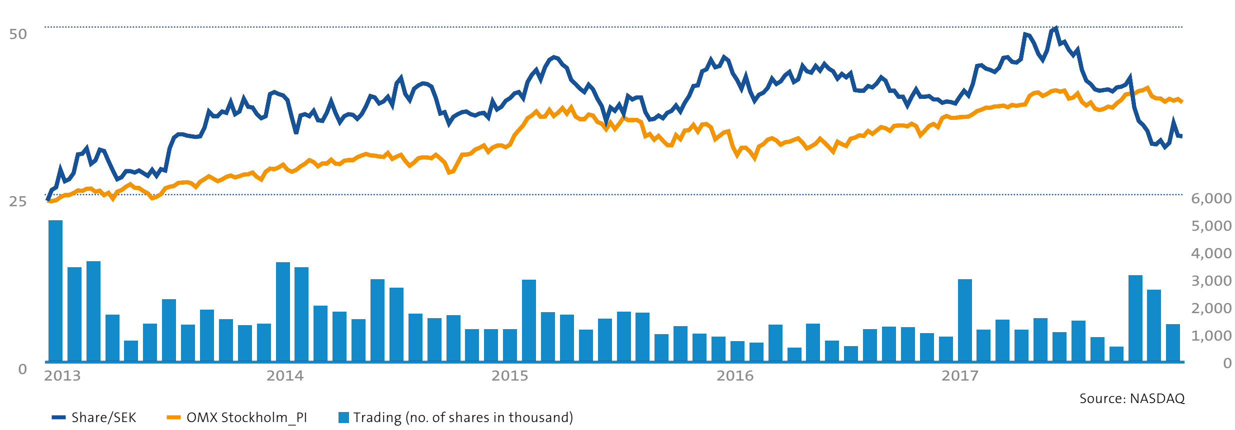
TRADING AND MARKET VALUE

A total of 19,856,299 shares (11,994,919) were traded in 2017 at a value corresponding to MSEK 811 (494). The average volume traded each trading day was 79,109 shares (47,411), equating to TSEK 3,233 (1,953). The market value on 29 December 2017 was MSEK 2,597.

THE GUNNEBO SHARE 2017



THE GUNNEBO SHARE 2013–2017

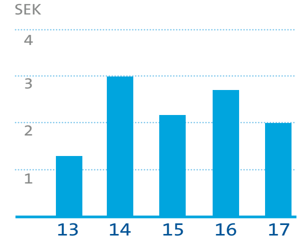


Largest shareholders, grouped	No. of shares issued	Votes
Stena Adactum	19,802,329	25.7%
Vätterledens Invest, with associates	13,049,871	16.9%
IF Skadeförsäkringar	8,105,715	10.5%
Fidelity Funds	4,690,249	6.1%
Ålandsbanken	2,570,800	3.3%
Ålandsbanken in the owner's place	2,059,886	2.7%
DnB - Carlson funds	1,746,041	2.3%
Afa Försäkring	1,699,098	2.2%
Bank of Åland PLC	1,000,000	1.3%
CBNY DFA Small Cap V	746,975	1.0%
Other	20,849,037	27.1%
Total ordinary shares	**76,320,001**	**99.1%**
Gunnebo AB, C shares	730,847	0.9%
Total shares issued	**77,050,848**	**100.0%**

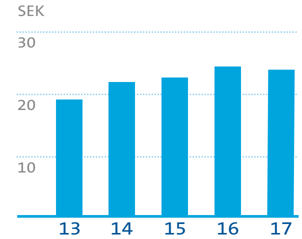
Shareholders by size	No. of shareholders	No. of outstanding shares	Holding and votes, %
1–500	6,689	1,125,481	1.5
501–1,000	1,574	1,298,023	1.7
1,001–5,000	1,564	3,613,529	4.7
5,001–10,000	226	1,707,765	2.2
10,001–50,000	140	3,004,328	4.0
50,001–	74	65,570,875	85.9
Total outstanding shares	**10,267**	**76,320,001**	**100.0**

Changes in share capital, MSEK	Change	Share capital	Total no. of shares
1991 Formation		4	4,000
1992 Split 100:1		4	400,000
1992 New share issue	+96	100	10,000,000
1995 New share issue	+50	150	15,000,934
1995 Conversion	+3	153	15,280,783
1996 Conversion	+10	163	16,275,819
1997 New share issue	+4	167	16,715,819
1997 Conversion	+27	194	19,351,121
1998 Conversion	+4	198	19,813,150
1998 New share issue	+2	200	19,973,150
1999 Conversion	0	200	19,982,310
1999 New share issue	+6	206	20,625,881
2000 Conversion	+6	212	21,204,528
2001 Conversion	0	212	21,211,198
2003 Conversion	+7	219	21,889,974
2004 Split 2:1	0	219	43,779,948
2005 New share issue	0	219	43,854,548
2006 New share issue	+4	223	44,578,523
2007 New share issue	+5	228	45,513,359
2009 New share issue	+151	379	75,855,598
2013 New share issue	+1	380	75,914,098
2014 New share issue	+1	381	76,173,501
2015 New share issue	0	381	76,185,001
2016 New share issue	+1	382	76,320,001
2016 New share issue C shares	+3	385	77,050,848

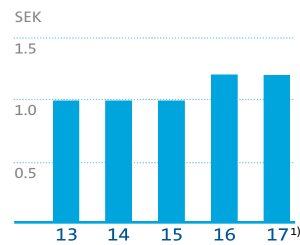
DILUTED EARNINGS PER SHARE



EQUITY PER SHARE

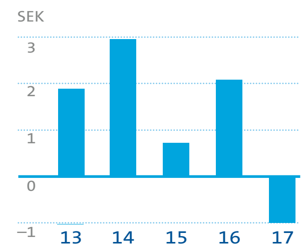


DIVIDEND PER SHARE



1) Board proposal

FREE CASH FLOW PER SHARE



No. of shares	2017	2016	2015	2014	2013
Closing no. of shares, x 1,000	77,051	77,051	76,185	76,174	75,914
Average no. of shares incl. C shares, x 1,000	77,051	76,837	76,180	75,979	75,863

Data per share	2017	2016	2015	2014	2013
Diluted earnings per share, SEK	2.00	2.70	2.18	2.98	1.29
Equity per share, SEK	24.03	24.40	22.65	21.93	19.06
Free cash flow per share, SEK	–0.97	2.09	0.73	2.94	1.90
Dividend, SEK[1]	1.20	1.20	1.00	1.00	1.00

Share price related share data	2017	2016	2015	2014	2013
Share price at year-end (last price paid), SEK	33.70	38.60	45.00	37.70	40.00
Highest price during the year (price paid), SEK	51.50	45.30	46.10	43.70	40.90
Lowest price during the year (price paid), SEK	30.60	36.80	34.70	33.30	24.00
Market value at year-end, MSEK	2,597	2,974	3,428	2,872	3,037
P/E ratio, times[2]	17	14	21	13	31
Dividend yield, %[1][3]	3.6	3.1	2.2	2.7	2.5

1) The Board proposes a dividend of SEK 1.20 per share for the year 2017.
2) Listed price on 31 December divided by diluted earnings per share.
3) Dividend in relation to listed price on 31 December.

SEVEN-YEAR REVIEW

	2017	2016	2015	2014	2013	2012	2011[4)]
Income statement, MSEK							
Net sales	5,991	6,088	6,052	5,557	5,271	5,236	5,137
Cost of goods sold	–4,306	–4,319	–4,278	–3,911	–3,689	–3,666	–3,572
Gross profit	**1,685**	**1,769**	**1,774**	**1,646**	**1,582**	**1,570**	**1,565**
Other operating expenses, net	–1,381	–1,403	–1,454	–1,294	–1,360	–1,391	–1,241
Operating profit	**304**	**366**	**320**	**352**	**222**	**179**	**324**
Net financial items	–57	–53	–43	–35	–75	–66	–27
Profit before taxes	**247**	**313**	**277**	**317**	**147**	**113**	**297**
Income tax	–87	–104	–109	–90	–45	–89	–52
Net profit	**160**	**209**	**168**	**227**	**102**	**24**	**245**
Other financial items, MSEK							
EBITDA	421	489	428	440	308	274	405
EBITDA excluding items affecting comparability	486	561	505	454	392	361	398
Items affecting comparability	–65	–72	–77	–14	–84	–87	7
Margins, excluding items affecting comparability							
Gross margin, %	28.6	29.5	29.7	30.2	30.6	30.3	30.8
EBITDA margin, %	8.1	9.2	8.3	8.2	7.4	6.9	7.7
EBIT margin, %	6.2	7.2	6.6	6.6	5.8	5.1	6.2
EBT margin, %	5.2	6.3	5.8	6.0	5.2	4.7	5.7
Margins, including items affecting comparability							
Gross margin, %	28.1	29.1	29.3	29.6	30.0	30.0	30.5
EBITDA margin, %	7.0	8.0	7.1	7.9	5.9	5.2	7.9
EBIT margin, %	5.1	6.0	5.3	6.3	4.2	3.4	6.3
EBT margin, %	4.1	5.1	4.6	5.7	2.8	2.2	5.8
Cash flow statement, MSEK							
Cash flow from operating activities before changes in working capital	271	356	305	246	218	156	234
Cash flow from changes in working capital	–200	–122	–119	25	–7	–20	–169
Cash flow from operating activities	**71**	**234**	**186**	**271**	**211**	**136**	**65**
Free cash flow, MSEK							
Free cash flow	–74	159	56	223	144	21	–23
Other information							
Capital expenditure, MSEK	150	106	135	78	72	116	85
Depreciation and amortisation, MSEK	117	123	108	88	84	87	81
Average number of employees	5,187	5,435	5,518	5,629	5,656	5,563	5,315

	2017	2016[1]	2015[1]	2014[1]	2013[1]	2012[1]	2011[1)4)]
Balance sheet, MSEK							
Intangible assets	1,910	1,922	1,812	1,675	1,494	1,502	1,215
Property, plant and equipment	345	347	358	304	304	327	316
Other long-term assets	17	14	14	16	17	60	139
Deferred tax assets	322	332	304	339	307	263	253
Inventories	902	825	777	785	691	672	682
Accounts receivable	1,413	1,317	1,150	1,125	1,039	1,015	1,006
Other current assets	294	312	273	225	173	186	233
Cash and cash equivalents	498	581	496	447	392	350	239
Total assets	**5,701**	**5,650**	**5,184**	**4,916**	**4,417**	**4,375**	**4,083**
Equity	1,866	1,890	1,747	1,694	1,463	1,533	1,775
Financial liabilities	1,504	1,403	1,353	1,067	1,126	1,082	642
Provision for post-employment benefits	494	484	362	425	361	342	199
Deferred tax liabilities	66	90	93	66	64	65	37
Accounts payable	742	739	635	660	555	508	539
Other liabilities	1,029	1,044	994	1,004	848	845	891
Total equity and liabilities	**5,701**	**5,650**	**5,184**	**4,916**	**4,417**	**4,375**	**4,083**
Returns, excluding items affecting comparability							
Return on capital employed, %	10.3	12.8	12.4	12.6	10.7	10.2	13.2
Return on equity, %	8.6	15.8	14.4	15.6	15.6	9.7	13.7
Returns, including items affecting comparability							
Return on capital employed, %	8.6	10.8	10.1	12.1	7.9	7.0	13.5
Return on equity, %	8.6	11.7	9.9	14.7	6.9	1.5	14.1
Other key ratios							
Capital turnover rate, times	1.6	1.7	1.8	1.8	1.8	1.9	2.3
Equity ratio, %	33	34	34	35	34	36	45
Interest coverage ratio, times	5.8	7.4	7.8	9.6	5.3	5.4	18.0
Debt/equity ratio, times	0.8	0.7	0.7	0.6	0.7	0.7	0.3
Share data							
Basic earnings per share, SEK	2.00	2.71	2.18	2.98	1.29	0.26	3.00
Diluted earnings per share, SEK	2.00	2.70	2.18	2.98	1.29	0.26	3.00
Equity per share, SEK	24.03	24.4	22.43	21.93	19.06	20.02	23.24
Free cash flow per share, SEK	–0.97	2.09	0.73	2.94	1.90	0.28	–0.31
Dividend, SEK[2]	1.20	1.20	1.00	1.00	1.00	1.00	1.00
Other information							
Capital employed, MSEK[3]	3,864	3,777	3,462	3,186	2,950	2,958	2,617
Net debt, MSEK[3]	1,493	1,297	1,212	1,039	1,088	1,026	498

1) Reclassification made to previously published report. See note 1 of the Group.
2) The Board proposes a dividend of SEK 1.20 per share for the year 2017.
3) Closing balance.
4) The figures have not been recalculated as a result of the revised standard IAS 19 Employee Benefits.

RECONCILIATION OF GUNNEBO'S KEY PERFORMANCE MEASURES

Reconciliation of Gunnebo´s key performance measures which are not defined according to IFRS are presented below. As the numbers in the table contain rounded figures minor differences may exist.

MSEK	2017	2016
EBITDA		
Operating profit (EBIT)	304	366
Minus: Depreciation and amortisation	–117	–123
EBITDA	**421**	**489**
Minus: Items affecting comparability (IAC)	–65	–72
EBITDA excl. IAC	**486**	**561**
Net sales	5,991	6,088
EBITDA margin, %	**7.0%**	**8.0%**
EBITDA margin excl. IAC, %	**8.1%**	**9.2%**
Operating profit (EBIT)		
Operating profit (EBIT)	304	366
Minus: Items affecting comparability	–65	–72
Operating profit (EBIT) excl. IAC	**369**	**438**
Net sales	5,991	6,088
Operating margin (EBIT), %	**5.1%**	**6.0%**
Operating margin (EBIT) excl. IAC, %	**6.2%**	**7.2%**
Profit before taxes (EBT)		
Profit before taxes (EBT)	247	313
Minus: Items affecting comparability	–65	–72
Profit before taxes (EBT) excl. IAC	312	385
Net sales	5,991	6,088
Profit margin (EBT), %	**4.1%**	**5.1%**
Profit margin (EBT) excl. IAC, %	**5.2%**	**6.3%**
Profit before taxes (EBT)	247	313
Minus: Interest expense	–51	–49
Profit before taxes (EBT) excl. interest expense	298	362
Interest coverage ratio, times	**5.8**	**7.4**
Capital employed		
Total assets (average 5 quarters)[1]	5,573	5,348
Non-interest bearing liabilities (average 5 quarters)[1]	1,780	1,756
Capital employed (average 5 quarters)	3,793	3,592
Net sales rolling 12 months	5,991	6,088
Capital employed turnover rate, times	**1.6**	**1.7**
Operating profit (EBIT) rolling 12 months	304	366
Plus: Financial income rolling 12 months	20	20
Operating profit (EBIT) plus financial income, rolling 12 months	324	386
Minus: Items affecting comparability rolling 12 months	–65	–72
Operating profit (EBIT) excl. IAC plus financial income, 12M	389	458
Capital employed (average 5 quarters)	3,793	3,592
Return on capital employed, %	**8.6%**	**10.8%**
Return on capital employed excl. IAC, %	**10.3%**	**12.8%**

MSEK	2017	2016
Equity		
Net profit for the period rolling 12 months	160	209
Equity (average 5 quarters)	1,858	1,779
Return on equity, %	**8.6%**	**11.7%**
Equity	1,866	1,890
Total assets[1]	5,701	5,650
Equity ratio, %	**33%**	**34%**
Net debt	1,493	1,297
Equity	1,866	1,890
Debt/equity, times	**0.8**	**0.7**
Equity attributable to shareholders of the Parent Company	1,834	1,862
Total number of ordinary shares end of period	76,320,001	76,320,001
Equity per share	**24.03**	**24.40**
Net debt		
Net debt	1,493	1,297
EBITDA rolling 12 months	421	489
Net debt/EBITDA, times	**3.5**	**2.6**
Free cash flow		
Net cash flow after investments before financing	–74	159
Minus: Cash flow from acquisitions/ divestments	0	0
Free cash flow	**–74**	**159**
Weighted average number of basic shares	76,320,001	76,243,567
Free cash flow per share	**–0.97**	**2.09**
Gross profit		
Net sales	5,991	6,088
Cost of goods sold (COGS)	–4,306	–4,319
Gross profit	1,685	1,769
Minus: Items affecting comparability in COGS	–26	–25
Gross profit excl. IAC	1,711	1,794
Gross margin, %	**28.1%**	**29.1%**
Gross margin excl. IAC, %	**28.6%**	**29.5%**
Selling and administrative expenses (S&A)		
Net sales	5,991	6,088
S&A	–1,395	–1,417
Minus: Items affecting comparability in S&A	–39	–47
S&A excl. IAC	–1,356	–1,370
S&A in % of net sales	**23.3%**	**23.3%**
S&A in % of net sales excl. IAC	**22.6%**	**22.5%**

[1] Previously published numbers have been restated. For further details see note 1 of the Group.

DEFINITIONS

In the Annual Report, Gunnebo presents certain key performance measures that are not defined according to IFRS. The Group believes that these measures provide investors and the management with valuable supplementary disclosures, since they enable a valuation of the Group's financial results and position. Since not all companies calculate financials in the same way, these are not always comparable with measures used by other companies. Definitions of Gunnebo key performance measures which are not defined according to IFRS are presented below.

KEY PERFORMANCE MEASURES ACCORDING TO IFRS

BASIC EARNINGS PER SHARE

Net profit attributable to the Parent Company's shareholders divided by the weighted average number of shares excluding C shares, as these have no dividend rights.

DILUTED EARNINGS PER SHARE

Net profit attributable to the Parent Company's shareholders divided by the weighted average number of shares excluding C shares, as these have no dividend rights, after dilution.

KEY PERFORMANCE MEASURES NOT DEFINED ACCORDING TO IFRS

CAPITAL EMPLOYED

Total assets less non-interest-bearing provisions and liabilities.

CAPITAL EMPLOYED TURNOVER RATE

Net sales rolling 12 months in relation to average capital employed.

DEBT/EQUITY RATIO

Net debt in relation to equity.

DIVIDEND YIELD

Dividend in relation to listed price on 31 December.

EBITDA

Operating profit before depreciation/amortisation and impairment of intangible assets and property, plant and equipment.

EBITDA MARGIN

EBITDA as a percentage of net sales.

EQUITY PER SHARE

Equity attributable to the shareholders of the Parent Company divided by the number of shares excluding C shares, as these have no dividend rights, at the end of the period.

EQUITY RATIO

Equity as a percentage of total assets.

FREE CASH FLOW

Cash flow from operating activities and investing activities excluding acquisitions and divestments.

FREE CASH FLOW PER SHARE

Free cash flow divided by weighted average number of shares excluding C shares as these have no dividend rights.

GROSS MARGIN

Gross profit as a percentage of net sales.

INTEREST COVERAGE RATIO

Profit before taxes excluding interest expenses, divided by interest expenses.

ITEMS AFFECTING COMPARABILITY (IAC)

Items affecting comparability encompass restructuring programmes (closure of business and/or employee related costs) and other items affecting comparability.

NET DEBT

Interest-bearing provisions and liabilities less cash and cash equivalents and interest-bearing receivables.

NET DEBT/EBITDA

Net debt divided by EBITDA rolling 12 months.

OPERATING MARGIN (EBIT)

Operating profit as a percentage of net sales.

ORGANIC GROWTH

Growth in net sales, adjusted for acquisitions, divestments and exchange rate effects.

P/E RATIO

Listed price on 31 December divided by diluted earnings per share.

PROFIT MARGIN

Profit before taxes as a percentage of net sales.

RETURN ON CAPITAL EMPLOYED

Operating profit plus financial income rolling 12 months as a percentage of average capital employed.

RETURN ON EQUITY

Net profit rolling 12 months as a percentage of average equity.

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GUNNEBO GLOSSARY

ORGANISATION

REGION EMEA (EUROPE, MIDDLE EAST & AFRICA)
The region for all business within the sales companies for Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Middle East, the Netherlands, Norway, Poland, Portugal, South Africa, Spain, Sweden, Switzerland and the UK.

REGION ASIA-PACIFIC
The region for all business within the sales companies for Australia and New Zealand, China, India, Malaysia, Singapore and South Korea.

REGION AMERICAS
The region for all business within the sales companies for Brazil, Canada, Mexico and the USA.

SALES COMPANY
A Gunnebo subsidiary responsible for local sales and marketing. Gunnebo has its own sales companies in 28 countries.

PRODUCT AREAS

CASH MANAGEMENT
Solutions designed to make cash management safer and more efficient. Cash management occurs throughout the cash cycle and involves central banks, bank branches, retailers, cash in transit companies and the general public.

ENTRANCE SECURITY
Solutions that allow authorised entry and prevent unauthorised access to sites and buildings. Includes speed gates, turnstiles, interlocking doors and security doors. Entrance Security also includes ticket gate solutions for mass transit systems and airport gates for fast boarding, immigration control and security checks.

SAFES & VAULTS
Safes and vaults that are certified to resist burglary, fire and explosives. Also includes deposit safes, fireproof filing cabinets, safes for the protection of digital media, bank vaults, modular vault rooms and safe deposit lockers.

ELECTRONIC SECURITY
Solutions for the integration of security systems. Includes access control, intrusion detection, electronic locks and remote surveillance systems.

CUSTOMER SEGMENTS

BANK
Central, national, regional and local banks, pawn shops and other financial institutions.

RETAIL
Shops, restaurants, casinos, mass transit, post offices, public services such as libraries and other organisations outside of the bank segment that handle cash in their day-to-day operations.

MASS TRANSIT
Public rail, bus and metro networks and airports, which transport large volumes of passengers.

PUBLIC & COMMERCIAL BUILDINGS
Includes company and government offices, administrative centres and public buildings.

INDUSTRIAL & HIGH-RISK SITES
Includes factories, logistics companies, power plants, stadia, ports, prisons and casinos.

DISCLAIMER

This report contains future-oriented information. It reflects the management's current perceptions of certain future events and the possible ensuing results. No guarantees can be given that these perceptions will prove to be correct. Actual future results may vary considerably from the information supplied in this report, partly due to changes in circumstances regarding the economy, market and competition, changed legal requirements and other political measures, variations in exchange rates, business risk assessments and other factors mentioned in this annual report.

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Gunnebo is a global supplier of security products, services and software with an offering covering Cash Management, Entrance Security, Safes & Vaults and Electronic Security for banks, retail, mass transit, public & commercial buildings and industrial & high-risk sites.

The Group has an annual turnover of MSEK 6,000 and 5,200 employees in 28 countries across Europe, the Middle East & Africa, Asia-Pacific and the Americas as well as a network of Channel Partners on 100 additional markets.

Gunnebo makes your world safer.