

A photograph of a city skyline at dusk. A prominent skyscraper with a unique, angular design is the central focus, illuminated against the twilight sky. In the foreground, a bridge with a curved design spans across the frame. The city lights are visible, and the overall atmosphere is serene yet dynamic.

# SECURITY TO RELY ON

# Gunnebo – Security to Rely On

The Gunnebo Group is a global security company with an offering covering safes & vaults, cash management, entrance security, electronic security and related services.

## Safes & Vaults

Protecting valuables is one of Gunnebo's oldest core businesses. Under leading global brands, such as Chubb safes and Fichet-Bauche, the Group produces high-quality safes and vaults, certified to resist burglary, fire and explosives.



## Cash Management

Gunnebo's intelligent solutions are designed to reduce the time spent on cash management, improve efficiencies in the cash cycle and make the whole cash handling process more secure.



## Entrance Security

Solutions which regulate and control the flow of people into and out of buildings. Gunnebo also offers ticket gates for mass transit systems and airport gates for fast boarding, immigration control and security checks. The product range also includes interlocking doors for high-security site protection as well as security doors and windows with certified blast and ballistics resistance.



## Electronic Security

Integrated security solutions consisting of modules for managing an array of functions such as access control, intrusion detection, CCTV systems, electronic locks and remote surveillance.



## Service

In each product group, Gunnebo offers security services encompassing the whole product lifecycle, from preventive maintenance to upgrades.

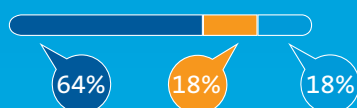


## Highlights for 2015

- Order intake increased to MSEK 6,191 (5,433), organically it increased by 5%.
- Net sales increased to MSEK 6,052 (5,557), organically they were unchanged.
- Operating profit amounted to MSEK 320 (352, of which MSEK 73 related to the gain from the sale of Fichet-Bauché Télésurveillance). The operating margin totalled 5.3% (6.3%).
- Operating profit excluding items of a non-recurring nature amounted to MSEK 397 (366) and the operating margin to 6.6% (6.6%).
- Profit after tax for the period amounted to MSEK 168 (227).
- Earnings per share were SEK 2.18 (2.98).
- Free cash flow amounted to MSEK 56 (223).
- The Board proposes a dividend of SEK 1.00 (SEK 1.00) per share.

### Sales

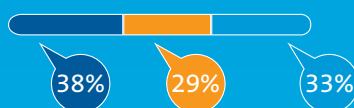
Percentage of Group sales by region:



EMEA Asia-Pacific Americas

### Profit

Percentage of Group EBIT excluding items of a non-recurring nature, by region:



## Key Ratios

	2015	2014
Net sales, MSEK	6,052	5,557
Operating profit excl. non-recurring items, MSEK	397	366
Operating margin excl. non-recurring items, %	6.6	6.6
Operating profit, MSEK	320	352
Operating margin, %	5.3	6.3
Earnings per share before dilution, SEK	2.18	2.98
Free cash flow, MSEK	56	223
Net debt excluding pension commitments, MSEK	849	613
Equity ratio, %	34	35

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*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.*



# Customers



## Bank

Core offering: solutions for secure and efficient cash management, the storage of valuables and entrance security. Customers include Bank of China, BBVA, Citibank, FifthThird Bank, HSBC, ING Bank, Nordea, SEB and Swedbank.



## Retail

Core offering: solutions for secure and efficient cash management, loss prevention, the storage of valuables and entrance security. Customers include Aldi, Auchan, Carrefour, Coop, Decathlon, ICA Sverige, LIDL, Tata Croma and Walmart.



## CIT (Cash in Transit)

Core offering: solutions for the secure collection and storage of cash. Customers include Brinks, G4S, Loomis, Nokas and Prosegur.



## Mass Transit

Core offering: solutions for the control of passenger flows and fare collection on public transport systems. For airports, Gunnebo provides security solutions for boarding, immigration control and anti-return control. Customers include public transport networks and airports worldwide.



## Public & Commercial Buildings

Core offering: solutions for access control and solutions for the storage of valuables. Also fire safety on certain Asian markets. Customers include the European Commission, Honeywell, Hyundai Information Technology, OKI Pulp & Paper, Siemens and Swedavia.



## Industrial & High-Risk Sites

Core offering: solutions for access control and solutions for the storage of valuables. Customers include factories, logistics companies, power plants, arenas, ports, prisons and casinos.

# Markets

## EMEA (Europe, Middle East & Africa)

Sales companies (20): Austria, Belgium, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Luxembourg, Middle East (UAE), Netherlands, Norway, Poland, Portugal, South Africa, Spain, Sweden, Switzerland, UK

In 2015 the region has focused on increasing sales and reducing the fixed cost base, and has continued to improve profitability.

► Read more on pages 14–17

## Asia-Pacific

Sales companies (8): Australia, China, India, Indonesia, Malaysia, New Zealand, Singapore, South Korea

Thanks to close cost control, profitability was maintained at a good level during the year, despite a generally difficult situation on most of the markets in the region.

► Read more on pages 18–21

## Americas

Sales companies (4): Brazil, Canada, Mexico, USA

Business developed well, primarily in the retail segment in Brazil and banking in Mexico.

► Read more on pages 22–25



The Gunnebo brand has an industrial heritage going back 250 years to southeast Sweden. Today Gunnebo has sales companies in 32 countries and Channel Partners in a further 100 markets around the globe.

## Origins

In 1764, a forge is opened in the Swedish village of Gunnebo. The business grows steadily until the formation of Gunnebo Bruks Nya AB in 1889 which has several factories supplying nails and chains to the shipping industry. This company later becomes known as Gunnebo Industries.

## 1991

HIDEF Kapital AB is formed by the Swedish government as one of six venture capitalists charged with investing in Swedish companies suffering from the national financial crisis.

## 1994–1995

Gunnebo Industries is acquired by HIDEF, which changes its name to Gunnebo AB and is listed on the Swedish stock exchange in 1994. The new company will focus on delivering security products.



# Brands

The majority of the Group's sales companies carry the Gunnebo name, and much of the range is sold under the Gunnebo brand, which also acts as an umbrella brand.



Brand	Product Segment	Market	Origin
<b>Chubb</b> safes <i>Trusted the world over.</i>	Safes & vaults	Global	UK. Founded 1818. Marketed and sold by Gunnebo since 2000.
<b>Fichet-Bauche</b>	Safes & vaults	Global	France. Founded 1825. Acquired by Gunnebo in 1999.
<b>HAMILTON SAFE</b>	Safes & vaults	North America	USA. Founded 1967. Acquired by Gunnebo in 2012.
<b>ROSENGRENS</b> <i>We stand by you</i>	Safes & vaults	Global	Sweden. Founded 1886. Acquired by Gunnebo in 1994.
<b>STEELAGE</b>	Safes	India	India. Founded 1932. Acquired by Gunnebo in 2000.
<b>SafePay</b>	Closed cash management	Global	Sweden. Created by Gunnebo in 2001.
<b>Sallén</b>	Cash management	Global	Spain. Founded 1988. Acquired by Gunnebo in 2015.
<b>gateway</b>	Electronic article surveillance for retail	Global	Sweden. Founded 1984. Acquired by Gunnebo in 2004.
<b>Minimax</b>	Fire safety	India	India. Founded 1903. Marketed and sold by Gunnebo since 2000.
<b>elkosta</b>	Outdoor perimeter security	Global	Germany. Founded 1951. Acquired by Gunnebo in 2004.

## 1995–2005

**Focus: Acquisitions**  
Gunnebo acquires around 40 companies specialising in security. These include Fichet-Bauche, a listed company on the French stock exchange with a history in safes dating back to 1825, and Chubb safes, a globally recognised brand of safes established in the UK in 1818.

## 2006–2008

**Focus: Integration**  
The acquisitions made over the past 12 years are integrated into the Group and adopt the name Gunnebo.

## 2009–2010

**Focus: Strategy and profitability**  
Gunnebo redefines its vision to become a leading global provider of a safer future and divests the perimeter protection operation, which is not part of the Group's core business. The Group also starts to focus on investing more in growth markets outside of Europe.

## 2011–2015

**Focus: Growth and profitability**  
Gunnebo continues to move the point of gravity to markets with high growth potential within its core business segments. The Group expands its presence in South Korea, Thailand, Malaysia, USA, Mexico and Brazil.

# 2015 – a Year of Change

## DEAR SHAREHOLDER,

2015 has been a year of change. I took up the position as CEO of Gunnebo on June 1, and have had a hectic and exciting start with many new impressions. I have travelled around the organisation a great deal, meeting customers, suppliers and many dedicated employees who are working hard to make Gunnebo even better.

## DEVELOPMENT OF THE BUSINESS

During 2015 organic sales for the Group as a whole have remained unchanged. On our main market, Europe, we have seen some stabilisation in sales development. Meanwhile we have continued to focus on improving productivity, which has resulted in a better margin.

In July we acquired Spanish cash management company, Grupo Sallén. The acquisition gives Gunnebo access to technology that will support the development of solutions in cash management. This was done to strengthen our global offering to CIT companies, banks and retail. In the fourth quarter we decided to relocate production of cash management from our factory in Trier, Germany to the newly acquired factory in Spain and to our factory in Indonesia in order to take full advantage of our production capacity in cash management.

In the Middle East, sales development has been good in 2015. In both the Middle East and Africa, we have continued to develop the business through our established representative offices and well-developed network of Channel Partners.

In Region Americas development has been mixed during the year. In North America organic sales fell in 2015, primarily due to a declining bank market – an important part of our business in North America. The focus during the year has been to further develop the existing business as well as business in new product areas.

In Latin America, sales increased organically in 2015. The positive development of the service business in Mexico was strengthened with the acquisition of Dissamex in 2014. In Brazil sales have also developed very well, despite the challenging macroeconomic conditions.

In Region Asia-Pacific, which has been the Group's growth engine for several years, organic sales fell in 2015 due to a declining bank market. The largest drop was in India where our main business, sales of safes and vaults to state banks, declined due to a lack of financing for expansion of the bank network. One focus area for the region during the year has therefore been to broaden the product portfolio to enable further growth. The downturn in India stabilised during the fourth quarter, partly because the business with state banks is gradually being compensated for by increased sales to other customer segments.





## FINANCIAL RESULTS

In 2015 we had an operating profit before depreciation and amortisation of MSEK 428, with a margin of 7.1%. Our operating margin excluding items of a non-recurring nature was 6.6%, which is on a par with the previous year. Cash flow from operating activities was good during the year. Working capital increased, and the focus moving forward is to implement activities that lead to lower capital tied up in the business.

## EMPLOYEES

Gunnebo has some 5,500 motivated employees around the world – thank you for your efforts in 2015! I would also like to welcome the 50 or so new employees who have joined the Group after the acquisition of Grupo Sallén.

Gunnebo continuously invests in the development of its employees. For the first time in 2015 we conducted an employee survey, 'Your Voice', that will help us establish a firm foundation to continue creating an even better working environment and working conditions for our employees.

## PROFITABLE GROWTH – OUR FUTURE

During the second half of 2015 we analysed and updated the Group's strategy for the four product groups Safes & Vaults, Cash Manage-

ment, Entrance Security and Electronic Security. Our focus in this work was on strategy implementation and our priorities. Above all we have reached a consensus on how to work better and use our resources more efficiently by product area and region to strengthen the Group's customer focus, offering and value chain.

In 2016 Gunnebo will therefore continue to develop customer offerings in all four product areas. Meanwhile we will work on finding productivity in our value chain and focus on our capital efficiency. All to achieve profitable growth and thereby reach the financial targets we have set for our business.

I would like to thank our customers and business partners. I have already met some of you, and in 2016 I look forward to meeting many more, to learn more about your challenges and how we can

resolve them together. Finally, I would also like to thank all our shareholders for your faith in our business.

Gothenburg, March 2016

Henrik Lange  
President and CEO

“ On our main market of Europe, we have seen a stabilisation in sales development. Meanwhile we have continued to focus on improving productivity, the result being a better margin.



# Highlights 2015

## First Quarter

**Swedavia | SWEDEN, Entrance Security**  
To deal with the anticipated growth in passenger volumes, Swedish airport operator, Swedavia, signs a general agreement with Gunnebo for the delivery of automated security and boarding gates.



**Passenger Terminal Expo (PTE) | FRANCE, Entrance Security**  
Gunnebo showcases the PreSec security gate and the BoardSec automated boarding gate at the world's leading international airport terminal exhibition in Paris.

### Quarterly Financial Summary

	2015	2014
Net sales (MSEK)	1,397	1,250
Operating profit (MSEK)*	38	38
Operating margin (%)*	2.7	3.1

*\*Excluding items of a non-recurring nature*

### Other news

- Credit Union in Tennessee, USA signs an order for a large vault with safe deposit lockers. The order includes Gunnebo's new intelligent lock system.
- Leading Oman construction company, Galfar, signs an order for entrance and electronic security solutions.
- Sensorlink in Malaysia places an order for cash management equipment.
- Samsung Electronics signs a major order for entrance security solutions in South Korea.
- An African central bank signs an agreement for electronic security products.
- A metro operator in China orders entrance security solutions.
- A micro credit institution in India chooses Gunnebo to supply its safes.
- A national Mexican bank places an order for electronic security.

## Second Quarter

Henrik Lange takes over as the new President & CEO of the Gunnebo Group, replacing Per Borgvall after six years in charge.

**Stockholm Public Transport (SL) | SWEDEN, Entrance Security**  
SL signs a five-year general agreement with Gunnebo covering the design, project planning and installation of ticket gates at new and existing metro stations.

**OKI Pulp & Paper Mills | INDONESIA, Fire Safety**  
OKI places an order worth over MUSD 25 for a fully integrated fire safety system to be installed at its new paper mill in Sumatra. The system combines hydrants, sprinklers, water sprays, fire pumps and alarms in a single solution.

### Quarterly Financial Summary

	2015	2014
Net sales (MSEK)	1,516	1,419
Operating profit (MSEK)*	102	98
Operating margin (%)*	6.7	6.9

*\*Excluding items of a non-recurring nature*

### Other news

- Gunnebo holds its Annual General Meeting for 2015 in Gothenburg, Sweden.
- A new sales office is opened in Shenzhen to extend Gunnebo's reach to customers in China.
- Gunnebo exhibits at key retail events in Singapore (Retail World Asia, pictured right) and India (ReTechCon).
- A large French airport chooses Gunnebo to supply entrance security solutions.
- A UK bank orders SafeStore Auto, Gunnebo UK's first order for this solution.
- A Canadian telecom company orders entrance security for a computer centre.
- A major international retail chain orders electronic security solutions in Brazil.



## Third Quarter

Susanne Larsson joins the Gunnebo Group as Chief Financial Officer (CFO).

### Grupo Sallén | SPAIN, Cash Management

Gunnebo acquires leading supplier of cash management products, Grupo Sallén. Sallén primarily sells to the bank and retail sectors through cash in transit companies.



### Spanish Royal Mint | SPAIN, Safes & Vaults

The Spanish Royal Mint agrees a contract worth MEUR 1.8 for security solutions at a banknote factory. The factory where notes are printed will be shielded by specially designed, reinforced vault panels.

#### Quarterly Financial Summary

	2015	2014
Net sales (MSEK)	1,462	1,314
Operating profit (MSEK)*	108	82
Operating margin (%)*	7.4	6.2

*\*Excluding items of a non-recurring nature*

### Other news

- Spanish fashion retailer, Desigual, agrees on a service contract for the installation and maintenance of electronic security solutions for almost 200 stores across seven countries in Europe.
- The newly constructed Ping An finance centre in Shenzhen, China, installs entrance security solutions from Gunnebo to control the flow of people to and from the building.
- Gunnebo attends the SecurityUser Expo in Denmark and the K-Shop retail marketing event in South Korea.
- A Middle East central bank signs a three-year electronic security service agreement.
- One of the USA's largest banks installs a total of 160 airtube systems for depositing daily cash takings.
- A major Mexican bank renews its agreement to install electronic security at all its national branches.

## Fourth Quarter

### Transguard Group | UNITED ARAB EMIRATES, Cash Management

Gunnebo signs an agreement with Transguard Group, one of the largest business services companies in the Middle East, to bundle its cash management solutions together with Transguard's cash in transit services.

### Louis XIII Cognac | FRANCE, Safes & Vaults

Gunnebo creates a unique Fichet-Bauche safe for luxury spirits brand, Louis XIII Cognac. The safe (pictured right) is being used to store a bottle of cognac and a film starring John Malkovich which will not be released until 2115 – in a hundred years' time.

#### Quarterly Financial Summary

	2015	2014
Net sales (MSEK)	1,677	1,574
Operating profit (MSEK)*	149	148
Operating margin (%)*	8.9	9.4

*\*Excluding items of a non-recurring nature*

### Other news

- Gunnebo launches its cash management offering in Mexico.
- Hamburg Airport improves efficiency in passenger flow with entrance gates from Gunnebo.
- Order received from Dutch retail chain Vomar for closed cash management system, SafePay.
- Gunnebo protects ATMs in the UK against gas attacks in strategic partnership with GPX.
- Samyangsa (part of Samsung) R&D Center and Hyundai Motors Plant & R&D Center places entrance security order in South Korea.
- Bank Rakyat Indonesia continues to use Gunnebo as its primary supplier of safes and vaults.
- Carrefour orders EAS and video surveillance solutions for its stores in Brazil.



## STRATEGY

# Into the Future with a Strong Core Offering

Gunnebo is a global supplier of security products, services and solutions with an offering covering safes and vaults, cash management, entrance security and electronic security for banks, retail, CIT, mass transit, public and commercial buildings, and industrial and high-risk sites.

### VISION

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

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

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

### BUSINESS CONCEPT

Gunnebo's business concept is to offer products, services and solutions that increase security and efficiency, and create value for shareholders, customers, partners, employees and society on a global scale.

### STRATEGY

Gunnebo's strategy is executed in the Group's Regions and Sales Companies to ensure that the needs of local customers in each individual market are addressed and met.

Gunnebo's overriding strategy is focused on core customer offerings supported by a backbone strategy to move the Group's point of gravity.

### FINANCIAL GOALS

Gunnebo's financial goals shall contribute to a good return for the Group's shareholders. The focus is on profitable growth and the operating margin.

#### Goals and outcomes

	Long-term goals	Outcome 2015	Outcome 2014
Return on capital employed*, %	15	12.4	12.6
Operating margin*, %	7	6.6	6.6
Equity ratio, %	>30	34	35
Organic growth in net sales, %	5	0	2

\*Excl. items of a non-recurring nature



## < Safes & Vaults

Under leading brands, such as Chubb safes and Fichet-Bauche, the Group produces and markets high-quality safes and vaults, certified to resist burglary, fire and explosives.

Gunnebo can leverage its strong local brands in this segment (see page 3, Brands). Sales through its own companies are complemented by a strong global network of Channel Partners.





## < Entrance Security

Gunnebo's turnstiles and gates regulate and control the flow of people into and out of public and commercial buildings, as well as industrial and high-risk sites. Security doors, partitions and windows also protect high-risk sites from physical attacks.

In addition Gunnebo targets airports and mass transit with a strong range of solutions designed to simplify the flow of passengers whilst maintaining the necessary levels of security.



## Electronic Security >

Gunnebo's innovative solutions for electronic security consist of access control, intrusion detection, CCTV, electronic locks and remote surveillance systems.

Key customer segments include public buildings, high-risk sites and banks which require integrated and automated security systems often operated from a central software platform.



## Cash Management ^

Gunnebo's intelligent cash management solutions are designed to reduce the time spent on cash management, improve efficiencies in the cash cycle and make cash management more secure.

The Group has a keen understanding of the cash management processes performed by retailers, CIT companies and banks as well as other customers that handle cash, such as restaurants, casinos and taxi operators. Gunnebo creates value for these partners in the cash cycle by reducing the total cost of cash management and improving security for their customers and staff.



## < Service

In each product area Gunnebo offers a range of security services encompassing the whole product lifecycle. These include corrective and preventive maintenance services, as well as upgrades and refurbishment. Gunnebo also offers services for remote monitoring of customers' valuables handling processes, alarm systems and surveillance networks.

## THE SECURITY MARKET

# Urbanisation, Increased Financial Wealth and a Higher Standard of Living

The value of the global security equipment market is estimated to be around SEK 700 billion. The market has shown annual growth of around 4% over the past five years and is expected to maintain a good rate of growth in the years to come. The proportion of the market where Gunnebo operates is estimated to be worth around SEK 480 billion.

The global security market covers a wide range of products and services associated with the safety and protection of businesses, people and assets. For Gunnebo, the security market is defined by the four product groups Safes & Vaults, Cash Management, Entrance Security and Electronic Security.

The underlying drivers behind the development of the security market are economic growth, a higher standard of living, and urbanisation. A large part of the security market comprises areas where Gunnebo does not operate, such as manned security and cash in transit (CIT).

### SAFES & VAULTS

The Safes & Vaults product group encompasses safes, vaults, vault doors and safe deposit locker (SDL) systems. Gunnebo has been operating within this business for more than 150 years through strong global brands such as Chubb Safes and Fichet-Bauche as well as strong regional brands like Hamilton Safes (US) and Steelage (India). The key customer segments are bank, retail, offices, warehouses, data centres and public/governmental administration.

The global market for safes and vaults was estimated at around SEK 22 billion in 2014, with a forecasted annual growth of just over 5% up to 2020. Graded, or certified, safes are

an important part of Gunnebo's business, accounting for around one-third of the total world market for safes and vaults. The Group is estimated to have a global market share of 12% in certified safes, and a quarter of the European market.

Certification is key for the safes and vaults market, especially in the high-end segment. Whilst there is no global certification norm, there are several regional standards. The most well-known of these are UL (US), EN (Europe and parts of Africa), CCC (China) and BIS (India). To offer tested and certified products is a key differentiator within the high-end segment.

Another important part of the global market for safes and vaults is ATMs, since a safe is an integral part of each machine. Even though banks in Europe have decreased their investment in this section of the market in recent years, there is strong growth in Americas and Asia-Pacific. Annual growth in the number of ATMs installed between 2012 and 2018 is estimated at 6% globally, with an installation rate of 450,000 ATMs a year.

The safes and vaults market can generally be split into two parts – low-end and high-end – and the majority of growth for the coming years is expected to come from the low-end market.

The market for safes and vaults is under transition. There is a clear shift towards new

players entering the low-end segment, allowing their ranges to evolve into high-end offerings.

There are few global competitors to Gunnebo in this segment. Some of the bigger ones include Godrej (India), Diebold (US), Sun Safes (South Korea) and AIPU (China).

### CASH MANAGEMENT

The Cash Management product group encompasses solutions for front and back-office cash deposit, dispensing and recycling. The main customer segments are retail, fast-food chains, restaurants, casinos, mass-transit companies, CIT and banks.

The global cash management equipment market is estimated to be worth approximately SEK 50 billion, divided primarily between retail cash management (40%), central cash management for banks and CIT companies (20%) and self-service operations, e.g. for depositing and withdrawing cash (40%).

The installed base for intelligent retail cash management solutions is estimated at around 250,000 systems globally, with Americas currently having the largest base. Gunnebo is estimated to have a 5% global market share in retail cash management with strong positions in Europe, Dubai, Australia and Brazil. With the exception of Western Europe, Australia and the USA, the market for cash management is regarded as less mature.

Continued growth in the circulation of cash, the increasing cost of cash management, the trend for cashless banks and a growing demand for self-service solutions for cash management are some of the key market drivers.

Trends show that the volume of cash in circulation will continue to grow on a global basis, despite the influence of online pay-

Market estimations in this section were taken from different sources, for instance "Safes and Vaults: A Global Strategic Business Report of May 2014 from Global Industry Analysts, Inc.", "The World Market for Pedestrian Entrance Control Equipment of September 2013 from IHS", "Planet Retail", "World Security Equipment of March 2013 from the Freedonia Group". The sources' estimated market sizes have been converted using an average USD exchange rate for 2014.

ments, card payments and near-field communication (NFC).

The market for cash management is highly fragmented, but a trend for consolidation among key players is expected. Gunnebo's competitors in retail cash management include Wincor, Glory, CIMA and Tidel.

## ENTRANCE SECURITY

The Entrance Security product group includes speed gates, turnstiles and security doors, as well as ticket gates for mass transit systems and security gates for airports.

The global market for pedestrian entrance security, which includes the product segments mentioned above, is estimated at around SEK 4 billion, with Europe, Middle East and Africa accounting for around 50% of the total. Global growth over the next few years is estimated at just under 5%.

Key market drivers for entrance security are urbanisation, the expansion of inner-city infrastructures such as metros and BRT (Bus Rapid Transit), facilitation of mobility, and increased cross-border movement of people. Also a greater need for centralised security and identity checks, reduction of overheads for receptionists and guards, as well as growing threats from terrorism and crime.

Trends show that there is more technology built into products which is leading to more advanced solutions. There is a shift in geographic focus from Europe to Americas and Asia with mass transit development the main driver. There is also a trend for large systems integrators to produce their own entrance security solutions rather than out-source production, thus extending their own value chain.

The top ten leading suppliers of pedestrian entrance security equipment accounted for more than half of the global market in 2012, and in 2015 Gunnebo was judged to be the second leading supplier globally with a market share of 13%. Gunnebo's main competitors in this segment are Royal Boon Edam, Kaba and Automatic Systems.

## ELECTRONIC SECURITY

The Electronic Security product group relates to products for monitoring physical environments, access control and fire alarms. The segment also covers the installation, monitoring and maintenance of these systems. Video surveillance and fire alarm systems make up 40% of the market, and service such as maintenance and support, installation and integra-

tion accounts for 60% of the market.

The global market for electronic security systems is valued at over SEK 410 billion. EMEA represents around 40%, the largest markets being the UK, Germany, France, Spain and Italy. On these markets, Gunnebo has a position as an integrator of electronic security solutions within the banking and public administration sectors.

The market for electronic security is very fragmented, meaning that the Group's global market share is marginal. However when it comes to specific customer segments in certain geographic areas, such as banks in France and central banks in the Middle East, Gunnebo has a substantial share of the market. In Europe the market is expected to develop well, with anticipated growth of 5% over the next three years. Global growth is estimated at just over 7%.

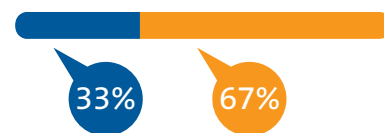
Just as within entrance security, growth in electronic security is very much driven by the growing threat from terrorism, resulting in an increased demand for security at sites such as commercial offices and public administration buildings.

A trend in the market is the increasing demand for video surveillance, pushing for cameras directly connected to IP, as well as allowing the identification and tracing of objects using cameras.

Gunnebo's competitors in electronic security systems include Nedap, Lenel, Pacom and Honeywell.

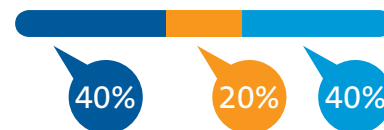
## The market by segment

For Gunnebo, the security market is defined by the four product groups Safes & Vaults, Cash Management, Entrance Security and Electronic Security.



### Safes & Vaults

- Certified and higher graded fireproof safes, 33%
- Other safes, 67%



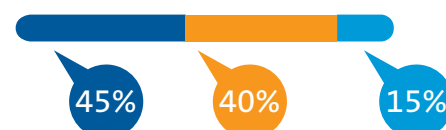
### Cash Management

- Retail, 40%
- Central cash management for banks and CIT, 20%
- Self-service for deposit and withdrawal of cash, 40%



### Entrance Security

- Speed gates, 40%
- Turnstiles, 35%
- Security doors, 20%
- Security gates for airports, 5%



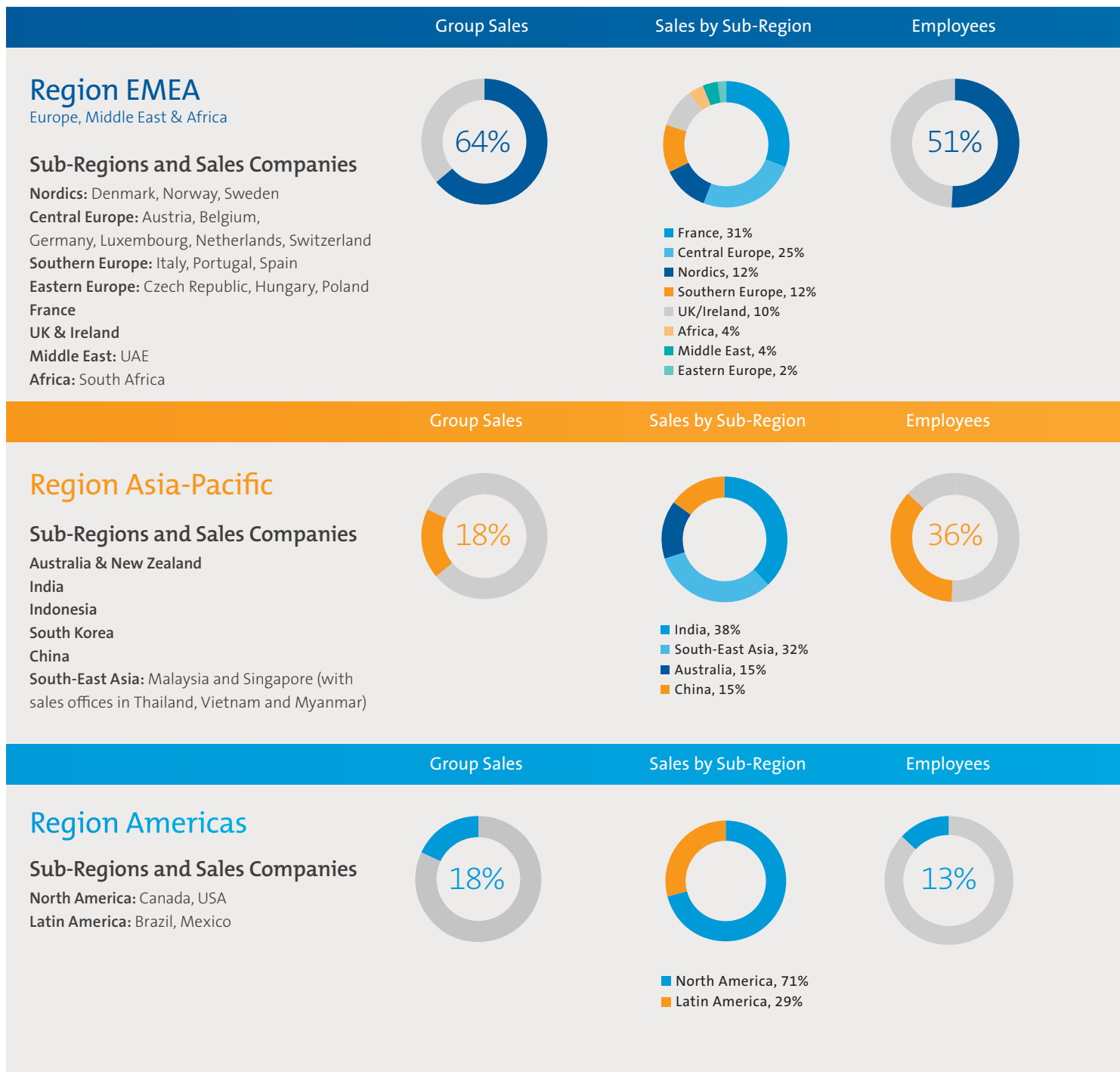
### Electronic Security

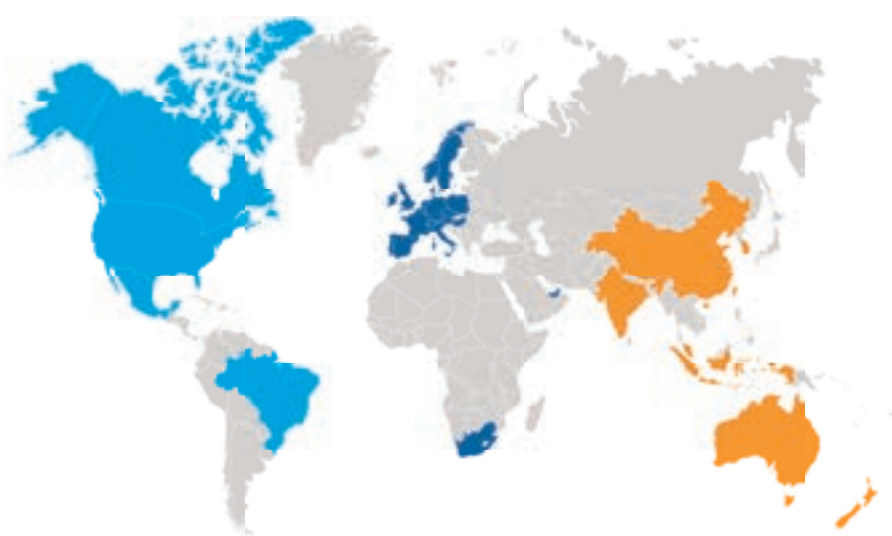
- Access control and CCTV systems, 45%
- Alarms, 40%
- Other security products, 15%



# Regions

Gunnebo's 32 sales companies are organised into three regions: EMEA (20 sales companies), Asia-Pacific (8) and Americas (4). Gunnebo also works with an extensive Channel Partner network, giving it coverage in markets where it does not have its own sales companies.





## Key Ratios

MSEK	2015	2014
Order intake	3,836	3,620
Organic growth, %	0	-3
Net sales	3,860	3,644
Organic growth, %	0	0
Operating profit*	151	109

\*Excl. items of a non-recurring nature

## Customer References

**Bank** Barclays, BNP, Danske Bank, Euronet, Forex, ING, Nordea, SEB, Swedbank

**Retail** Aldi, Auchan, BP, Carrefour, COOP, Decathlon, ICA Sverige AB, LIDL, Metro Group, Preem, Shell Oil, Spar, Tokheim, Total

**CIT** Brinks, G4S, Loomis, Nokas, Prosegur

**Public & Commercial Buildings** European Commission, Hermès, Honeywell, SAS, Siemens, Swedavia

**Industrial & High-Risk Sites** Besix, Bouygues, Nestlé

## Key Ratios

MSEK	2015	2014
Order intake	1,167	987
Organic growth, %	4	-5
Net sales	1,085	1,029
Organic growth, %	-8	8
Operating profit*	115	140

\*Excl. items of a non-recurring nature

## Customer References

**Bank** Bank of China (China), Axis Bank, Canara Bank, Fidelity Investments, HDFC Bank, IDBI bank, State Bank of India, Vijaya Bank (India), Bank Rakyat Indonesia (Indonesia)

**Mass Transit** Hangzhou metro (China)

**Public & Commercial Buildings** E2 Power Sdn Bhd, G7 Safety Lockers, Measat Network Broadcasting Systems, Taylor's University (Malaysia), PT Pos Indonesia, OKI Pulp & Paper, (Indonesia), Guardtec, HDS Security, Honeywell, Hyundai Information Technology, KBIT, KT Telecop, S1, Shinhwa System, Shinsegae Inc., SK InfoSec, TobeAce, CAPS (South Korea), Global Pvt Ltd, Raghuleela Builders Pvt Ltd, RMZ Eco world, Trafigura & Barclays (India)

**Retail** Phoenix Mills, Reliance Retail, Tata Croma (India)

## Key Ratios

MSEK	2015	2014
Order intake	1,188	826
Organic growth, %	26	-14
Net sales	1,107	884
Organic growth, %	8	0
Operating profit*	131	117

\*Excl. items of a non-recurring nature

## Customer References

**Bank** Banco Actinver, Banorte (Mexico), BBVA Bancomer (Canada, Mexico, USA), Banc Sabadell, FifthThird Bank (USA), CIBC (USA and Canada), Citibank (Latin America), HSBC (Brazil, Canada, Mexico, USA), ITAU (Brazil), RBC (Canada and USA), Santander (Mexico, USA), Wells Fargo (USA and Latin America)

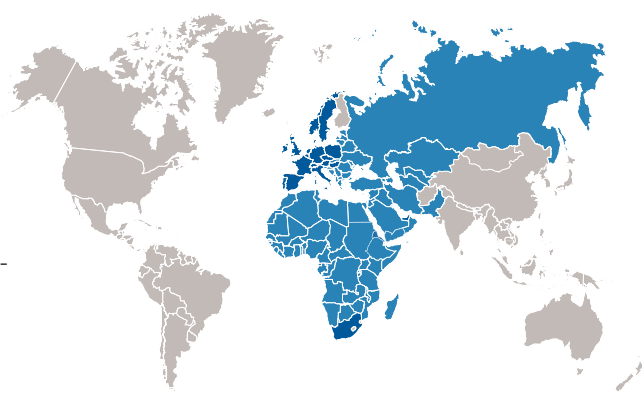
**Retail** C&A, Carrefour, Cencosud, FNAC, Raia Drogasil, Riachuelo, TIM, Walmart (Brazil), McDonald's, Súper City (Mexico), Autozone (Brazil and Mexico), Telus, Wow Mobile, Target, The Body Shop (Canada)

**CIT** Prosegur (Brazil)

**Other** NCR, Shell Oil, Weatherford Global (Canada)

# Region Europe, Middle East & Africa

In 2015 Region EMEA has focused on creating sales growth, reducing the fixed cost base and continuing to improve profitability. Sales developed well on the French, Southern European, Eastern European and Middle Eastern markets during the year. Development was weaker on other markets, the overall result being sales on a par with the previous year. Due to continued focus on costs, the region's profitability still increased by MSEK 42 to MSEK 151 (109), thus improving the operating margin to 3.9% (3.0%).



## EMEA

- Own sales companies and Channel Partners
- Channel Partners only

## Continued Productivity Improvements in Europe

Europe, Middle East & Africa (EMEA) is the Group's largest region, accounting for 64% (66%) of Group sales in 2015. The region has 20 sales companies divided into eight sub-regions. On most markets in the region Gunnebo offers a complete range of safes and vaults, entrance security, cash management and electronic security, along with related services. The most important customer segments are bank, retail, public & commercial buildings, and industrial & high-risk sites.

In all five Western European sub-regions – Nordics, UK & Ireland, Central Europe, France and Southern Europe – the markets are mature. Here Gunnebo is focusing on developing from being a product supplier to a solutions provider for defined market segments, by actively working with national and international key customers.

The markets in the three sub-regions East-

ern Europe, Middle East and Africa are growth markets. Here the focus is to extend Gunnebo's footprint into markets where there is growth potential, and to launch new products from the Group's portfolio. Sales go primarily through a network of carefully selected Channel Partners, but also through project sales in association with systems integrators.

### BRANDS

With the strong brands Fichet-Bauche and Chubb safes, Gunnebo has a long history on many markets in the region. In France, Fichet-Bauche started doing business in safes and vaults with the nation's banks as long ago as 1825.

There are sales under the Chubb safes and Gunnebo brand names throughout the region, and Fichet-Bauche is represented on the vast majority of markets. Products are sold under

the Rosengrens brand in Central Europe, the Nordic region, the Middle East and Eastern Europe. The Gateway brand is available via agents who are present on most markets, while the Lips brand can only be found on the Central European market. Sales under the brand names Churchill Safes and Clear Image take place in the UK & Ireland, and under the Alltech brand in South Africa only.

### SALES CHANNELS

Sales in France and UK & Ireland take place both directly to end customers and through a network of Channel Partners, while sales in Central Europe and the Nordics are mainly directly to end customers. Sales in Southern Europe take place primarily through project sales directly to end customers, and through a network of Channel Partners.

In Eastern Europe sales are conducted largely through Channel Partners and systems integrators. Sales in South Africa are mostly direct to end customers, while on other markets in the sub-region sales are chiefly conducted through a network of Channel Partners and systems integrators. On the Middle Eastern markets, all sales take place through Channel Partners and systems integrators.

### FRANCE

France is Gunnebo's single largest market, accounting for 17% (19%) of Group sales. An important part of the offering today largely comprises proprietary electronic security solutions with related services, which integrate all security systems in one application

## Region Europe, Middle East & Africa

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Full year 2015	Full year 2014
Order intake	1,180	918	890	848	3,836	3,620
Organic growth, %	4	-5	-1	3	0	-3
Net sales	887	962	927	1,084	3,860	3,644
Organic growth, %	-3	-2	1	3	0	0
Operating profit excl. non-recurring items	5	35	42	69	151	109
Operating margin excl. non-recurring items, %	0.6	3.6	4.5	6.4	3.9	3.0
Non-recurring items	-8	-16	-17	-26	-67	-1
Operating profit	-3	19	25	43	84	108

Improved operating profit

**+42** MSEK

“ Continued efforts to reduce the cost base in Europe made a positive contribution to the improved operating margin.

SVP: Morten Andreasen



for customers in banking, offices and industry.

Other key aspects of the business are security doors, entrance security, cash management solutions, and safes and vaults. During the year, for example, the Group successfully launched a security door that helps to reduce energy consumption in office premises. Sales of the closed cash management system, SafePay, also developed well since Gunnebo signed general agreements with several leading retailers, such as the Intermarché Group of France.

In France, Gunnebo traditionally has a strong market position in the bank customer segment. In recent years business with customers who have high-risk sites, such as telecoms, power stations and prisons, has also risen sharply.

France is also responsible for sales to French-speaking markets in Africa. This business developed very well during the year, and several large orders for the delivery and installation of electronic security have been received from central banks in Africa, and from airports in West Africa.

### CENTRAL EUROPE

Business in Central Europe is based on three important offerings: safes and vaults, electronic security and cash management as well as related services.

The business is influenced by the banking sector's increasing tendency towards being cashless. As the banks have handed over responsibility for cash management to CIT companies and retail, Gunnebo has developed an offering aimed at securing safe, efficient cash management outside of the bank environment. Today, for example, it is possible for a retailer to deposit its daily takings at its own counting office while having the money paid into its bank account. Gunnebo is growing strongly in the retail sector, with

new initiatives in several Central European countries.

The electronic security business is well developed, primarily in Belgium in the bank, public administration and mass transit sectors. One of the Group's reference projects is the delivery and installation of electronic security solutions to more than 45 European Union representations around the world over the past seven years.

### NORDICS

The closed, fully integrated cash management system for retail, SafePay, today accounts for a large part of the Nordic business. Other important areas are sales of entrance security for public administration, high-risk sites, metro systems and airports, and installation and service of electronic security solutions.

Gunnebo also has an electronic article surveillance (EAS) systems business based in Sweden. Sales are conducted through a network of agents around the world, under the brand name Gateway.

### SOUTHERN EUROPE

Gunnebo's core business in Southern Europe today comprises the delivery, installation and service of electronic security systems, primarily to customers in banking, public administration and high-risk sites.

Other key aspects of the market offering are entrance security, cash management solutions, and safes and vaults.

Cash management for the retail sector is a growing business for Gunnebo, and is now the single largest product area by sales in Italy, for example.

During the year Gunnebo has seen an interesting development in the vaults market. The Spanish Royal Mint, for instance, has decided to protect its banknote printworks using vault panels designed and installed by Gunnebo.

### UK & IRELAND

Under the Chubb safes brand name, Gunnebo has been on the British safes and vaults market for almost 150 years. This product category and related service still comprises an important part of the offering. As well as banks, end customers include logistics centres that handle narcotics-class pharmaceuticals and theft-prone goods, data centres, offices and private individuals.

During 2014, electronic security company Clear Image was acquired, and in 2015 it was integrated into Gunnebo's UK business. During the year a number of new orders were received thanks to the Group's ability to deliver a total solution including electronic security, entrance security, safes and vaults, cash management and related service.

Transactions are still made using cash in the UK to a greater extent than in many other European countries. Despite this, the market for automated cash management solutions remains relatively immature. Gunnebo has therefore developed a series of cash management products and systems that are specially adapted to needs on the British market, and these have been well received by the Group's key retail customers.

### MIDDLE EAST

Gunnebo's business in the Middle East encompasses 14 countries in the region. As well as the sales company in Dubai, the Group also has sales offices in Turkey, Oman and Saudi Arabia. These offices are part of a strategic initiative to grow the business in the Arabian Peninsula.

The majority of sales in the Middle East take place through Channel Partners and systems integrators. Due to the political situation in the region, security is high on the agenda in both public and private spheres. Safes and vaults, entrance and electronic



security are the largest product groups in the region, and customers can chiefly be found within the following segments: banking/central banks, public & commercial buildings, and high-risk sites.

The strongest business growth during the year was seen in Oman, where Gunnebo has evolved from a product supplier to a systems integrator and security advisor to the country's central bank and the oil industry.

The market for cash management has also started to mature in the region. Together with cash in transit company, Transguard, Gunnebo has developed an offering that streamlines and increases cash management security for shop and restaurant owners in Dubai.

### EASTERN EUROPE

In Eastern Europe, Gunnebo has its own sales companies in the Czech Republic, Hungary and Poland. In addition there are sales from the Polish company through Channel Partners to around 20 countries in the region.

The core business in the region is the sale and installation of safes and vaults, and entrance security. Another important part of the business is the global service team which is based in Poland and carries out installations for the Group's customers worldwide.

Gunnebo's cash management systems were introduced in the Czech Republic and Hungary during 2015, which led to a breakthrough in the Hungarian retail sector as the result of several general agreements.

### AFRICA

The African business is run from the sales company in South Africa, which is responsible for sales on all markets south of the Sahara. In addition the Group has sales offices in Nigeria and Kenya. Business in French-speaking parts of Africa is managed via the French sales company.

Much of the business in the region relates to the sale and installation of safes and vaults. Many countries are in an exciting phase of development, where this kind of physical infrastructure is vital in meeting international standards in the banking and central banks market segment, for instance.

Sales in Nigeria developed positively during the year, primarily in entrance security for commercial buildings and high-risk sites.

In South Africa, the most developed market in the region, Gunnebo has long had a well-established business in cash management for retail. Interest in closed cash management, SafePay, increased during 2015, and several pilot projects were conducted with

major retail chains. Sales of entrance security solutions are also an important part of the offering for public & commercial buildings and high-risk sites.

### DEVELOPMENT OF THE BUSINESS

The strategies for developing business in Region EMEA vary, largely depending on how mature the market is. In Europe and the Middle East, an increasing share of sales take place directly with key customers in project form, and straightforward product sales primarily take place via agents. The market offering is cultivated primarily by new developments and partnerships with players that complement the existing offering.

In Europe, Gunnebo also focuses on security solutions for well-defined market segments – such as grocery stores – often in combination with Key Account Management (KAM). Here the Group can see a trend towards a higher number of larger agreements encompassing sales and deliveries to several countries. Such customers include Harry Winston, Decathlon and Desigual, to whom Gunnebo delivers solutions and services on up to ten markets.

In Eastern Europe and Africa, the Group's business is developed by introducing selected parts of the Group's global offering, and by continuously expanding the network of Channel Partners, both on markets where Gunnebo already has a presence and on those without representation.

The area of Gunnebo's offering that has the greatest growth potential in EMEA is cash management. The acquisition of Grupo Sallén, Spain during the year strengthens the Group's global offering for CIT companies, banks and retail, while also supporting the development of new cash management solutions.

### MARKET TRENDS

The drivers behind the development of the security market in Western Europe are economic growth, a higher standard of living and urbanisation. The annual growth forecast for the section of the market where Gunnebo has a presence is 2–3%.

In Eastern Europe, demand in the security market has been bolstered by higher spending on construction in much of the region. Another driver is increased affluence, both among businesses and individuals. The annual growth forecast for the section of the market where Gunnebo has a presence is 3–4%.

The sale of security equipment in Africa is mainly supported by increased urbanisation,

economic growth and greater personal affluence, as well as investment in physical and financial infrastructure. The annual growth forecast for the section of the market where Gunnebo has a presence is 6–8%.

In the Middle East, market development is also being driven by economic growth and greater affluence. There is also a clear trend towards higher demand for better protection of commercial and public buildings through the installation of entrance and access control systems. The annual growth forecast for the section of the market where Gunnebo has a presence is 3–4%.

### RESULTS FOR 2015

Order intake in Region EMEA amounted to MSEK 3,836 (3,620). Organically, i.e. excluding acquisitions, divestments and currency effects, order intake was unchanged. The markets in Southern Europe and France developed positively, while other markets reported weaker development. The main product groups that saw good development were entrance security and high-security doors.

Net sales increased to MSEK 3,860 (3,644), organically they were unchanged. The markets in Southern Europe, France, Eastern Europe and the Middle East developed well, while other markets reported weaker development.

Operating profit excluding items of a non-recurring nature increased to MSEK 151 (109) and the operating margin to 3.9% (3.0%). Continued efforts to reduce the cost base in Europe made a positive contribution to the improved operating margin.

Items of a non-recurring nature totalled MSEK –67 (–1). The majority of these costs are associated with workforce reductions in Europe and changes in management, including MSEK –15 for the relocation of cash management production from the plant in Trier, Germany, to other manufacturing units in the Group.

BNP Paribas Fortis | BELGIUM, Electronic Security

## Nationwide Roll-Out for Major Bank

In 2013, BNP Paribas Fortis (BNPPF) of Belgium selected Gunnebo as the standard supplier of the electronic alarm system for over 1,300 of its branches. The system, SecurWave, is an integrated alarm and intrusion detection solution developed for large bank branch networks. It manages user rights centrally and allows for the remote monitoring of system activity.

In 2015 SecurWave began to be rolled out across BNP Paribas Fortis' national branch network. The entire roll-out will take until the end of 2016 and a key aspect to ensuring its success is the training Gunnebo has offered BNPPF. A bespoke 'train the trainer' programme has been run with selected installers at BNPPF, giving them the knowledge

required to develop the alarm system software for all BNPPF sites.

BNPPF has become the third major Belgian bank to be running SecurWave and the system now has an install base of over 2,500 sites across the country.



Swedavia | SWEDEN, Entrance Security

## Designing the Airports of the Future

Swedavia is a state-owned group that owns, operates and develops ten airports across Sweden, including Stockholm Arlanda and Gothenburg Landvetter. In 2015 Swedavia chose to invest in solutions from Gunnebo as a way of dealing with the anticipated growth in passenger volumes and as part of an initiative aimed at providing better service for its customers.

"We are constantly working to improve the experience for the 35 million passengers who visit our

airports every year," says Michael Persson Gripkow, Chief Commercial and Marketing Officer at Swedavia.

"Consequently, we place strict demands on our suppliers. Gunnebo's experience of other similar projects around the world was an important factor in this collaboration."

Installation of PreSec security gates and BoardSec automated boarding gates will make it quicker and easier for passengers to identify themselves when going through security checks and boarding aircraft.

Louis XIII Cognac | FRANCE, Safes &amp; Vaults

## Protecting the Movie You Will Never See

Louis XIII Cognac, one of the world's most prestigious spirits brands, launched a highly creative campaign in 2015 entitled '100 Years – The Movie You Will Never See'.

Inspired by the century of careful craftsmanship and patience it takes to create each decanter of Louis XIII Cognac, a film was made starring actor John Malkovich and directed by Robert Rodriguez which will not be released until 2115. One thousand guests from around the world received an exclusive invitation for their descendants to attend the premiere in a century's time.

To ensure that the film itself remains unseen until that date, it has been placed in a state-of-the-art Fichet-Bauché safe, chosen by Louis XIII

due to the brand's reputation as a world-renowned, high-end label.

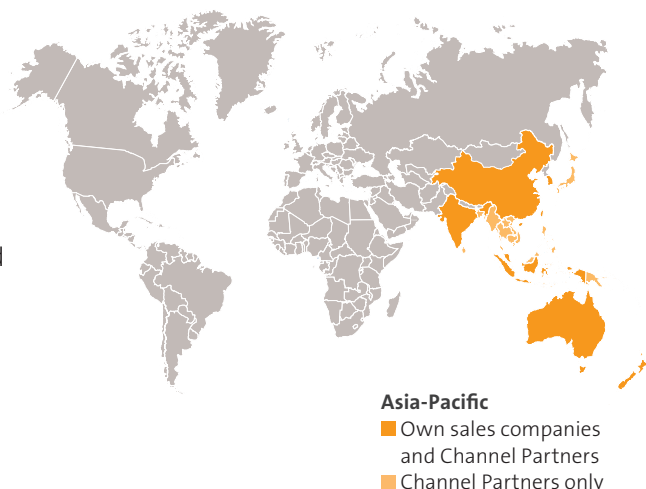
"Through its Fichet-Bauché brand, Gunnebo has created an exceptional product in total harmony with Louis XIII's excellence, guaranteeing us an image of exclusivity and elegance," comments Ludovic du Plessis, Global Executive Director of Louis XIII Cognac.

The one-of-a-kind safe is fully dressed in black leather and built with an armoured glass door, programmed to unlock in exactly 100 years. During 2016, the safe will be taken on a year-long world tour by Louis XIII to promote its campaign, before returning to its permanent home in the French city of Cognac.



## Region Asia-Pacific

Most markets in Asia-Pacific have been weak during 2015 and as a result the Group's organic sales in the region decreased by 8%. This can largely be explained by lower sales to state-owned banks in India. Thanks to good cost control, profitability stayed at a satisfactory level and the operating margin was 10.6 % (13.6 %).



## Good Results on Weak Markets

The region accounts for 18% (18%) of Group sales. It is comprised of eight sales companies, and there are also representative offices and a presence through strategic partnerships on many other Asian markets.

The majority of sales take place through Channel Partners and other business partners. On certain larger markets, such as India and Indonesia, there is also a well-developed business for project sales and major installations.

Most markets in the region are growing markets, with growth primarily being driven by greater financial wealth, urbanisation and state-run infrastructure investments.

### BRANDS

The Group's business is well established in the region. On most of the markets, relationships with key banking customers have been built up over the past 80 years through the strong Chubb safes brand. The Gunnebo and Chubb safes brand names are used throughout the region, apart from South Korea where sales take place under the Gunnebo name only. The Steelage, Minimax and GilPro brands are only represented on the Indian market, while SecureLine can be found in both India and Indonesia.

### SALES CHANNELS

Gunnebo's route to the end customer varies depending on the market. Sales in India take place both directly with end customers, primarily in the state bank sector, and through a well-developed network of agents. Sales also take place directly and via Channel Partners in Indonesia. On other markets in the region, sales take place chiefly through Channel Partners, systems integrators and other business partners.

### INDIA

India is the Group's third largest market, accounting for 7% (8%) of sales. The business was established in the 1930s under the Steelage name, which remains a strong local brand today.

The majority of Gunnebo's business in India comprises the sale and installation of vaults, vault doors and safes for banks. Market growth has primarily been driven by the new establishment of bank branches outside of the main cities. In 2015 the expansion of the branch network slowed down, and this has led to lower sales. The government initiative to make ATMs more widespread has however continued, and since the Group makes safes for ATMs, this has generated some good business during the year.

### Region Asia-Pacific

	Q1	Q2	Q3	Q4	Full year	Full year
MSEK	2015	2015	2015	2015	2015	2014
Order intake	273	412	233	249	1,167	987
Organic growth, %	-17	61	-24	4	4	-5
Net sales	245	273	244	323	1,085	1,029
Organic growth, %	-12	-20	-2	1	-8	8
Operating profit excl. non-recurring items	13	34	27	41	115	140
Operating margin excl. non-recurring items, %	5.3	12.5	11.1	12.7	10.6	13.6
Non-recurring items	-1	-3	-1	-2	-7	-9
Operating profit	12	31	26	39	108	131

Operating margin

10.6%

“ During the year we have developed a strategy – with an extended product range and market offering – for increased growth and profitability.

SVP: Sacha de La Noë



Other important parts of the offering in India are fire safety products, entrance security solutions and service. Solutions for cash management were also launched during the year. This market is still relatively new and is expected to have good growth potential in the years to come.

#### INDONESIA

Indonesia is the second largest market in the region. The foundation of Gunnebo's business here was laid in the 1970s and was acquired by the Group in 2000.

Important aspects of the business in Indonesia are project planning, installation and service of complete fire safety systems for industrial and high-risk sites. This offering is only available in Indonesia, and is a successful business where Gunnebo has the capacity to be a systems integrator in large projects. In 2015, for example, an order was signed with OKI Pulp & Paper to install fire safety systems in their new paper mill. The order was worth MUS\$ 25.

Alongside major project orders like the one with OKI, a large proportion of sales relate to safes and vaults. This business is mainly conducted through a well-developed network of Channel Partners. The end customers are banks, shops, offices, public administration and private individuals.

The market for entrance security is deemed to have good potential, but is as yet relatively undeveloped. In 2014, solutions for the efficient management of cash were successfully launched in the country. The market for cash management remains relatively undeveloped, but there is great interest and Gunnebo has well-established collaborations with major players in CIT, as well as several large retail chains and taxi operators.

#### CHINA

Over many years, Gunnebo has successfully built up its safes and vaults business in China, along with entrance security, through a well-established network of Channel Partners. In 2010 the Group established its own sales company in the country. The majority of the business still relates to the sale of solutions for efficient entrance security into metro systems, and the sale of safes and vaults to both commercial and private customers.

In autumn 2015 the Group launched cash management solutions in China. There is great interest in finding secure, efficient ways of handling a growing volume of banknotes within retail. The market is still immature, but Gunnebo sees good opportunities for strong development in the years to come.

#### SOUTH KOREA

Gunnebo South Korea was established two years ago through the acquisition of a former Channel Partner in entrance security. The South Korean business therefore differs from other countries in the region, as the majority of sales still relate to entrance security for public administration, offices and high-risk sites. Gunnebo's customers in this territory include several of the major Korean multinationals, such as Samsung and LG.

In 2015 Gunnebo also began selling solutions from its cash management and safes & vaults ranges in South Korea for the first time.

#### SOUTH-EAST ASIA

Gunnebo's business in South-East Asia takes place through well-established sales companies in Malaysia and Singapore, and sales offices in Thailand, Vietnam and Myanmar (Burma). The majority of business in South-East Asia comprises sales of safes and vaults to customers in the bank sector. Sales are mainly conducted through a well-developed network of agents.

In the past two years, Gunnebo has also launched solutions for cash management on most markets in South-East Asia. Business has developed well in Malaysia, and Gunnebo has a strong market position on a growing market.



## DEVELOPMENT OF THE BUSINESS

For Gunnebo, business development in Region Asia-Pacific is closely linked to the strategy of introducing selected parts of the global product portfolio onto markets where the Group has a well-established business. Another important strategy for developing the business is to continuously expand the network of Channel Partners, both on markets where Gunnebo already has a presence and on those without representation.

In 2015 the Group continued to invest in the region. Investments included establishing platforms for the sale of Gunnebo's solutions for secure, efficient cash management in Singapore, South Korea, India and China.

Another important investment has been in the development of a new range of safes intended for the private individuals. Growth on the market for safes is primarily in the category of products that have not undergone testing and certification. End customers do however place high demands on innovative solutions for the safes' locks, design and function.

## MARKET TRENDS

Growth on the security market in Region Asia-Pacific has increased more quickly than the global average over the past two decades.

In India the market is expanding, driven by economic growth, government investments in mainly metro and airport infrastructure, rising personal affluence and a growing population.

The Indian state's aim to increase accessibility to bank accounts for the country's rural population is driving demand especially for ATM safes. The market remains less developed than that in Western Europe, and offers considerable opportunities for security providers, particularly in the energy and transportation sectors where considerable investment is being made to improve infrastructure.

China is one of the world's largest security markets and also one of the fastest growing. The Chinese government is investing large sums in infrastructure projects and public security programmes and urbanisation is also increasing, making airports and mass transit

the focus for large-scale installations of security equipment, such as electronic security and entrance security.

South Korea is currently the continent's fourth largest security market. Whilst the market is not growing at the rate of China and India, it is expected to increase over the coming years, supported by rising investment in commercial building construction and a soaring urban population.

Development on the markets in the rest of South-East Asia is mainly driven by urbanisation, greater affluence and government investments in infrastructure. The annual growth forecast for the section of the market where Gunnebo has a presence is 6–8%.

## RESULTS FOR 2015

Order intake in Region Asia-Pacific amounted to MSEK 1,167 (987). Organically, i.e. excluding acquisitions, divestments and currency effects, order intake increased by 4%. The positive development is primarily attributable to orders in Indonesia, where a MUS\$ 25 contract was signed during the second quarter for delivery and installation of a fire safety system at a paper mill, and to sales of ATM safes in India.

Net sales increased to MSEK 1,085 (1,029), organically a decrease of 8%. Here too it was sales in Indonesia and ATM business in India which developed very well, while the other markets saw weaker development.

At the end of the year the negative trend regarding order intake and sales to state-owned banks on the Indian market, which is so important to Gunnebo, showed signs of stabilising, albeit at lower levels than before.

Operating profit excluding items of a non-recurring nature amounted to MSEK 115 (140), which equates to an operating margin of 10.6% (13.6%).

Items of a non-recurring nature totalled MSEK –7 (–9).



Retail World Asia 2015 | SINGAPORE, Cash Management

## Gunnebo Grows as Thought Leader within Retail Security

Retail World Asia (RWA) is Asia's premier retail event, attracting over 200 exhibitors and more than 7,000 visitors from over 60 countries.

In 2015, Gunnebo exhibited at the event held in Singapore. The objective was to position Gunnebo as a thought leader in the retail security market, generate press coverage and promote awareness of the Gunnebo brand.

Cash management solutions were in focus as part of a stand concept which exhibited products in true-to-life retail environments, such as a grocery store and a fashion chain.

This served to demonstrate one of the key messages: how automated cash management not only provides security but also enhances the customer experience and improves business efficiencies.

Wentworthville Leagues Club |  
AUSTRALIA, Cash Management

## Reducing the Cost of Cash

Wentworthville Leagues Club is an entertainment venue in western Sydney which offers its members and their guests a variety of restaurants, bars and gaming facilities.

With over 54,000 members, Wentworthville Leagues is one of the larger clubs of its kind in Sydney. Cash circulation and reconciliation is a major consideration on the site.

To improve the management of cash in the business and to reduce the cost of handling cash, the club installed four automated solutions from Gunnebo – two SafeCash Retail Stations and two SafeCash Retail Recyclers.

Gunnebo's SafeCash Retail Station accepts, recycles and dispenses cash floats with ease. Gone are the days of counting cash, saving hours and in some cases the need for a dedicated person managing the tills. "The SafeCash Retail Station has saved our staff considerable time both at the beginning and end of their shifts," says Nicole Pearce, Chief Financial Officer at Wentworthville Leagues Club.

"We are in the early stages of using the SafeCash Retail Station so we are working on measuring our exact reductions in cash shrinkage and errors relating to cash management in the back office, however the results to date are very positive."

The cash recycling units will assist the venue with reconciliation of gaming machines. As required by law, gaming machines must be recon-



From left: Robert Mura, Product Support Manager Cash Management, Gunnebo Australia; Glenn Kovacs, COO, and Nicole Pearce, CFO, both Wentworthville Leagues Club.

ciled on a daily basis. With the installation of the SafeCash Retail Recyclers, the time that it takes for this clearance process will be cut in half.

"The SafeCash Recyclers will be implemented early in 2016. We are confident the whole recon-

ciliation process will be streamlined," adds Ms Pearce, "and that this will save us time and money."

Ping An Group | CHINA, Entrance Security

## Gunnebo Scales New Heights in Shenzhen

In 2015, Gunnebo agreed a contract with the Ping An Group to provide entrance security solutions for its new International Finance Centre, a 115-storey skyscraper under construction in one of China's largest cities, Shenzhen.

Due to its vast size and number of floors, a huge volume of people will be moving into and out of the skyscraper so Ping An called for an efficient entrance system which could manage this flow. As the building's lifts will

be working at full capacity, it was also essential to find a set-up to direct people to the appropriate lift to minimise waiting times and queues.

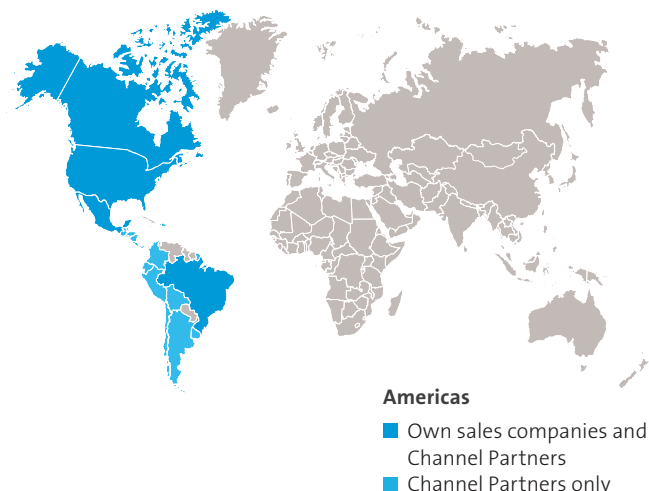
To solve this, Gunnebo proposed the installation of SpeedStiles at every entrance in the centre. Each speed gate will be part of a network connected to the Schindler lifts installed on the same floor. As someone uses their pass card to enter, the screen on the speed gate will inform them as to which lift

they should take. This efficient allocation system will allow the smooth flow of authorised individuals into and around the high-rise financial centre.

In addition, Gunnebo has worked closely with the client to ensure that the design of the speed gates is in harmony with the building's interior and other key features, such as the lane widths and thickness of the glass flaps, meet the project requirements.

# Region Americas

Region Americas showed organic sales growth of 8% during the year. The main contributors to this positive development are the electronic article surveillance systems, electronic security and service business for retail in Brazil and banking in Mexico, as well as sales of entrance security in the USA. Increased sales combined with continued good cost control resulted in an increase in profit for the year to MSEK 131 (117), and the operating margin was 11.8% (13.2%).



## Strong Sales Growth in Latin America

In Region Americas, Gunnebo is organised into four sales companies: Canada, USA, Mexico and Brazil. The Group also has a presence on most South American markets through a network of agents. The region accounts for 18% (16%) of Group sales. In 2015 the Group's operations in the region have developed very well, primarily in Brazil and Mexico.

North America is considered a mature market, while most markets in Latin America are growth markets, and the focus there is on extending Gunnebo's geographical footprint and introducing parts of the Group's offering that are not currently an established part of the business. Gunnebo is a Group that has

largely been built on a number of acquisitions. Consequently, business varies on different markets, even within a region. The aim is to harmonise the offering across markets, but this is a process primarily governed by the potential on each market, and Gunnebo is allowing the process the time it takes.

### BRANDS

Gunnebo has been operating in the region for many years. In Canada the business was established more than 60 years ago under the brand name Chubb Safes. In the USA, Hamilton Safe has been developing the business and the brand in the banking and public

administration sector for more than 40 years, and the foundation for the Brazilian business was laid in the mid-1990s under the Gateway brand. The Mexican business was established in 2006 under the name Dissamex. All these businesses have been brought into the Group through acquisition.

Sales principally take place under the Gunnebo and Chubb Safes brands in Canada, under the Hamilton Safe and Gunnebo brands in the USA, under the Gunnebo and Gateway brands in Brazil, and under the Gunnebo and Dissamex brands in Mexico. From January 1, 2016, all business on the Mexican market will be conducted under the Gunnebo brand only.

### SALES CHANNELS

Sales to all customer segments in Canada take place directly with the end customer, while in the USA they are mainly conducted via a well-developed network of agents and systems integrators. All sales in Mexico and Brazil take place directly with the end customer. Via a well-developed network of Channel Partners, Gunnebo also conducts sales on other markets in Latin America such as Colombia, Chile, Argentina and the Caribbean.

### NORTH AMERICA

On the Canadian market, Gunnebo's business comprises a well-developed offering of instal-

## Region Americas

	Q1	Q2	Q3	Q4	Full year	Full year
MSEK	2015	2015	2015	2015	2015	2014
Order intake	312	332	296	248	1,188	826
Organic growth, %	38	49	24	6	26	-14
Net sales	265	281	291	270	1,107	884
Organic growth, %	9	5	21	-2	8	0
Operating profit excl. non-recurring items	20	33	39	39	131	117
Operating margin excl. non-recurring items, %	7.5	11.7	13.4	14.4	11.8	13.2
Non-recurring items	0	-3	0	0	-3	-4
Operating profit	20	30	39	39	128	113

Order intake

**+26%**

“ With the Mexican acquisition Dissamex fully integrated into the Group, we have a strong foundation in Latin America from which to grow our business.

SVP: Daniel Schroeder\*

\*Joined the company on 1 January 2016



lation and service of electronic security for banks and shops. Other important customer segments in Canada are public and commercial buildings, and airports. The core offering for these customers is in entrance security and related services.

The Group's business in the USA consists primarily of safes and vaults for banks and public administration. Thanks to a strong local production platform, Gunnebo is one of few suppliers able to provide bespoke solutions, developed in close collaboration with the customer. Other parts of the offering comprise solutions for the efficient management of bank-related services such as daily takings, documents and cheques, as well as high-security windows and entrance security solutions.

In 2015 the Group introduced various types of solution for efficient cash management in the retail sector on the North American market. This is one example of how products and solutions from the global portfolio are gradually being introduced onto new markets.

#### **LATIN AMERICA**

The Group's business in Latin America is based in Brazil. Here Gunnebo's operations consist of solutions that prevent losses and increase efficiency in the retail environment. The solutions encompass electronic article

surveillance systems, systems for efficient cash management, electronic security and a well-developed service business. The Group's customers are mainly retailers and cash in transit companies.

Gunnebo's business on other markets in Latin America such as Colombia, Chile, Argentina and the Caribbean, comprises entrance security, safes and vaults, and cash management for customers in banking, retail, mass transit and office buildings.

In 2013 Gunnebo established a sales company in Mexico, which focuses on providing security-related services for international banks represented in the country. In 2014 the Group acquired Dissamex, a provider of electronic security services for most of the banks in Mexico. During 2015 the Group continued to develop the business with the aim of providing security-related services to banks across the nation.

#### **DEVELOPMENT OF THE BUSINESS**

For Gunnebo, business development is closely linked to the strategy of introducing selected parts of the global product portfolio onto markets where the Group has a well-established operation. Another important strategy in developing the business lies in progressively broadening the offering to a customer group, thereby shifting from selling products

to selling solutions. In North America, again in 2015, Gunnebo has continued to broaden its customer base, and this has compensated for weaker demand from governmental customers.

The Group has also continued to invest in developing its cash management offering in the region. A brand new range of products has been developed during the year, specially adapted to meet the needs of the American market. The offering has been successfully introduced on the US, Canadian and Mexican markets.

In Brazil the Group has entered into a strategic partnership with a systems integrator. The partnership gives Gunnebo access to whole new market segments in the country, thus laying a firm foundation for good growth in the business moving forward.

#### **MARKET TRENDS**

Demand for security systems in North America is expected to rise as the major banks start to recover from the economic slowdown and the resulting consolidation of the banking market. One trend is that the national banks are overhauling and reducing their branch network by merging branches. This in turn is driving higher investment as new local and regional branches are established. The new branches are often designed



with comprehensive technological solutions and fewer physical products. The annual growth forecast for Gunnebo's market is 4–6%.

In Latin America, development on the security market is primarily driven by a heightened security consciousness and continued investments by multinational and regional companies setting up in the region. The annual growth forecast for Gunnebo's market is 5–7%.

#### RESULTS FOR 2015

Order intake in Region Americas amounted to MSEK 1,188 (826). Organically, i.e. excluding acquisitions, divestments and currency effects, order intake increased by 26%.

Net sales increased to MSEK 1,107 (884), organically net sales increased by 8%. The main contributors to this positive development are strong sales for retail in Brazil and the banking sector in Mexico, as well as sales of entrance security for public buildings in the USA.

Other business in North America developed less well, primarily because banks continued to consolidate their operations by reducing the number of branches. Despite this trend, during the year Gunnebo has successfully retained its market-leading position as a supplier of safes, vaults and vault doors for the banking sector.

Operating profit excluding items of a non-recurring nature amounted to MSEK 131 (117) and the operating margin was 11.8% (13.2%). Items of a non-recurring nature totalled MSEK –3 (–4).

CIBC (Canadian Imperial Bank of Commerce) | CANADA, Safes & Vaults

## Timely Service Ensures Customer Satisfaction

CIBC (Canadian Imperial Bank of Commerce) is a leading Canadian financial institution that focuses on banking services for retail and business, as well as on asset management. It has more than 1,100 branches nationwide.

CIBC offers its customers a secure, convenient way of making deposits outside of regular bank opening hours with its Night Depository service. Using a self-sealing bag with a unique, traceable serial number, customers can place their deposits in a service box through an opening, called a night head, outside the bank branch.

To guarantee the quality of this service, CIBC must ensure that any old or damaged night heads are upgraded. To keep on top of this, Gunnebo has developed a replacement solution that can be adapted to virtually all of CIBC's deposit machines.

The solution has eliminated the need for costly replacement of the entire safe, which weighs 2,000kg – a considerable saving and a crucial factor in CIBC's choice of this solution.

To date more than 250 units have been upgraded, and there are plans to upgrade even more. Old night heads have been re-used by Gunnebo.

"Gunnebo has completed most of the installations in less than a working day, and where possible customers have been able to use their existing PIN codes," says Art Molasy, Senior Consultant responsible for security issues at CIBC.

"This kept costs down and ensured a minimum of disruption for our customers.

"Gunnebo also carried out a full security overhaul of our entire night deposit system, which included assessing and upgrading our existing safes to ensure that the locks meet the latest standards for electronic combination locks. Consequently, we can now offer a more secure environment for our customers and staff, and this is crucially important to CIBC."



Gunnebo's new night head solution (above) is adapted to CIBC's deposit machines, and saves having to replace the entire safe. Inset left is the old solution.

Leroy Merlin | BRAZIL, Retail Security

## Gunnebo Expands Collaboration with Leroy Merlin

DIY retailer Leroy Merlin has 370 stores in 12 countries. The company started increasing its presence in Brazil in 1998 and it now has 37 stores there, including its flagship store in the Tamboré mall, São Paulo, one of four new stores to open in 2015.

As part of its expansion plan, Leroy Merlin was looking for a partner in Brazil that could provide a complete portfolio of security solutions.

"We chose Gunnebo thanks to their product quality, operating structure and service capacity, from project development to aftersales support," says Emerson Brasil de Almeida,

Loss Prevention Manager at Leroy Merlin.

At its Tamboré site, Leroy Merlin wanted to install the latest theft prevention technology to protect the 9,000 square metre store. Gunnebo installed a complete package of security solutions including electronic article surveillance systems, a CCTV system with a camera on rails to cover large areas, cash management with an intelligent back-office deposit safe, electronic locks and alarm monitoring.

The installation also encompassed equipment for video analysis and image monitoring, checkout surveillance to combat fraud,

and people counters to help provide useable visitor statistics.

"Like all other retailers, we need to identify high-risk products and establish special procedures to protect them," says Emerson Brasil de Almeida, explaining why the company chose Gunnebo's ground-breaking security solutions. "We also need greater precision and control in handling, storing and displaying the products. Gunnebo has been a partner to Leroy Merlin for many years, and supports us in every part of this process, always delivering very high quality."



ANTAD | MEXICO, Cash Management

## The Future of Cash Management

Every year, the National Self-Service and Department Stores Association (ANTAD) of Mexico organises a three-day conference on theft prevention and loss reduction in retail. The conference brings together the region's major retailers, industry experts and suppliers to the retail sector.

The 2015 event was an ideal opportunity for Gunnebo to launch its cash management range on the Mexican market, and start positioning the company as a supplier of effective, innovative cash management solutions to Mexican retailers.

Gunnebo displayed its products at a stand that featured life-like built environments – a supermarket, a clothes shop and a café – to show visitors how the solutions fit into real retail environments.

Gunnebo maximised its presence at the conference by holding a well-attended seminar on theft prevention. The Group's attendance generated a lot of media attention, and was a great kick-off to Gunnebo's launch of cash management solutions in Mexico.

BranchServ | USA, Cash Management

## Building Strong Channel Partnerships in the USA

Hamilton Safe, which Gunnebo acquired in 2012, sells its products via an extensive network of Channel Partners across America.

One of these is BranchServ, a supplier of physical and electronic security solutions with more than 30 years' experience in the industry.

Hamilton's product portfolio includes drive-up systems, a popular solution in the USA for bank customers, who drive up to a bank branch and deposit or withdraw cash without having to leave their cars. The cash is delivered to the customer through a pneumatic tube, which is fast and secure.

In 2015, a major bank was looking to upgrade its drive-up systems, and BranchServ worked with

Hamilton Safe's team of engineers to create a customised solution in line with the bank's needs. The result was that equipment worth more than USD 700,000 was developed for around 160 bank branches, including not only drive-up units but also systems for vehicle detection, transaction boxes and electronic security.

"Because of Hamilton Safe's devotion to customer service and finding solutions for the customer, they stand out from the crowd," says Michael Iadarola, Vice President at BranchServ. "Their ability to customise products in-house with their engineers has made it possible for us to offer customers the right solutions, within the time frames we had to work with. That's why we work with Hamilton Safe."



## OPERATIONS

# Global Manufacturing Close to Customers

At the end of 2015, the Gunnebo Group had 13 manufacturing units (🏭) in 11 countries worldwide.

In recent years, Operations has been supporting the Group's strategy by developing its manufacturing footprint to focus increasingly on growth markets. In areas where Gunnebo's customer base has increased, so has production. One such example is India, where the Halol plant has expanded significantly to accommodate larger production volumes, particularly for ATM safes. Another example is Indonesia, where the Jakarta factory has been partially refitted to allow production of cash management products.

The number of employees stated on the map relates to Operations.

## Americas

Proportion of employees: 9%

1. CINCINNATI

Number of employees: 186

Manufactures: Safes & vaults, entrance security, airtube systems

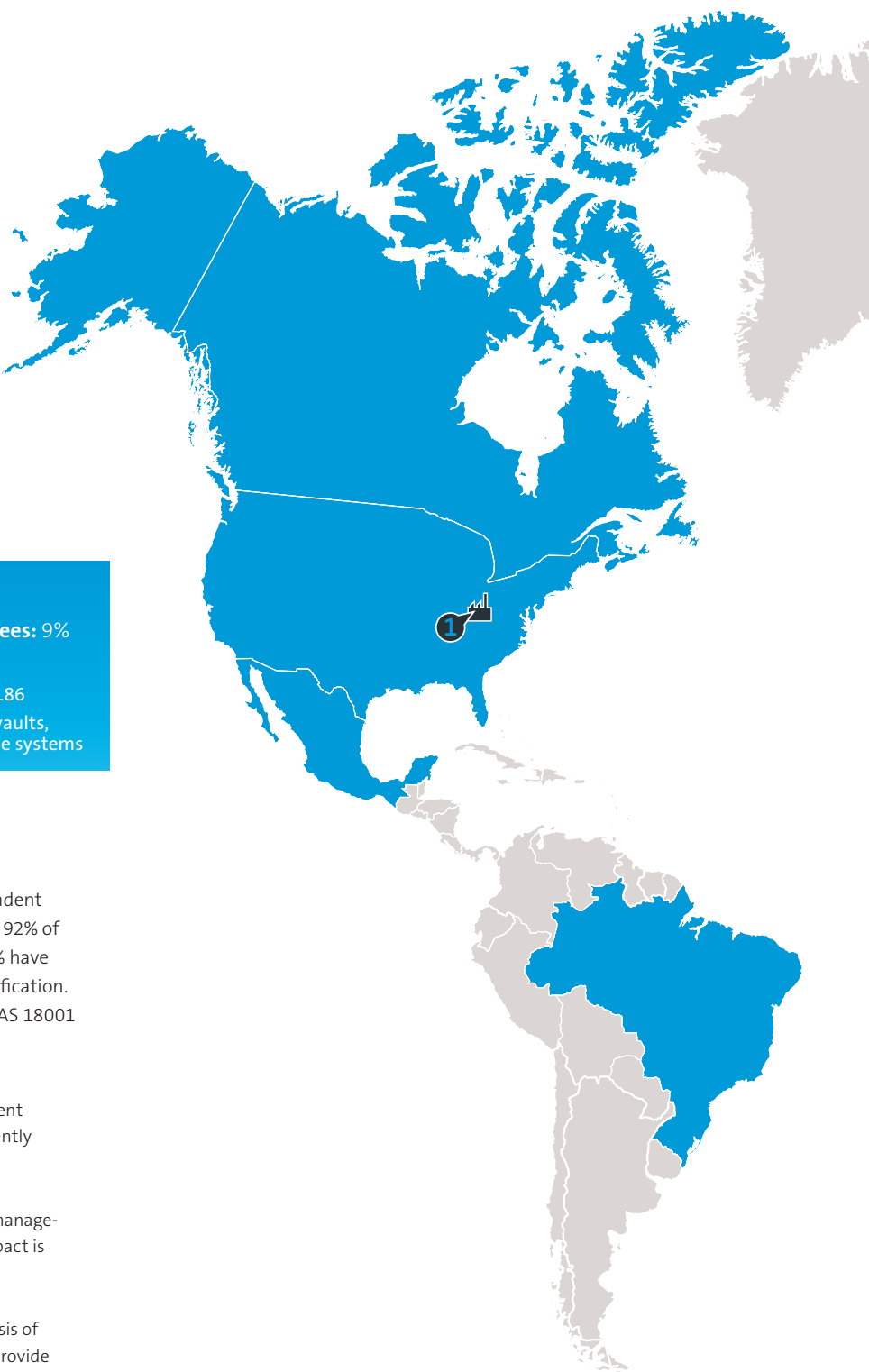
## Global Standards

Gunnebo's manufacturing units undergo regular independent audits to meet the requirements set by global standards. 92% of the manufacturing units have ISO 9001 certification, 77% have ISO 14001 certification and 38% have OHSAS 18001 certification. Gunnebo's goal is to introduce ISO 9001, 14001 and OHSAS 18001 at all manufacturing units.

**ISO 9001** An international standard for quality management systems. It provides assurance that products can be consistently produced to the required standard of quality.

**ISO 14001** An international standard for environmental management systems. It provides assurance that environmental impact is being measured and improved.

**OHSAS 18001** A series of standards that can form the basis of a health and safety management system. These standards provide assurances that an organisation is managing occupational health and safety risks.



## Europe, Middle East & Africa

Proportion of employees: 36%

### 1. BALDENHEIM

Number of employees: 77

Manufactures: Entrance security, electronic security  
ISO 14001, ISO 9001

### 2. BAZANCOURT

Number of employees: 123

Manufactures: Safes & vaults  
ISO 14001, ISO 9001, OHSAS 18001

### 3. DOETINCHEM

Number of employees: 255

Manufactures: ATM safes  
ISO 14001, ISO 9001, OHSAS 18001

### 4. LAVIS

Number of employees: 53

Manufactures: Entrance security  
ISO 14001, ISO 9001

### 5. MARKERSDORF

Number of employees: 39

Manufactures: Safes & vaults  
ISO 14001, ISO 9001, OHSAS 18001

### 6. TRIER\*

Number of employees: 41

Manufactures: Cash management  
ISO 14001, ISO 9001, OHSAS 18001

### 7. UCKFIELD\*\*

Number of employees: 8

Manufactures: Entrance security  
ISO 14001, ISO 9001

### 8. BINEFAR

Number of employees: 53

Manufactures: Cash management  
ISO 9001

### 9. WADEVILLE

Number of employees: 80

Manufactures: Safes & vaults, entrance security  
ISO 9001

\*Relocation of production planned for 2016

\*\*Relocation of production to be completed in 2016

## Asia-Pacific

Proportion of employees: 55%

### 1. HALOL

Number of employees: 749

Manufactures: Safes & vaults, ATM safes  
ISO 14001, ISO 9001

### 2. JAKARTA

Number of employees: 329

Manufactures: Safes, cash management  
ISO 14001, ISO 9001, OHSAS 18001

### 3. KUNSHAN

Number of employees: 43

Manufactures: Cash management, entrance security  
ISO 14001, ISO 9001



## OPERATIONS

# Production Efficiency at the Heart of the Business

Operations is responsible for Gunnebo's manufacturing units and the coordination of procurement, logistics and research & development processes within the Group.

### OPERATIONAL EXCELLENCE

The Gunnebo Operations System (GOS) was introduced into the Group in 2013 as a standardised production system and a means to secure the continuous improvement of manufacturing processes. This has given all of Gunnebo's manufacturing units a platform from which to perform more efficiently.

During 2015, all manufacturing units completed their second or third round of GOS assessments, ranking themselves in six key areas known as the GOS Principles: Quality, Delivery, Cost, People, Continuous Improvement and Health & Safety. The assessments help identify where improvement programmes have really made an impact and where progress still needs to be made. The evaluations carried out in 2015 revealed that every unit had improved on its overall score compared to the previous year.

2015 also saw the introduction of an e-learning course dedicated to GOS giving employees the opportunity to connect to the Gunnebo Training Centre and pass a test on the GOS philosophy, standards and tools.

### PROCUREMENT & LOGISTICS

Gunnebo has a central function which coordinates procurement for a number of global categories: steel, sheet steel, indirect materials, transport, electronics, locks, circuit boards and safes. This function allows the Group to negotiate better overall terms in these categories and serves to keep the total number of suppliers down.

Procurement costs, particularly in Europe, are also being reduced by increasing the level of sourcing from best-cost countries.

The restructuring of Gunnebo's supply

chain in Europe, which began in 2014, continued in 2015.

### PRODUCT DEVELOPMENT

In 2015 the Group launched new products onto multiple markets in the safes & vaults segment. This included two ranges of Grade 1 and Grade 3 safes, and a new vault and vault doors offering as well as new ranges of fire-proof filing cabinets and document cabinets. Strategic projects also continued within cash management, particularly related to software development.

In addition, the Group's research and development capabilities were further strengthened through the acquisition of Spanish cash management product supplier, Grupo Sallén.

### OCCUPATIONAL HEALTH

Maintaining and improving health and safety standards at Gunnebo's plants is of the utmost importance. As an integral part of GOS, health and safety has a defined wanted position and is measured using key performance indicators (KPIs) in the same way as other areas such as on-time delivery and production quality. The intention is for all of Gunnebo's manufacturing units to be certified to OHSAS 18001 for health and safety management systems.

### REGIONAL REVIEW

#### Region EMEA

9 factories, 36% of employees

An investment programme for Gunnebo's Doetinchem plant in the Netherlands was initiated during 2015. The plant, which focuses predominantly on the production of safes for ATMs, achieves high levels of quality, and the investment has been made to ensure that the plant retains its status as a benchmark factory for the manufacture of ATM safes and to increase profitability. During 2015, Doetinchem also continued to contribute to the improvement of quality across the Group by sharing its best practices with other plants.

The French plant in Bazancourt is the

Group's second largest factory in the region after Doetinchem, and focuses on the production of safes.

During the year, Bazancourt continued to improve quality and lead times in response to the standards set by key customers. For example, a long-term and more detailed forecasting system has been put in place which has helped to considerably reduce lead times. Furthermore, in terms of quality improvements, stricter final product controls have been set up and internal processes have been aligned to ensure the customer's quality standards have been met.

#### Region Asia-Pacific

3 factories, 55% of employees

During 2015, the production volume has continued to increase at the Halol plant in India, driven by the local demand for ATM safes. Production at the plant has increased twice in the last two years to meet this demand and Halol now produces around one-third of all the Group's ATM safes.

GOS initiatives to improve production efficiency and increase the involvement of employees in continuous improvement processes have also been under way in Halol. During 2015 the India plant tracked and awarded the best examples of production improvements, known within lean manufacturing as 'kaizen'. The plant was also recognised for its people development work through an award received at the "Manufacturing Today Reinventing the Future" event held in Indore in October.

In Indonesia, the Jakarta factory has been developing its competence in cash management products with a view to becoming the cash management production centre for Region Asia-Pacific. Investment was made during 2015 in extra dust-free, air-conditioned capacity to accommodate the manufacture of cash recycling and cash storage products. This supports the Group's strategy to grow its cash management business. For the region, it will mean improved lead times and a dedicated customer service function.

The Kunshan plant in China has also been supporting the growth of the business by ramping up production output of ticket gates for the local metro market by 50%. The manufacturing unit has also carried out several optimisation projects during the year resulting in better utilisation of factory space, more efficient energy consumption

and a reduction in the amount of packaging material used.

#### Region Americas

1 factory, 9% of employees

Manufacturing within Hamilton Safe, the American business acquired by Gunnebo in 2012, has continued to embrace the approach

advocated by the Gunnebo Operations System. 2015 saw a high level of involvement with GOS and efforts to make production processes more efficient. Activities have included the creation of a new assembly line and integrated testing centre for air tube products, and the development of a new pouring station for vaults to allow for higher volumes.

## Collaboration Drives Supply Chain Optimisation

Markus Pöthe holds a senior position in Group Procurement & Logistics. The function supports the implementation of cost optimisation projects in procurement and logistics throughout Gunnebo.

#### **Procurement & Logistics is a core function within Operations and the Group. How do you build a successful Procurement & Logistics organisation?**

"By working more closely together throughout the Group. Communication, networking and collaboration within a Group-wide Procurement & Logistics community are critical to success. A good deal of this is about taking best practices and sharing them in order to create centres of excellence. Where there are positive initiatives being undertaken locally, these are identified and applied elsewhere.

"Closer collaboration also leads to a greater exchange of knowledge which helps us grow and become more adept in the way we work with procurement and logistics in the Group. By pooling our expertise together, our strength as a purchaser is amplified."

#### **What have been the main initiatives undertaken within Procurement & Logistics during 2015?**

"Within Procurement several successful savings initiatives have been carried out during the year. For example, in France a detailed spend and category analysis was performed which contributed to cost reductions and significantly increased purchasing visibility.

"Within logistics, work continued to integrate the new supply chain model introduced into Europe during 2014 and a roadmap for the coming four years has been put in place. This restructuring of the supply chain, which included optimisation of warehouse locations in Europe, has started to lead to greater efficiencies. Due to an increase in direct shippings, transport and administration costs in the region have been cut in 2015."

#### **Looking ahead, what will be the main focus within Procurement & Logistics during 2016?**

"In 2016 we will focus on greater collaboration across business units in order to take advantage of our regional and cross-



Markus Pöthe

regional strengths within procurement and optimise costs across the Group. We will also look to move further towards sourcing from best-cost countries and leverage spend by reducing the number of suppliers. Leveraging on regional strengths will equally be a priority within logistics. There will also be increased attention on reducing stock. In addition, efforts will be focused on a thorough evaluation of all storage locations as a starting point for the optimisation of the Group's warehouse structure."

## CORPORATE RESPONSIBILITY

## Contributing to a Sustainable Future

The Gunnebo Group has a strong commitment to contributing to a long term sustainable society. We strive at improving our performance through challenging targets and dedicated work. By adhering to the ethical guidelines in our Code of Conduct, both our employees and our suppliers will contribute, in their day-to-day activities, to a brighter and greener future.

## CORPORATE RESPONSIBILITY

Gunnebo aims at creating a sustainable and profitable business. The Group's Code of Conduct outlines the basic principles that guide Gunnebo's operations.

The Code of Conduct is based on the following international principles:

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

This provides the Group's employees with clear guidelines on how to act professionally and ethically in their interactions with customers, business partners and suppliers. All employees should be aware of their responsibility to protect the environment and act in a socially responsible manner.

All suppliers are expected to comply with the same standards as Gunnebo. The Group's major suppliers are obliged to submit a declaration of compliance with Gunnebo's Code of Conduct.

## SOCIAL RESPONSIBILITY

Gunnebo offers safe, healthy and adequate work environments. The Group is determined to create an environment where employees can develop their full potential.

Gunnebo's mission is to contribute to a safer world through the Group's products and services.

## ENVIRONMENTAL RESPONSIBILITY

Gunnebo has identified the various environmental aspects of its business operations. The information is updated on a regular basis, which allows the Group to set adequate and challenging targets to improve its environmental performance.

The majority of Gunnebo's production sites have established environmental management systems compliant with the ISO 14001 standard. System requirements include a commitment to comply with environmental legislation and applicable business standards.

## GLOBAL DECLARATION ON SUSTAINABILITY

In 2016 Gunnebo will publish a document outlining its commitment to business, social and environmental sustainability. The document connects to the Gunnebo Code of Conduct and the principles that form the basis of the Code. The Declaration can be found in the material submitted for tenders to demonstrate how Gunnebo is committed to building a sustainable business.

## CORPORATE



## SOCIAL



## ENVIRONMENTAL



## PEOPLE AND LEADERSHIP

# Leadership and Personal Development in Line with the Business Goals

The development of people and the organisation should go hand in hand with the company's strategy. Gunnebo therefore makes extensive efforts to plan individual development and secure the long-term supply of leaders. Each of Gunnebo's 5,482 (5,670) employees should be aware of what they can do to help achieve the business goals.

As Gunnebo is in a process of adapting the organisation to support the business in the best way, particular emphasis during the year has been placed on leader development, employee discussion and streamlining the company's recruitment processes.

### LEADER DEVELOPMENT

Gunnebo launched new leader development programmes in 2015 which are closely linked to the Group's strategy. The corporate management is deeply involved in both the planning and execution of the programmes. Priority areas are collaboration, and capitalising on internal strengths and resources. The aim is that all managers who report to a member of the corporate management should complete one of the development programmes within three years. Within four years, the majority of the company's managers should have taken part in one of the company's leader development programmes.

### PERSONAL DEVELOPMENT

To ensure that Gunnebo's employees develop

in the same direction as the company, each individual should know what is expected of them, both now and in the future. In 2015, the focus has remained on introducing tools for planning individual development linked to 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 conducted every year with all employees in the Group. The aim is to make it easier to set individual goals and formalise the assessment of personal progress. Regular reviews like this are essential in helping employees to grow.

### EMPLOYEE SURVEY

At the end of 2015, a global employee survey entitled 'Your Voice' was conducted in the Group. The aim is to gauge how committed Gunnebo's employees are to their own personal development, as well as to the development of their team and company.

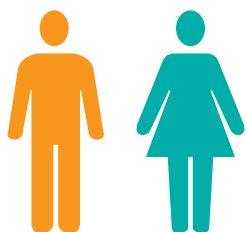
In 2016 Gunnebo will process the survey

results and ensure they are collated and analysed. Internal work groups will draw up action plans in improvement areas, and ensure that existing positive areas continue in the same vein.

### DIVERSITY

One of Gunnebo's strategic goals is to increase insight into and harness the advantages of the Group's diversity. For a global corporation, understanding local market conditions, the culture, and employee needs is pivotal to develop the business. An organisation characterised by equality and diversity contributes to creativity, which breeds new ideas, which in turn are a prerequisite for

### Gender distribution



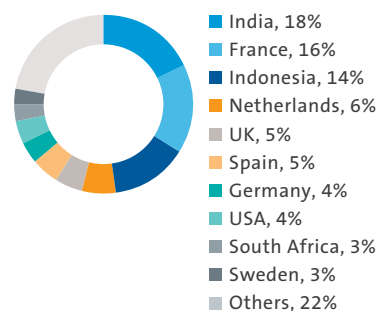
Managers



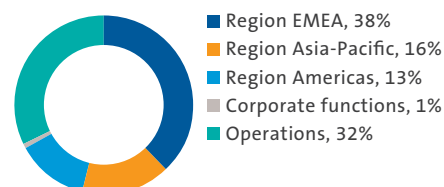
Employees



### Employees by country



### Employees by organisation





success. Gunnebo runs several global projects to ensure that the company harnesses the Group's diversity and develops equality in all of its workplaces.

## RECRUITMENT

Gunnebo's recruitment process aims to find employees with the right skills who can develop and streamline their work tasks. To make this possible, it is vital that the individual shares the Group's values.

During the year, tools have been introduced to assess individuals' working methods, the aim being to find candidates with the necessary qualities to develop Gunnebo and implement the company's strategy. Recruitment training has been conducted for managers and HR staff. The focus has been on finding candidates who will enjoy working at Gunnebo for many years to come.

## TRAINING

To facilitate the dissemination of knowledge and increase accessibility to training, Gunnebo has an online training centre which offers web-based courses. The Gunnebo Training Centre covers a range of topics from strategy and product functionality to maintenance procedures and certification methodology. In 2015, 4,115 employees completed 12,871 hours of training. Taking courses online also helps to reduce the costs and environmental impact associated with travelling.

## HUMAN RIGHTS

As a global organisation, it is Gunnebo's ambition to comply with human rights principles in all controllable aspects of its business. Gunnebo's Code of Conduct contains clear guidelines describing how employees should act in an ethical manner in every aspect of

their work. The Code provides employees with clear guidelines on how to act professionally in their interactions with customers, partners, suppliers, society and colleagues.

To ensure that this information is correctly understood, all employees have access to a course to learn about the Code of Conduct and its contents. Gunnebo encourages its suppliers to follow the Code of Conduct and applies its principles when choosing new business partners.

# Taking Leadership to the Next Level

In 2015, Gunnebo launched its new internal strategic leadership programme. Myriam Bevillon, head of Group Research & Development, was one of the participants who completed the opening module of the programme in Sweden.

### How important is it to run a leadership programme like this in the Group?

"It is essential for a company like Gunnebo, which wants to build for the future, that the employees are given scope to develop. And it's particularly important when it comes to developing leaders, as these are the people who will drive the business forward and set the right example for the rest of the company to follow."

### What has been your most important lesson so far?

"A company is nothing without the people who work for it and no one can work in isolation. So it's all about developing the right behaviours to encourage colleagues to join forces, pool their expertise and achieve great things together."

### What are the biggest positives of being involved in Gunnebo's leadership programmes?

"It has given me the opportunity to reflect on what I'm doing right – and what I need to improve on as a manager. We don't always realise the true impact of our actions further down the organisation, so having the time to step back and understand the implications of our behaviour is extremely valuable. This helps us develop our skills as competent leaders."



Myriam Bevillon

The programme has also been a chance to build stronger networks, both with colleagues we don't ordinarily interact with and with members of Gunnebo's senior management team. The senior managers made themselves available to all the participants and really took the time to listen to our insights and reflections."

## ENVIRONMENTAL MANAGEMENT

# Improving Performance through Challenging Targets

In 2015 a review of the Group's environmental impact and other environmental aspects was undertaken. Based on this, a new set of environmental targets has been established for Gunnebo's future operation.

Energy efficiency and reduction of climate impact have been focus areas of the Group's efforts for a long time. This continued during 2015 with energy saving measures and an increased awareness among Gunnebo's employees.

### ENVIRONMENTAL MANAGEMENT

Ten of Gunnebo's 13 production sites have implemented environmental management systems compliant with the ISO 14001 standard. This ensures an adequate and active

approach to environmental issues. The standard requirements include a commitment to comply with legislation and applicable standards in our business areas. The management systems ensure that environmental aspects are identified and updated on a regular basis. Within the management systems, programs are established in order to meet targets on both Group and local level. The systems further include procedures for internal audits and the handling of non-conformities. Exter-

nal audits are undertaken by the certification bodies at regular intervals.

At the Group's production site in Doetinchem, the ISO 14001 system was certified as early as 1999. The other sites have followed suit.

At Hamilton Safe an active process has been undertaken during the year to introduce a management system compliant with the revised environmental standard ISO 14001:2015. The management system is scheduled for certification during the second quarter of 2016.

The overall environmental control and reporting structure is described below.

### REDUCING CLIMATE IMPACT

Energy efficiency has been a priority for many years and a number of activities and measures have been undertaken. The 2015 activities included modification of the heating system in Kunshan, resulting in a reduction in

## Control and Reporting of Gunnebo's Environmental Programmes



natural gas consumption. At the Jakarta site a programme for electrical efficiency has led to an 11% reduction in consumption in 2015 compared to 2014, and the transition of the Uckfield plant has given a substantial boost to energy efficiency.

Gunnebo is proud to be a part of the Clean Shipping Network, an association of cargo-owning corporations which have decided to utilise the Clean Shipping Index in their sea transport procurement. The index offers environmental ranking for ships and entire carriers based on their performance in different areas. Ships and carriers are evaluated based on emission levels of e.g. carbon dioxide, nitrogen and sulphur.

### ENVIRONMENTAL TARGETS

Based on the review of the Group's environmental impact undertaken in 2015, a new set of challenging environmental targets has been established. The focus areas are Energy & Climate and Waste Management. The targets in these areas will be achieved through Group-wide initiatives, but also through the environmental programmes established

within the framework of the management systems at our production plants.

### ENVIRONMENTAL REPORTING

The reliable reporting of appropriate environmental parameters is fundamental when deciding on focus areas and setting targets for the future, for example. In order to further improve environmental reporting, a new reporting system was introduced during 2015 and will be operational from the first quarter of 2016. Environmental reporting now runs parallel with other reporting, and now includes not only factories but major sales units as well. Energy consumption and waste recycling are among the parameters that will be reported on a quarterly basis.

The new reporting procedures enable a solid and robust documentation of Gunnebo's environmental impact and form the basis of target follow-up.

During 2015, the co-operation with Gunnebo's partners for vehicle leasing was expanded to include reporting of fuel consumption and carbon dioxide emissions for every vehicle in the fleet of leased vehicles.

### SUPPLY CHAIN

All of Gunnebo's leading suppliers are expected to contribute to sustainable development. Leading suppliers shall sign and submit a declaration that they comply with the Gunnebo Code of Conduct.

### PRODUCTS CONTRIBUTING TO SUSTAINABILITY

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

## Gunnebo's Environmental Targets

Challenging new environmental targets were set during the year.  
The focus areas are still Energy & Climate and Waste Management.

#### ENERGY & CLIMATE

- Reduce the use of electricity at production sites and major sales units by 8% from 2016 to 2020. Revenue related target.
- Reduce CO<sub>2</sub> emissions from production sites and sales units by 15% from 2016 to 2020. Revenue related target.
- Reduce CO<sub>2</sub> emissions from own fleet by 20% on average by 2020.

#### WASTE

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

#### ENVIRONMENTAL MANAGEMENT

- All production sites ISO 14001 certified.

#### SUPPLY CHAIN

- All leading suppliers should have self declared to comply with the Gunnebo Code of Conduct by the end of 2016.

# Initiatives for the Development of Local Communities

Gunnebo encourages its employees to be good citizens, and in many countries where the Group operates initiatives are undertaken to support local communities.

In South Africa Gunnebo works to improve the living conditions of many local people through a combination of community projects, education and support for the national Nonprofit Organisations Directorate (NPO).

## HELPING LOCAL BUSINESSES

Florence Makhooa runs her catering business from the pavement outside the Gunnebo South Africa offices. She has been coming there to prepare food for her customers for over 20 years.

Florence struggled to her plot every morning with a wheelbarrow laden with pots and supplies. Gunnebo offered to store her pots

and utensils safely on its premises, and gave Florence the scrap wood from its pallet construction department so she had fuel for her cooking fire.

When winter set in, Gunnebo South Africa also decided to build Florence a proper kiosk with a serving counter that would also serve as shelter from the harsh weather, as well as a lockable door. Florence serves chicken and vegetables to passers-by on the Nagington Road, many of whom are employees at the nearby Gunnebo South Africa offices.

## CREATING OPPORTUNITIES FOR YOUNG PEOPLE

In co-operation with the South African Government and the Metal and Engineering Services Seta (Training Board), Gunnebo South Africa has, for the past three years, taken on industrial engineering students.

During 2015 the company increased its intake to ten students, taking candidates from

fields such as finance, procurement, IT, sales and marketing.

Gunnebo is also extending its student programme in South Africa to include four disabled students who are going to be completing their apprenticeships as welders with the company. This opportunity will make it easier for them to enter the workplace once qualified.

## WORKING IN THE COMMUNITY

Gunnebo South Africa supports a South African non-profit organisation dedicated to alleviating poverty. The organisation offers social relief by providing accommodation for the homeless, distributing food, clothing and blankets, and supplying skills training and adult education for the poor. The charity's primary objective is to help people help themselves, and places great emphasis on enterprise development.



Dirontso Gladys Dhlamini helps Florence Makhooa who runs her catering business from the pavement outside the Gunnebo South Africa offices.



# 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 2015 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 2015 financial year. Throughout the year, Gunnebo has complied with the regulations of the Code in all respects, except in regard to the time of publication of the Nomination Committee members ahead of the 2016 Annual General Meeting. The company did not have access to this information before the deadline for the publication of these details (six months before the Annual General Meeting) as stipulated in the Code. The composition of the Nomination Committee was published on the company's website on 16 October 2015.

## 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 division 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 it meets established targets, applicable legislation, other regulations and internal policies.

In 2015, the following groups were primarily in charge of the governance, management, control and divisions of responsibilities at Gunnebo:

- Shareholders
- Board of Directors
- President
- Group Executive Team
- Operational management groups in regions, sales companies and Operations
- Group corporate functions

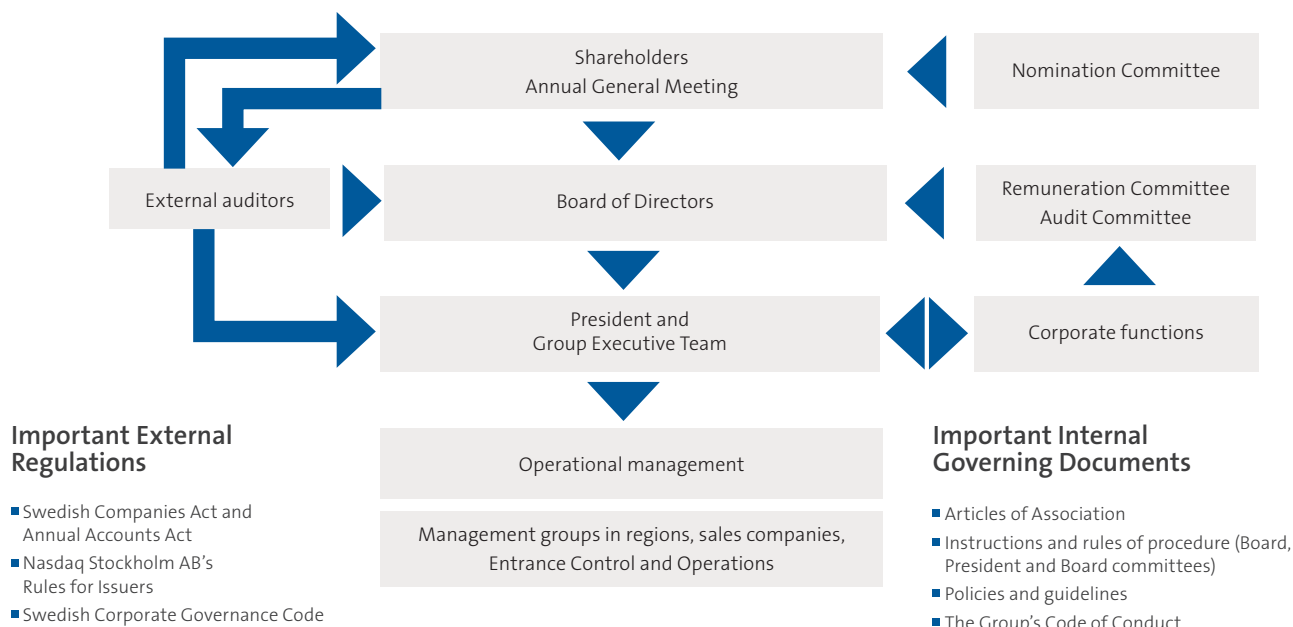
## SHAREHOLDERS AND THE SHARE

For information about shareholders and the Gunnebo share, refer to pages 92–93 and [www.gunnebogroup.com](http://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 amount 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 far enough in advance to be included in the convening notice to the General Meeting.

## Overview of Gunnebo's Corporate Governance



## 2015 ANNUAL GENERAL MEETING

The 2015 Annual General Meeting was held on 15 April at the Chalmers Student Union building in Gothenburg. A total of 128 shareholders took part in the Meeting, representing 65% 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 were in attendance.

Minutes from the Annual General Meeting have been published on Gunnebo's website: [www.gunnebogroup.com](http://www.gunnebogroup.com). The Meeting adopted resolutions including:

- A dividend according to the Board and President's proposal of SEK 1.00 per share for the 2014 financial year.
- Re-election of all Board members and election of new member Eva Elmstedt
- Re-election of Martin Svalstedt as Chairman 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 2016 Annual General Meeting
- Introduction of a long-term savings-share-based incentive programme, LTIP 2015
- Amendment to the Articles of Association in order to facilitate the issue of a new convertible and redeemable type of share, Class C shares, within the framework of the LTIP 2015
- Authorisation for the Board to, on one or several occasions during the period up until the next Annual General Meeting, resolve on an issue of a maximum 919,939 Class C shares to a pre-arranged external party with the objective of securing the undertaking in accordance with LTIP 2015 and payment of future social security charges attributable to LTIP 2015
- Authorisation for the Board to, on one or several occasions during the period up until the next Annual General Meeting, resolve on repurchase of a maximum 919,939 Class C shares from the holders of Class C shares with the objective of securing the undertaking in accordance with LTIP 2015 and payment of future social security charges attributable to LTIP 2015
- Resolve on a free-of-charge transfer of a maximum 729,053 ordinary shares to the LTIP 2015 participants that entitle each of the participants to acquire the maximum number of shares stipulated in the terms and conditions of LTIP 2015
- 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.

## 2016 ANNUAL GENERAL MEETING

The next Annual General Meeting of shareholders in Gunnebo will be held in the Chalmers Student Union building, Chalmersplatsen 1, in Gothenburg on Tuesday, 12 April 2016. More information about the Annual General Meeting is available on page 90 of this Annual Report and at [www.gunnebogroup.com](http://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 2015 Annual General Meeting that, for the period until the 2016 Annual General Meeting, Gunnebo's Nomination Committee would consist of one representative from each of the three largest shareholders as of 30 September 2015 as well as the Chairman of the Board. This means that the following shareholder representatives constituted the Nomination Committee for the period until the 2016 Annual General Meeting: Dan Sten Olsson (appointed by Stena Adactum), Nils-Olov 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 executive management. Furthermore, Nils-Olov Jönsson and Ricard Wennerklint are deemed to be independent of the company's largest shareholders in terms of votes. No remuneration is paid by the company to the members for their work on the Nomination Committee. The Nomination Committee held one meeting prior to the date of this Annual Report. Contact the Nomination Committee by e-mail to [valberedningen@gunnebo.com](mailto:valberedningen@gunnebo.com) or by post to Gunnebo AB (Att. Nomination Committee) to the address printed on page 96.

## 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 2015, 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. 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. The rules of procedure also outline the division of work and responsibilities between the Board, the Chairman, the Board Committees and the President.

## THE BOARD'S WORK IN 2015

In 2015, the Board convened eight times in addition to the statutory meeting. The work of the Board has been performed as illustrated on page 38.

## CHAIRMAN OF THE BOARD

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the 2015 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 receive 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 executive management, 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 executive management and the major shareholders, and other assignments in other companies are presented in the table on page 39 and the presentation of Board members on page 42.

## 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 2015, 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.

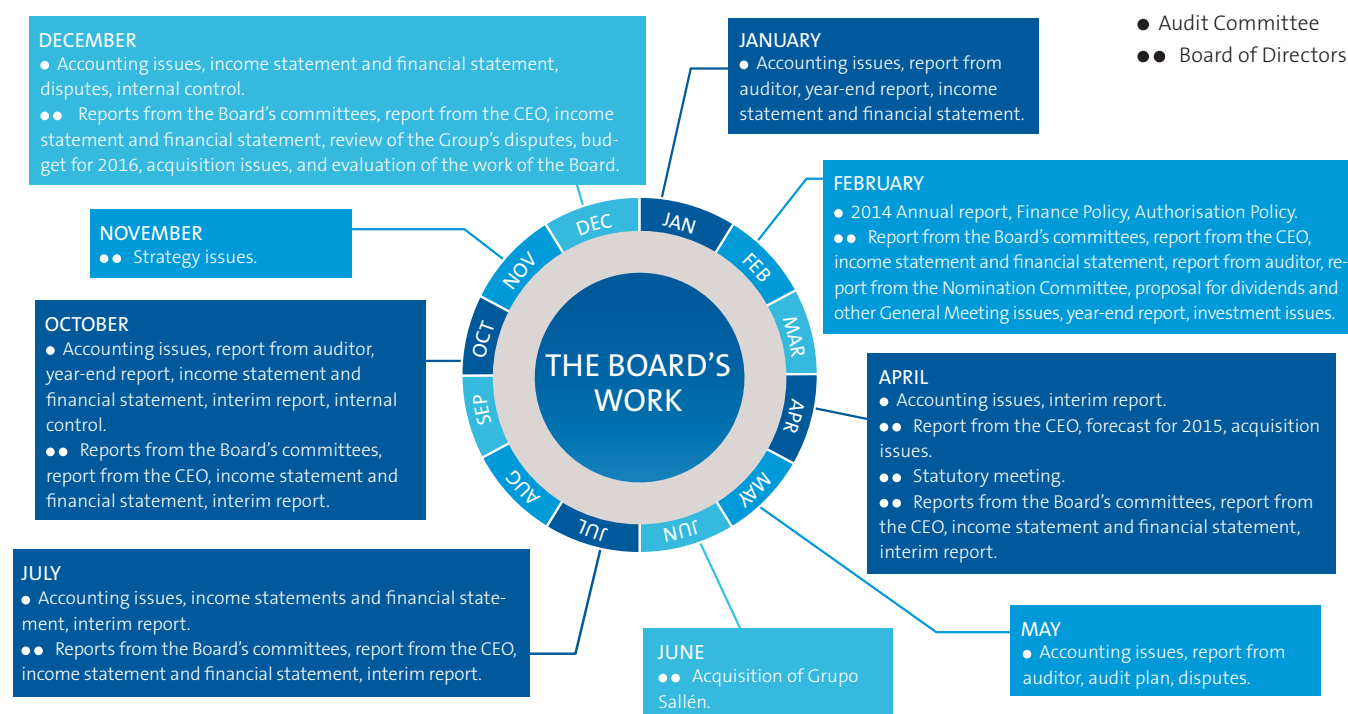
## AUDIT COMMITTEE

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 also include examining and monitoring the Group's financial reporting, external reporting, internal control and ensuring the management and reporting of financial risks. Following the 2015 Annual General Meeting, the Committee comprised Bo Dankis (Chairman), Mikael Jönsson and Tore Bertilsson. All of the members of the Audit Committee are independent of the company and company management and, with the exception of Mikael Jönsson, the company's major shareholders.

The Committee held seven meetings during the year and the Group's auditors participated in four of them. The Group's auditors also participated at one Board meeting to present an account of their audit. Matters addressed by the Committee are illustrated below. The attendance of the Committee members at meetings is presented in the table on page 39.

## REMUNERATION COMMITTEE

The Remuneration Committee's task includes preparing issues pertaining to the conditions of employment for the Group Executive Team, succession planning and other personnel development issues referred to the Commit-



tee by the Group Executive Team and the Group's SVP HR. The Remuneration Committee also evaluates the application of the guidelines for remuneration to senior executives adopted by the Annual General Meeting. The Remuneration Committee follows written rules of procedure.

Following the 2015 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 below.

## AUDITORS

Gunnebo's auditors are elected at the Annual General Meeting. The auditor audits the annual accounts, bookkeeping and consolidated accounts as well as the management of the CEO 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 Meeting. At the 2015 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 2016 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 34.

## PRESIDENT & CEO AND GROUP EXECUTIVE TEAM

As of 1 June 2015, 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 op-

erational 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, Operations, Entrance Control, and corporate functions. At year-end 2015, the Group Executive Team consisted of eight individuals. These individuals are presented on page 43 of this Annual Report. In 2015, the Group Executive Team held 12 meetings. The meetings mainly focused on the Group's strategic and operational development as well as performance monitoring.

## OPERATIONAL MANAGEMENT

Gunnebo's operating activities consist of the regions EMEA, Asia-Pacific and the Americas with sales companies, and the business unit Entrance Control as well as Operations. 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 ensuring and following up on the implementation of the decisions made. Other members of the operational management teams include representatives from the Group Executive Team and representatives from the management groups of each of the units. 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 Operations (production, quality, logistics and purchasing), finance, IT, legal affairs, human resources, communication and marketing. These functions are responsible for preparing relevant Group-wide strategies 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 2015

Name Elected at Annual General Meeting	Elected	Board meetings	Remuneration Committee	Audit Committee	Independent in relation to:		Total remuneration, SEK
					The company and executive management	The company's largest shareholders	
Martin Svalstedt	2003	9 (C)	4 (C)		Yes	No	500,000
Tore Bertilsson	2012	9 (M)		7 (M)	Yes	Yes	280,000
Göran Bille	2008	7 (M)	4 (M)		Yes	Yes	280,000
Charlotte Brogren	2012	9 (M)			Yes	Yes	250,000
Bo Dankis	2006	8 (M)		7 (C)	Yes	Yes	300,000
Eva Elmstedt	2015	7 (M)			Yes	Yes	125,000
Mikael Jönsson	2000	9 (M)	4 (M)	7 (M)	Yes	No	310,000
<b>Employee representatives</b>							
Crister Carlsson	2010	9 (M)					38,700
Irene Thorin	2012	9 (M)					38,700
<b>Number of meetings:</b>		<b>9</b>	<b>4</b>	<b>7</b>			<b>Total: 2,122,400</b>

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.

## 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 division 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 audit 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," pages 44–47, and in Note 3, "Financial Risk Management and Financial Instruments."

## CONTROL ACTIVITIES

The control structure is to ensure efficacy and good internal control in the Group's processes and is based on minimum requirements for good internal control in defined significant processes. A revision of the minimum requirements for good internal control in the purchasing process, the sales process, the year-end and reporting processes, the inventory process and the salary process was initiated in 2015. All Group companies complete a self-evaluation on how they conform to the Group's minimum requirements for internal control in select processes. Irregularities are identified and measures are planned and carried out by the companies. An internal audit/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

Information and communication about internal governing instruments for the financial reporting is available for all concerned employees on Gunnebo's intranet. The Gunnebo Training Centre (GTC) is a tool used for training and communication of, for example, the Group's vision, targets, strategies and the Code of Conduct. The CFO and Group Accounting Manager reports to the Audit Committee the results of its internal control work. The result of the Audit Committee's work in the form of observations, recommendations and proposals for resolutions and measures are regularly presented to the Board. The external financial reporting is done in accordance with relevant external and internal governance instruments.

## 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 budget and targets as well as annual statements with results from self-evaluations and internal audits. Internal audits/review are conducted by the corporate finance function with the help of the company's external auditors. In the year ahead, the ongoing internal control process will primarily concentrate on rectifying shortcomings identified in the self-evaluation, 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.

# Auditor's Report on the Corporate Governance Report

*This auditor's report on the corporate governance report 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 Annual General Meeting of Gunnebo AB  
Corp. Reg. No. 556438-2629

It is the Board of Directors who is responsible for the Corporate Governance Report for the financial year 1 January 2015 to 31 December 2015 included in the printed version of this document on pages 36–40 and that it is prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on that reading and our knowledge of the company and the Group, we believe that we have sufficient basis for our opinions. This means that our

statutory examination of the Corporate Governance 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.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and consolidated accounts.

Gothenburg, March 4, 2016

Deloitte AB

*Signature on the Swedish original*

Hans Warén

Authorised Public Accountant

# Board of Directors

## Martin Svalstedt

### Chairman

**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 Meda AB, Ballingslöv International AB, and Stena Renewable AB; member of Envac AB, Stena Adactum AB and Stena Sessan AB

**Shareholding:** 180,000 (of which 60,000 via endowment insurance)



## Tore Bertilsson

### Board member

**Elected:** 2012

**Born:** 1951

**Nationality:** Swedish

**Main position:** Professional Board member and industrial advisor

**Education:** Master of Science in Business Administration

**Professional background:** Executive Vice President and CFO AB SKF, Bank Director SEB

**Other Board assignments:** Chairman of Perstorp, PRI Pensionsgaranti and AB Ludvig Svensson; member of IKEA Group, Semcon, Stampen, JCE Group AB and Gamla Livförsäkringsbolaget SEB Trygg Liv

**Shareholding:** 8,000



## Göran Bille

### Board member

**Elected:** 2008

**Born:** 1955

**Nationality:** Swedish

**Main position:** Industrial advisor

**Education:** Master of Science in Business Administration

**Professional background:** President and CEO of Gina Tricot AB, several senior positions at H&M including President of H&M Rowells, Country Manager for H&M in Sweden, Divisional Manager for H&M Woman

**Other Board assignments:** —

**Shareholding:** 10,000 (via endowment insurance)



## Charlotte Brogren

### Board member

**Elected:** 2012

**Born:** 1963

**Nationality:** Swedish

**Main position:** Director General of Vinnova

**Education:** PhD

**Professional background:** Senior positions in ABB

**Other Board assignments:** Chairman of Industrifonden and HMS-Industrial Networks AB; member of QFree AS

**Shareholding:** 3,000



## Bo Dankis

### Board member

**Elected:** 2006

**Born:** 1954

**Nationality:** Swedish

**Main position:** Professional Board member and industrial advisor

**Education:** Master of Science in Mechanical Engineering

**Professional background:** CEO Assa Abloy AB and Perstorp Group and senior positions in Forsheda AB and ABB

**Other Board assignments:** Chairman of IV Produkt, Cleanergy, Gadelius Group Tokyo and the Sweden-Japan Foundation

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



## Eva Elmstedt

### Board member

**Elected:** 2015

**Born:** 1960

**Nationality:** Swedish

**Main position:** Board work and investments

**Education:** Bachelor degree in Economics and Computer Science

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

**Other Board assignments:** Member of Addtech AB, Proact AB, Syntavia AB and Axiell AB

**Shareholding:** 4,000



## 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; member of AB Trätälja, Vätterledens Invest AB with subsidiaries, Kopparbergs bryggeri AB, Wipcore AB and Nordic E-commerce Knowledge

**Shareholding:** 153,333



## Crister Carlsson

### Employee representative for Unionen

**Elected:** 2010

**Born:** 1965

**Nationality:** Swedish

**Education:** Electric Power Engineering

**Shareholding:** —



## Irene Thorin

### Employee representative for Unionen

**Elected:** 2011

**Born:** 1959

**Nationality:** Swedish

**Education:** Economist, upper secondary level

**Shareholding:** —



# Group Executive Team

## 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, SKF; President, SKF Industrial Market, Strategic Industries and several other positions at SKF; CEO, Johnson Pump AB

**Board appointments:** —

**Shareholding:** 36,765

**Warrants and share options:** 100,000



## Susanne Larsson

**CFO**

**Employed:** 2015

**Born:** 1968

**Nationality:** Swedish

**Education:** Bachelor's degree in Business Administration from Karlstad University

**Professional background:** Senior positions in accounting, finance and IT at AB SKF, most recently UNITE Programme Director, AB SKF, Divisional Controller Industrial Division and Director Group Controlling & Accounting

**Board appointments:** The Foundation for Economic Research in West Sweden and the Gothenburg School of Business, Economics and Law Scholarship Foundation

**Shareholding:** 8,600

**Warrants and share options:** —



## Morten Andreassen

**SVP Region EMEA (Europe, Middle East & Africa)**

**Employed:** 2012

**Born:** 1958

**Nationality:** Danish

**Education:** Master of Science from Copenhagen Business School and PED from IMD, Lausanne

**Professional background:** President Munters Moisture Control Service (MCS) division, SVP Lufthansa Service Gesellschaft and CEO Top Flight Catering

**Board appointments:** Acoplastic A/S

**Shareholding:** 15,642

**Warrants and share options:** 40,000



## 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:** Tsarmedia AB and Satpack Travel, South Africa

**Shareholding:** 8,000

**Warrants and share options:** —



## Sacha de La Noë

**SVP Region Asia-Pacific**

**Employed:** 2005, in the Group Executive Team since 1 January 2015

**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, senior positions in finance in Gunnebo, Wilson Logistics Group, Oriflame, Alfort & Cronholm Group

**Board appointments:** —

**Shareholding:** 8,600

**Warrants and share options:** —



## Magnus Lundbäck

**SVP Human Resources & Sustainability**

**Employed:** 2013

**Born:** 1969

**Nationality:** Swedish

**Education:** Licentiate of Engineering and PhD in Strategy and Organisation from Luleå University of Technology

**Professional background:** Executive Vice President Human Resources and Sustainability at the Geringe Group, Vice President of Human Resources at Volvo Car Corporation

**Board appointments:** —

**Shareholding:** 7,900

**Warrants and share options:** 50,000



## Daniel Schroeder

**SVP Region Americas\***

**Employed:** 2016

**Born:** 1964

**Nationality:** American

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

**Professional background:** Vice President Sales North America at Tyco Integrated Security, Vice President Core Commercial Sales North America at ADT Security Services

**Board appointments:** —

**Shareholding:** 10,800

**Warrants and share options:** —



## Lars Thorén

**SVP Operations**

**Employed:** 2012

**Born:** 1961

**Nationality:** Swedish

**Education:** Master of Science in Engineering, Chalmers and Executive MBA, Gothenburg School of Business, Economics and Law

**Professional background:** Vice President European and Asia Industry at Volvo Bus, General Manager for Tube Division at Sandvik AB, Business Area Director for Consumables Europe at ESAB and other senior industrial positions at Segerström & Svensson AB and AB SKF

**Board appointments:** —

**Shareholding:** 10,000

**Warrants and share options:** 50,000



## 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:** HTC Group AB

**Shareholding:** 11,843

**Warrants and share options:** 40,000



\*Joined the company on 1 January 2016.



# Risk and Sensitivity Analysis

Exposure to risk and uncertainty with regard to future development are natural aspects of all businesses. Risk awareness and good risk management are prerequisites for creating long-term value and for securing good profitability.

Gunnebo therefore strives to continuously evaluate 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 an international group with a broad geographical spread. The Group currently has operations in 32 countries and production units in 11 countries. The Group is therefore exposed to various kinds of strategic, operational and financial risk. Strategic and operational risks include market risks, business environment risks, raw material risks, production risks and legal risks. The financial risks are mainly linked to changes in interest and exchange rates, as well as financing and counterparty risks.

Risk management within the Group is an important part of the governance and control of the Group's operation and aims to identify, evaluate and manage these types of risk and, thereby, mitigate their potential effects.

The management groups in Gunnebo's regions and sales companies are responsible for developing strategies and identifying, assessing and managing risks in their market or area of responsibility. These management groups are supported by resources within central Group functions and by Group-wide principles, guidelines and instructions. The Group's risk management is monitored by the Group Executive Team, partly through monthly reports and follow-up whereby the management groups describe developments in their respective units. Further control is achieved through the inclusion of representatives of the Group Executive Team on internal boards of directors. The President reports continuously to the Board of Directors about e.g. the development of the Group's significant risks, and Gunnebo's Board has overall responsibility for the Group's risk management and for deciding the Group's strategic direction.

## STRATEGIC AND OPERATIONAL RISKS

### Market Risks

The Gunnebo Group's operation 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 customers' 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 intended to restrict the effect of a change in demand limited to a particular customer, industry, region or country.

The operation's geographical distribution entails exposure to busi-

ness environment risks such as country-specific risks in the form of political decisions and changes to regulations.

### Raw Material Risks

The Gunnebo Group is exposed to risks related to supply and price variations of raw materials and components. Competition on the market may restrict the opportunity to offset cost increases through price rises, even though the Group endeavours to enter sales agreements which allow the price increases to be passed on to customers.

Steel is the single largest raw material component in the Group. Many different types and grades of steel are purchased on different markets, resulting in differentiated price development. With the aim of limiting the short-term effect of price fluctuations, a large part of the Group's steel requirement is purchased via index-based contracts.

Risks related to the Group's purchases of more important input goods are managed partly by co-ordinating and controlling procurement through a central purchasing function, which for instance appoints people responsible for certain categories of raw materials or components.

### Production Risks

Gunnebo's production operation takes place in 12 production units and comprises a chain of processes where stoppages or disruptions can have consequences on Gunnebo's ability to fulfil its obligations to customers. Gunnebo deals with risks relating to the Group's property and operational stoppages partly through a programme for identifying and assessing such risks. The programme is applied at all of Gunnebo's production plants and aims to prevent these types of risks or, if an event is beyond Gunnebo's control, to mitigate the consequences.

The majority of components used in the Group's products are sourced from subcontractors. With the aim of minimising the risk of one of these subcontractors being unable to deliver the component, or to deliver on time, for any reason, Gunnebo actively strives to secure alternative suppliers for critical components. There is, therefore, usually more than one subcontractor that can deliver a particular component. Furthermore, the Group's purchasing function works to evaluate and analyse the Group's more important suppliers from a risk perspective, for example.

Environmental impact primarily takes place in the production process through material and energy consumption, emissions to air and water, and the creation of noise and waste. To restrict the environmental impact of production, the Group has the objective to gain ISO 14001 certification for all production units. 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 production plants, and relevant programmes of measures can therefore be implemented.

#### Acquisition of New Operations

The Gunnebo Group has a growth goal. Growth shall be organic and supplemented by acquisitions. Acquisitions can entail various difficulties integrating the acquired operation, which can lead to far higher costs for the acquisition than estimated and/or that the synergies take longer to realise than planned.

Acquisitions that do not develop as planned may also lead to high write-down costs for goodwill and other intangible assets, which can have a significant adverse effect on the Group's results and financial position.

The acquisition process is conducted in accordance with set instructions and guidelines. The Group's function for Mergers & Acquisitions has overall responsibility for evaluating and implementing acquisitions, and for ensuring that the established integration plans are carried out.

#### Legal Risks

The legal department within the Group is responsible for monitoring and controlling the management of legal risks within Gunnebo. A Group-wide legal policy has been introduced which states, for example, that some matters of a legal nature must be escalated to the legal department. This includes stock exchange related issues, competition law issues and issues relating to the Group's intellectual property rights.

With the aim of eliminating unwanted risks in the Group's customer and supplier agreements and to ensure the quality of these agreements, instructions and guidelines have been issued on the more

important agreement terms, such as those relating to liability and limitations on liability. Furthermore, the Group's business areas have access to agreement templates for the more common types of agreement. In addition to the above, there are also procedures for approving agreements.

As a result of standard business operations, Gunnebo is a party in various legal disputes. These disputes include, for example, commercial disputes and disputes regarding tax or labour law. Such outstanding and potential disputes are reported regularly to the Group's legal affairs department. Disputes can last a long time and entail high costs. It can also be hard to predict the outcome of many disputes. A negative outcome in one particular dispute could have an important negative impact on the Group's results and financial position.

#### Insurable Risks

Gunnebo has established a Group-wide insurance programme to protect the Group's insurable assets and interests. The programme covers property and loss of profit insurance, general liability and product liability, transport insurance, crime against property as well as claims for damages against the Board and senior executives, for example. Linked to the insurance programme is a programme for identifying and evaluating risks related to physical injury at the Group's production plants and related financial consequences. The results of these reviews are summarised in a points system for risk exposure at each plant, enabling the management to control the risks and to assess the need for risk-reduction measures and establish priorities among these.

#### FINANCIAL RISKS

The object of Gunnebo's financial activities is to minimise the Group's financing costs in the long term and effectively manage and control its financial risks such as changes in interest and exchange rates, as well as refinancing and counterparty risks.

# Organisation and Activities

Gunnebo's financial operations are managed through the subsidiary Gunnebo Treasury AB which acts as the Group's internal bank, is responsible for the Group's currency and interest rate risk management, and supports the subsidiary companies in currency transactions. Gunnebo Treasury AB is also responsible for the Group's liquidity management and external borrowing, and assists the subsidiaries with loans and investments. Through this centralisation the Group is able to benefit from economies of scale and synergies within the financial area.

The 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. The following financial risks are covered, and regulated, by the finance policy:

- **Financing risk** Financing risk refers to the risk that financing of the Group's capital requirement and refinancing of its outstanding borrowing 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.
- **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 through carefully selected interest maturity structures and by entering into fixed interest agreements in the form of interest rate hedges. According to the finance policy, interest rate hedges may entail a maximum hedge rate of 60% and the term may not exceed 36 months.
- **Liquidity risk** Liquidity risk refers to the risk of not having access to liquid funds or undrawn lines of credit in order to fulfil payment obligations. The Group's finance policy stipulates that available liquid

funds and undrawn lines of credit shall always amount to a minimum of MSEK 350. Surplus liquidity in the Group shall be deposited with the internal bank or in local cash pools. Gunnebo has centralised its liquidity management in cash pools in the main European countries where it operates and in the USA.

- **Currency risk** The Group has operations in a large number of countries and is therefore exposed to currency risks. This can be partly offset by hedging transactions in foreign currencies within the framework of the finance policy.
- **Counterparty risk** Counterparty risk or credit risk refers to the risk of a loss if the counterparty fails to fulfil its obligations.
- **Financial credit risk** Exposure to credit risk arises both when depositing surplus liquidity and in receivables from banks which arise via derivative instruments. Gunnebo's finance policy includes a special list of permitted counterparties and maximum credit exposure with each approved counterparty. Gunnebo has also entered into general agreements regarding netting (ISDAs) with all of its counterparties for transactions in derivative instruments. Financial credit risk is also reduced in that liquid funds shall primarily be used to reduce outstanding liabilities, which limits the volume of outstanding surplus liquidity.
- **Customer credit risk** Gunnebo has established a manual 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 a local credit policy regulating credit limits, terms of payment and collection procedures. Lease agreements and customer financing packages shall be approved by Gunnebo Treasury AB. For further information, see Note 18 'Accounts receivable'.

For more detailed information about financial risk management and reporting of financial instruments, see Note 3 'Financial risk management and financial instruments'.

## 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 the year-end and assuming all other factors remain unchanged.

	Change	Effect
<b>Selling prices</b>	A 1% change in the selling price...	... would affect income and operating profit by approximately MSEK 60.
<b>Labour costs</b>	A 1% change in labour costs, including social security charges...	... would affect operating profit by approximately MSEK 20.
<b>Steel prices</b>	A general change in steel prices of 10%...	... would affect profit by around MSEK 21 for the subsequent 12 months.
<b>Currencies</b>	A 10% change in the value of the SEK...	... would affect operating profit by approximately MSEK 31 in total. Of this, MSEK 24 would be netted transaction exposure, without taking the Group's forward cover into account. The remaining MSEK 7 would be attributable to translation exposure.
<b>Interest expenses</b>	Given the same borrowing liability and the same fixed interest terms as at the end of the year, a one percentage point change in all of Gunnebo's borrowing currencies...	... would affect profit by approximately MSEK 8, after interest rate hedging, for the subsequent 12 months.

## Risk Management within the Gunnebo Group

Category of risk	Risks to Gunnebo	Risk management	Comments 2015
Market risk	Changes in the economy and demand, customers' investment plans and production levels.	Monthly reports, good distribution of risk in issues relating to products, customers and market coverage.	There has been stabilisation on the European market. The Group has continued to develop the business to markets with growth.
Raw materials risk	Increased costs for input goods and components, shortage of input goods and components, price increases cannot be passed on to customers.	Steel is purchased through index-based contracts, purchasing activities are co-ordinated by a central purchasing function, people are assigned responsibility for categories in particularly important areas of purchasing.	The price of steel has been falling in 2015. Further information about the Group's material purchases is provided on page 28–29.
Production risk	Disruptions and capacity shortages in the Group's own units or with subcontractors, environmental impact	Programme for identifying and evaluating risks in the Group's own units and with subcontractors, environmental certification and environmental risk analyses.	No significant disruptions or incidents were reported in 2015.
Acquisition of new operations	Integration is delayed, increased costs, synergies delayed or not achieved.	Group-wide function for acquisitions, instructions and guidelines for the acquisition process (evaluation, implementation, integration).	The Group's acquisitions in 2015 are reported in the Board of Directors' report and in Note 31, 'Acquisition of operations'.
Legal risks	Financial risks in customer and supplier contracts resulting from unbalanced agreements, disputes.	Group-wide policies and guidelines, systems with standard agreements, reporting of disputes to the legal affairs department.	At the end of 2015, there were not deemed to be any disputes that could entail a significant negative impact on the Group's results and financial position.
Insurable risks	Physical damage to the Group's insurable assets and interests.	Extensive Group-wide insurance programme, programme for identifying and evaluating the risk of physical damage at the production plants.	The Group's insurance protection is deemed sufficient to run the operation.
Financial counterparty risk	Gunnebo is exposed to its counterparties' solvency through loans, lease agreements, sales agreements, bank balances and derivatives.	The Group's exposure is regulated in the finance policy, risk and exposure are controlled and minimised on an ongoing basis.	There were no counterparty losses in 2015.
Liquidity	Gunnebo has some degree of a seasonal cycle, which affects cash flow.	The finance policy stipulates that a financial contingency of MSEK 350 must always be retained via a combination of cash and credit agreements.	An extension of the financing agreements was signed in February 2014, now maturing in February 2019. The financial contingency was maintained throughout the year.
Interest rate levels	The Group is a net borrower, which results in exposure to changes in interest rates.	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.	The net interest expense has been kept down through continued low market interest rate levels and market terms for the new financing. To secure the low interest rate level for some time ahead, the degree of hedging has been maintained.
Exchange rates	A considerable proportion of income/costs and assets/liabilities are in foreign currencies, which gives rise to exchange rate effects.	Active monitoring and the ability to hedge exposure, proceeding both from transactions and equity.	The geographical spread of the business helps to balance currency exposure.

# 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 2015 financial year.

Gunnebo is an international security group with an annual turnover of approximately MSEK 6,000 and around 5,500 employees. The Group is a global supplier of security products, services and solutions with an offering covering safes and vaults, cash management, entrance security and electronic security for banks, retail, CIT, mass transit, public & commercial buildings, and industrial & high-risk sites.

## ORDER INTAKE AND NET SALES

The Group's order intake amounted to MSEK 6,191 (5,433). Organic order intake increased by 5% compared with 2014.

Net sales increased to MSEK 6,052 (5,557), organically they were unchanged compared with 2014.

## FINANCIAL RESULTS

Operating profit amounted to MSEK 320 (352) and the operating margin to 5.3% (6.3%). Currency effects had a positive impact of MSEK 33.

Restructuring costs, along with other expenses of a non-recurring nature, burdened the result by MSEK -77 (-14). The majority of these costs were related to workforce reductions in Europe, changes in management and the relocation of the production plant in Trier, Germany. In 2014, income of a non-recurring nature included MSEK 73 of capital gains from the divestment of operations. Operating profit adjusted for items of a non-recurring nature amounted to MSEK 397 (366), which equates to an operating margin of 6.6% (6.6%).

Net financial items amounted to MSEK -43 (-35), the change mainly being due to negative currency effects relating to financial receivables and liabilities. Group profit after financial items totalled MSEK 277 (317).

The tax expense amounted to MSEK -109 (-89), of which MSEK -88 (-106) relates to current tax and MSEK -21 (17) to deferred tax. The tax rate amounted to 39 per cent (28).

Net profit for the period totalled MSEK 168 (227), and earnings per share attributable to the parent company's shareholders were SEK 2.18 (2.98) per share.

## ACQUISITION IN SPAIN

On July 30, 2015 Gunnebo acquired 100% of the shares in Spanish Grupo Sallén Tech S.L., which is a leading producer and supplier of cash management solutions. The operation has annual sales of approximately MEUR 14. The purchase sum is expected to total MSEK 200, of which approximately MSEK 48 is estimated additional payments. According to the preliminary acquisition analysis, Group surplus value arising from the acquisition is primarily attributable to acquired technology and customer relations.

## CAPITAL EXPENDITURE AND DEPRECIATION/AMORTISATION

Investments made in intangible assets and in property, plant and equipment during the period totalled MSEK 135 (78). Depreciation and amortisation amounted to MSEK 108 (88).

## PRODUCT DEVELOPMENT

Group expenditure on developing existing product programmes, and on developing brand new products in existing or new market segments, totalled MSEK 82 (69). Of this, MSEK 22 (12) was set up as an asset in the statement of financial position during the year. Depreciation/amortisation amounted to MSEK 25 (17).

## CASH FLOW

Cash flow from operating activities amounted to MSEK 305 (246) and MSEK 186 (271) after changes in capital employed. Payments related to restructuring measures burdened the cash flow by MSEK 55. Cash flow from investing activities amounted to MSEK -291 (-15). The decrease can mainly be attributed to acquisitions of operations and non-current assets. Free cash flow, i.e. operating cash flow after deductions for net financial items affecting cash flow and paid tax, decreased to MSEK 56 (223). The decrease was primarily attributable to higher working capital tied up and higher net investments.

## LIQUIDITY AND FINANCIAL POSITION

The Group's liquid funds at the end of the period amounted to MSEK 496 (447). Equity amounted to MSEK 1,747 (1,694) and the equity ratio to 34% (35%).

The increase in equity can primarily be attributed to net profit for the period. It was also positively affected by actuarial gains of MSEK 42. At the same time, equity was burdened by a dividend paid to shareholders of MSEK 76 and by negative translation differences when translating to Swedish kronor totalling MSEK 82, reported in other comprehensive income.

Net debt increased during the year by MSEK 173 to MSEK 1,212 (1,039), primarily due to the acquisition of Grupo Sallén Tech S.L.

The debt/equity ratio totalled 0.7 (0.6). Net debt excluding pension commitments amounted to MSEK 849 (613).

The Group's long-term credit framework on December 31, 2015 amounted to MSEK 1,568 (1,510) and ensures that financing is available on market terms until the end of February 2019.

## EMPLOYEES

The number of employees at the end of the period was 5,482 (5,670). The number of employees outside of Sweden at the end of the period was 5,318 (5,498).



## REMUNERATION TO SENIOR EXECUTIVES

The Board proposes that the 2016 AGM re-approve the current principles for remuneration and other employment conditions for Gunnebo's Group Executive Team for 2016. The principles relate to the President and other members of the Group Executive Team and apply to employment contracts entered into after the guidelines have been approved by the AGM and to changes in existing employment contracts made subsequently.

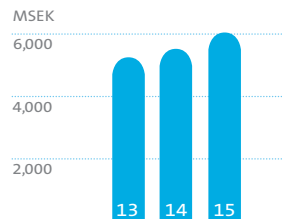
Gunnebo offers the level of remuneration and terms of employment necessary to recruit and retain qualified senior executives. The overall principles for salary and other remuneration to senior executives at Gunnebo are, therefore, that compensation shall be competitive and in line with market standards. The Group Executive Team's total remuneration consists of fixed salary, performance-related remuneration including long-term incentive programmes, pension and other benefits.

The fixed salary takes into account the individual's position, expertise, areas of responsibility, performance and experience, and shall normally be reviewed on an annual basis. The fixed salary comprises the basis for calculating performance-related remuneration. The performance-related element is dependent on the individual's achievement of predetermined, quantitative financial targets and may not exceed 50% of the fixed salary.

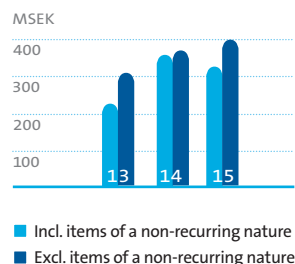
The Board evaluates each year whether a share or share price-related incentive programme will be proposed at the AGM.

Pension premiums for members of the Group Executive Team living in Sweden are paid in accordance with a defined contribution plan. Premiums may amount to a maximum of 35% of the fixed salary, depending on age and salary level. Members of the Group Executive

## NET SALES



## OPERATING PROFIT



## Sales by market

	2015		2014	
	MSEK	%	MSEK	%
France	1,052	17	1,030	19
USA	572	9	486	9
India	426	7	429	8
UK	391	6	328	6
Spain	254	4	238	4
Germany	237	4	232	4
Indonesia	222	4	163	3
Sweden	199	3	203	4
Mexico	197	3	70	1
Canada	189	3	189	3
Belgium	188	3	169	3
Italy	172	3	159	3
China	172	3	162	3
Denmark	167	3	170	3
Other	1,614	28	1,529	27
<b>Total</b>	<b>6,052</b>	<b>100</b>	<b>5,557</b>	<b>100</b>

Team living outside of Sweden are offered pension solutions that are competitive in the country where they live, primarily premium-based solutions. The retirement age is 65.

For members of the Group Executive Team living in Sweden, the notice period is 12 months for the company. The notice period for the individual is six months, and no severance pay is awarded. Members of the Group Executive Team living outside of Sweden are offered notice periods that are competitive in the country where they live, preferably equivalent to the notice periods applicable in Sweden. The Board is entitled to depart from these guidelines in individual cases if there are specific reasons to do so. Remuneration to the management that has already been decided but which has not fallen due for payment by the 2016 AGM comes under these guidelines.

In conjunction with the company signing an employment contract with a new President in 2015, the Board of Directors used the right decided by the AGM to deviate from the guidelines under certain circumstances. It has therefore been agreed that the President shall be entitled to severance pay corresponding to 12 months' salary in the event of the employment being terminated by the company, that performance-related pay shall also be pensionable and that the President shall be entitled to receive pension from the age of 63.5 years. The Board has deemed these deviations to be necessary to carry out the recruitment. Besides the above, no deviations have been made from the guidelines adopted by the 2015 AGM.

Share category At the end of the year, Gunnebo AB's share capital amounted to MSEK 381, divided between 76,185,001 shares with a quota value of SEK 5. All shares have one vote each and are of the same category. Each share entitles the holder to an equal share of the company's assets and profits. There are no restrictions on the transferability of shares.

## SHARE DATA

Earnings per share after dilution were SEK 2.18 (2.98). The number of shareholders totalled 11,015 (12,000).

## PROPOSED DIVIDEND

The Board proposes that a dividend of SEK 1.00 (1.00) per share be paid for the 2015 financial year.

## PARENT COMPANY

The Group's parent company, 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, legal affairs, financial control/finance, IT, quality, logistics, the environment and communication.

Net sales for the period January-December amounted to MSEK 265 (260), of which MSEK 0 (0) related to external customers. Net profit for the period amounted to MSEK 111 (121). Group contributions had a positive impact on net profit of MSEK 75 (47).

Investments in and divestments of shares and participations in subsidiaries amounted to MSEK 0 (0) and MSEK 10 (0) respectively. Investments made in intangible assets and in property, plant and equipment totalled MSEK 1 (2). Liquid funds at the end of the year amounted to MSEK 0 (0).

## ENVIRONMENTAL IMPACT

Gunnebo strives to operate its business in a way that is not damaging to the environment, and it complies with the applicable environmental legislation in its businesses and processes around the world.

The Group does not operate any business that requires notification or a licence under Swedish environmental law.

## NET SALES, OPERATING PROFIT AND OPERATING MARGIN BY REGION, MSEK

	Net sales		Operating profit		Operating margin, %	
	2015	2014	2015	2014	2015	2014
Region Europe, Middle East & Africa	3,860	3,644	84	108	2.2	3.0
Region Asia-Pacific	1,085	1,029	108	131	10.0	12.7
Region Americas	1,107	884	128	113	11.6	12.8
<b>Total</b>	<b>6,052</b>	<b>5,557</b>	<b>320</b>	<b>352</b>	<b>5.3</b>	<b>6.3</b>

	Operating profit excluding items of a non-recurring nature		Operating margin, % excluding items of a non-recurring nature	
	2015	2014	2015	2014
Region Europe, Middle East & Africa	151	109	3.9	3.0
Region Asia-Pacific	115	140	10.6	13.6
Region Americas	131	117	11.8	13.2
<b>Total</b>	<b>397</b>	<b>366</b>	<b>6.6</b>	<b>6.6</b>

## RISKS AND UNCERTAINTIES

Given the international nature of its business, Gunnebo is exposed both to business risks and financial risks. Business risks mainly comprise market risks, raw material risks, production risks and legal risks. The financial risks are linked to changes in interest rates, exchange rates, as well as refinancing and counterparty risks, and primarily comprise financing risk, interest rate risk, liquidity risk and currency risk. These risks are covered by and regulated in the Group's finance policy.

In addition to the above risks, the Group also continuously monitors risks relating to the environment, technical development, new legislation, competence supply and taxes. For more information on the risks to which Gunnebo is exposed, see Notes 3, 4 and 36.

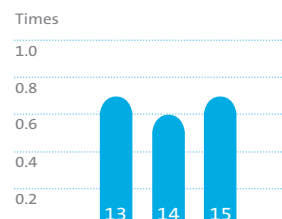
## CORPORATE GOVERNANCE REPORT

The Corporate Governance Report, which is on pages 36–40, constitutes a separate document from the Annual Report under the Annual Accounts Act, Chapter 7, §8.

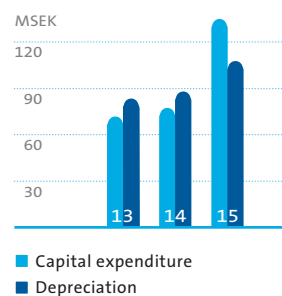
## FUTURE PROSPECTS

The security market is a growing market, and Gunnebo intends to consolidate its customer offerings and actively work on continuous improvement in order to achieve profitable growth.

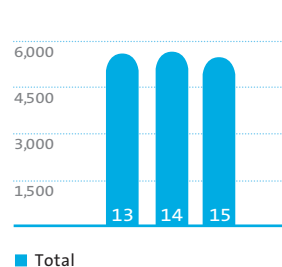
## DEBT/EQUITY RATIO



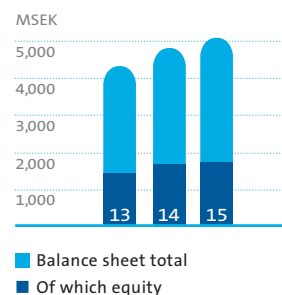
## CAPITAL EXPENDITURE AND DEPRECIATION



## NUMBER OF EMPLOYEES AT YEAR-END



## BALANCE SHEET TOTAL AND EQUITY



# Definitions

## CAPITAL EMPLOYED

Total assets less interest-free provisions and liabilities.

## CAPITAL TURNOVER RATE

Invoiced sales in relation to average capital employed.

## DEBT/EQUITY RATIO

Net debt in relation to equity

## DIVIDEND YIELD

Dividend in relation to listed price on December 31.

## EBITDA

Operating profit before depreciation/amortisation and write-downs on intangible assets and property, plant and equipment

## EARNINGS PER SHARE

Profit after tax attributable to the parent company's shareholders divided by the average number of shares.

## EARNINGS PER SHARE AFTER DILUTION

Profit after tax attributable to the parent company's shareholders divided by the average number of shares after dilution.

## EQUITY PER SHARE

Equity attributable to the shareholders of the parent company divided by the number of shares 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 average number of shares in issue after dilution.

## GROSS MARGIN

Gross profit as a percentage of net sales.

## INTEREST COVERAGE RATIO

Profit after financial items plus interest costs, divided by interest costs.

## NET DEBT

Interest-bearing provisions and liabilities less liquid funds and interest-bearing receivables.

## OPERATING MARGIN

Operating profit as a percentage of net sales.

## ORGANIC GROWTH

Growth in net sales, or order intake, adjusted for acquisitions, divestments and exchange rate effects.

## P/E RATIO

Listed price on December 31 divided by earnings per share after dilution.

## PROFIT MARGIN

Profit after financial items as a percentage of net sales.

## RETURN ON EQUITY

Profit for the year as a percentage of average equity.

## RETURN ON CAPITAL EMPLOYED

Operating profit plus financial income as a percentage of average capital employed.

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# Group Income Statements

MSEK	Note	2015	2014
Net sales	5	6,051.6	5,556.5
Cost of goods sold		-4,278.0	-3,911.0
<b>Gross profit</b>		<b>1,773.6</b>	<b>1,645.5</b>
Selling expenses		-776.1	-738.2
Administrative expenses	34	-675.3	-646.1
Share of profit of associated companies	16	0.7	0.4
Other operating income	6	14.3	95.7
Other operating expenses	7	-16.7	-5.5
<b>Operating profit/loss</b>	5, 8, 9, 10, 22, 28, 33	<b>320.5</b>	<b>351.8</b>
<b>Financial income and expenses</b>			
Interest income		12.2	11.6
Other financial income	11	7.0	2.1
Interest expenses		-40.5	-37.0
Other financial expenses	11	-22.0	-11.9
<b>Total financial income and expenses</b>		<b>-43.3</b>	<b>-35.2</b>
<b>Profit/loss after financial items</b>		<b>277.2</b>	<b>316.6</b>
Taxes	12	-109.0	-89.3
<b>Profit/loss for the year</b>		<b>168.2</b>	<b>227.3</b>
Of which attributable to:			
Parent company shareholders		165.7	226.2
Holdings with a non-controlling interest		2.5	1.1
		<b>168.2</b>	<b>227.3</b>
Earnings per share before dilution, SEK	13	2.18	2.98
Earnings per share after dilution, SEK	13	2.18	2.98

# Group Statement of Comprehensive Income

MSEK	Note	2015	2014
<b>Profit for the year entered in the income statement</b>		<b>168.2</b>	<b>227.3</b>
<b>Other comprehensive income during the year</b>			
<b>Items which will not be reversed to profit</b>			
Actuarial gains and losses		53.9	-35.5
Tax relating to actuarial gains and losses		-12.0	5.5
<b>Total items which will not be reversed to profit</b>		<b>41.9</b>	<b>-30.0</b>
<b>Items which may be reversed to profit</b>			
Translation differences in foreign operations*	21	-82.1	93.2
Hedging of net investments	21	-3.2	5.1
Cash flow hedges	21	0.9	-7.1
<b>Total items which may be reversed to profit</b>		<b>-84.4</b>	<b>91.2</b>
<b>Total other comprehensive income</b>		<b>-42.5</b>	<b>61.2</b>
<b>Comprehensive income for the year</b>		<b>125.7</b>	<b>288.5</b>
Of which attributable to:			
Parent company shareholders		128.6	286.8
Holdings with a non-controlling interest		-2.9	1.7
<b>Total</b>		<b>125.7</b>	<b>288.5</b>

\* Of which MSEK -5.4 (0.6) refers to holdings with a non-controlling interest.



# Group Statements of Financial Position

as of December 31

ASSETS, MSEK	Note	2015	2014
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	14	1,516.5	1,490.0
Other intangible assets	14	295.1	184.6
<b>Total intangible assets</b>		<b>1,811.6</b>	<b>1,674.6</b>
<b>Property, plant and equipment</b>			
Buildings and land	15	139.7	119.6
Machinery	15	129.8	99.5
Equipment	15	60.3	69.6
Construction in progress	15	27.9	15.7
<b>Total property, plant and equipment</b>		<b>357.7</b>	<b>304.4</b>
<b>Financial assets</b>			
Holdings in associated companies	16	6.9	9.6
Other shares and participations		0.3	0.3
Other long-term receivables		6.8	6.1
<b>Total financial assets</b>		<b>14.0</b>	<b>16.0</b>
<b>Deferred tax assets</b>	12	<b>304.6</b>	<b>339.2</b>
<b>Total non-current assets</b>		<b>2,487.9</b>	<b>2,334.2</b>
<b>Current assets</b>			
<b>Inventories</b>	17	<b>678.3</b>	<b>694.2</b>
<b>Current receivables</b>			
Accounts receivable	18	1,150.4	1,125.0
Current tax receivables		74.7	62.6
Other receivables		123.3	76.3
Prepaid expenses and accrued income	19	74.4	85.9
<b>Total current receivables</b>		<b>1,422.8</b>	<b>1,349.8</b>
<b>Liquid funds</b>	20	<b>496.4</b>	<b>447.0</b>
<b>Total current assets</b>		<b>2,597.5</b>	<b>2,491.0</b>
<b>TOTAL ASSETS</b>		<b>5,085.4</b>	<b>4,825.2</b>

<b>EQUITY AND LIABILITIES, MSEK</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Equity</b>			
Share capital (76,185,001 shares with a quota value of SEK 5)		380.9	380.9
Other contributed capital		988.0	987.6
Reserves	21	-249.2	-170.2
Retained earnings		606.0	472.0
<b>Total equity attributable to parent company shareholders</b>		<b>1,725.7</b>	<b>1,670.3</b>
Holdings with a non-controlling interest		21.2	24.0
<b>Total equity</b>		<b>1,746.9</b>	<b>1,694.3</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	12	93.3	66.0
Pension commitments	22	362.1	425.2
Borrowings	24	1,139.2	958.0
<b>Total long-term liabilities</b>		<b>1,594.6</b>	<b>1,449.2</b>
<b>Current liabilities</b>			
Accounts payable		635.0	659.5
Current tax liabilities		37.0	37.0
Other liabilities		190.6	221.5
Accrued expenses and deferred income	25	581.2	556.0
Borrowings	24	213.4	108.5
Other provisions	23	86.7	99.2
<b>Total current liabilities</b>		<b>1,743.9</b>	<b>1,681.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,085.4</b>	<b>4,825.2</b>
Pledged assets	26	3.9	—
Contingent liabilities	27	229.6	184.1

# Change in Group Equity

MSEK	Attributable to the parent company shareholders					Holdings with a non-controlling interest	Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings	Total		
<b>Opening balance Jan 1, 2015</b>	<b>380.9</b>	<b>987.6</b>	<b>-170.2</b>	<b>472.0</b>	<b>1,670.3</b>	<b>24.0</b>	<b>1,694.3</b>
Profit/loss for the year	—	—	—	165.7	165.7	2.5	168.2
Other comprehensive income during the year	—	—	-79.0	41.9	-37.1	-5.4	-42.5
<b>Comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>-79.0</b>	<b>207.6</b>	<b>128.6</b>	<b>-2.9</b>	<b>125.7</b>
New share issue*	0.0	0.4	—	—	0.4	—	0.4
Share-based remuneration**	—	—	—	2.1	2.1	—	2.1
Acquisitions through non-cash issue***	—	—	—	0.5	0.5	0.1	0.6
Dividend	—	—	—	-76.2	-76.2	—	-76.2
<b>Total transactions with shareholders</b>	<b>0.0</b>	<b>0.4</b>	<b>—</b>	<b>-73.6</b>	<b>-73.2</b>	<b>0.1</b>	<b>-73.1</b>
<b>Closing balance Dec 31, 2015</b>	<b>380.9</b>	<b>988.0</b>	<b>-249.2</b>	<b>606.0</b>	<b>1,725.7</b>	<b>21.2</b>	<b>1,746.9</b>

MSEK	Attributable to the parent company shareholders					Holdings with a non-controlling interest	Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings	Total		
<b>Opening balance Jan 1, 2014</b>	<b>379.6</b>	<b>980.6</b>	<b>-260.8</b>	<b>347.7</b>	<b>1,447.1</b>	<b>16.5</b>	<b>1,463.6</b>
Profit/loss for the year	—	—	—	226.2	226.2	1.1	227.3
Other comprehensive income during the year	—	—	90.6	-30.0	60.6	0.6	61.2
<b>Comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>90.6</b>	<b>196.2</b>	<b>286.8</b>	<b>1.7</b>	<b>288.5</b>
New share issue*	1.3	7.0	—	—	8.3	—	8.3
Acquisitions through non-cash issue***	—	—	—	4.0	4.0	5.8	9.8
Dividend	—	—	—	-75.9	-75.9	—	-75.9
<b>Total transactions with shareholders</b>	<b>1.3</b>	<b>7.0</b>	<b>—</b>	<b>-71.9</b>	<b>-63.6</b>	<b>5.8</b>	<b>-57.8</b>
<b>Closing balance Dec 31, 2014</b>	<b>380.9</b>	<b>987.6</b>	<b>-170.2</b>	<b>472.0</b>	<b>1,670.3</b>	<b>24.0</b>	<b>1,694.3</b>

\* Refers to issue of shares and warrants to participants in incentive programmes.

\*\* Refers to share save incentive programmes.

\*\*\* In the acquisition of Diseños Inteligentes de Seguridad S.A. de C.V., part of the purchase sum was paid in the form of newly issued shares in Gunnebo México S.A. de C.V. The transaction also resulted in an equity shift between the parent company's shareholders and shareholders with a non-controlling interest.

# Group Cash Flow Statements

MSEK	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Operating profit/loss		320.5	351.8
Adjustment for items not included in cash flow etc.	30	126.8	39.8
Net financial items affecting cash flow	29	-46.1	-32.6
Taxes paid		-95.8	-112.6
<b>Cash flow from operating activities before changes in working capital</b>		<b>305.4</b>	<b>246.4</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		1.6	-33.0
Change in operating receivables		-61.2	9.5
Change in operating liabilities		-59.3	48.4
<b>Total change in working capital</b>		<b>-118.9</b>	<b>24.9</b>
<b>Cash flow from operating activities</b>		<b>186.5</b>	<b>271.3</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure on intangible assets	14	-32.8	-26.4
Capital expenditure on property, plant and equipment	15	-102.5	-51.3
Sales of non-current assets		4.4	29.5
Acquisition of operations	31	-160.1	-43.8
Divestment of operations	32	—	76.9
Divestment of participations in associated companies		—	0.4
<b>Cash flow from investing activities</b>		<b>-291.0</b>	<b>-14.7</b>
<b>FINANCING ACTIVITIES</b>			
Change in interest-bearing receivables		8.6	0.0
Change in interest-bearing liabilities		242.8	-180.5
New share issue		0.4	8.3
Dividend to parent company shareholders		-76.2	-75.9
<b>Cash flow from financing activities</b>		<b>175.6</b>	<b>-248.1</b>
<b>Cash flow for the year</b>		<b>71.1</b>	<b>8.5</b>
Liquid funds at the beginning of the year		447.0	392.0
Translation differences in liquid funds		-21.7	46.5
<b>Liquid funds at year-end</b>	20	<b>496.4</b>	<b>447.0</b>

# Parent Company Income Statements

MSEK	Note	2015	2014
Net sales	53	265.5	260.1
Administrative expenses	38, 48, 50, 51, 53	-181.1	-203.9
<b>Operating profit/loss</b>		<b>84.4</b>	<b>56.2</b>
<b>Financial income and expenses</b>			
Profit/loss from participations in Group companies		—	49.0
Interest income		0.0	0.2
Other financial income		1.5	—
Interest expenses		-12.7	-18.1
<b>Total financial income and expenses</b>	39	<b>-11.2</b>	<b>31.1</b>
<b>Profit/loss after financial items</b>		<b>73.2</b>	<b>87.3</b>
Appropriations	40	75.0	47.0
Taxes	41	-36.7	-13.8
<b>Profit/loss for the year</b>		<b>111.5</b>	<b>120.5</b>

## Parent Company Statement of Comprehensive Income

MSEK	2015	2014
Profit/loss for the year entered in the income statement	111.5	120.5
Other comprehensive income, net of tax	—	—
<b>Comprehensive income for the year</b>	<b>111.5</b>	<b>120.5</b>



# Parent Company Statements of Financial Position

as of December 31

ASSETS, MSEK	Note	2015	2014
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Other intangible assets	42	4.6	6.1
<b>Total intangible assets</b>		<b>4.6</b>	<b>6.1</b>
<b>Property, plant and equipment</b>			
Equipment	43	1.7	2.1
<b>Total property, plant and equipment</b>		<b>1.7</b>	<b>2.1</b>
<b>Financial assets</b>			
Participations in Group companies	44	1,585.4	1,595.3
Deferred tax assets	41	87.1	120.3
<b>Total financial assets</b>		<b>1,672.5</b>	<b>1,715.6</b>
<b>Total non-current assets</b>		<b>1,678.8</b>	<b>1,723.8</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		31.4	18.7
Other receivables		4.2	5.2
Prepaid expenses and accrued income	45	4.7	3.3
<b>Total current receivables</b>		<b>40.3</b>	<b>27.2</b>
<b>Cash and bank</b>		<b>0.1</b>	<b>0.1</b>
<b>Total current assets</b>		<b>40.4</b>	<b>27.3</b>
<b>TOTAL ASSETS</b>		<b>1,719.2</b>	<b>1,751.1</b>

## Parent Company Statements of Financial Position cont.

EQUITY AND LIABILITIES, MSEK	Note	2015	2014
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital (76,185,001 shares with a quota value of SEK 5)		380.9	380.9
Statutory reserve		539.3	539.3
<b>Total restricted equity</b>		<b>920.2</b>	<b>920.2</b>
<b>Unrestricted equity</b>			
Share premium reserve		448.7	448.3
Retained earnings		39.9	-4.4
Profit/loss for the year		111.5	120.5
<b>Total unrestricted equity</b>		<b>600.1</b>	<b>564.4</b>
<b>Total equity</b>		<b>1,520.3</b>	<b>1,484.6</b>
<b>Current liabilities</b>			
Accounts payable		7.0	10.1
Liabilities to Group companies	52	164.3	216.3
Other liabilities		2.1	1.7
Accrued expenses and deferred income	46	25.5	35.9
Other provisions		—	2.5
<b>Total current liabilities</b>		<b>198.9</b>	<b>266.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,719.2</b>	<b>1,751.1</b>
<b>Pledged assets</b>		<b>—</b>	<b>—</b>
<b>Contingent liabilities</b>	47	<b>1,602.2</b>	<b>1,317.5</b>

# Change in Parent Company's Equity

MSEK	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings and profit/loss for the year	
Opening balance Jan 1, 2015	380.9	539.3	448.3	116.1	1,484.6
Profit/loss for the year	—	—	—	111.5	111.5
Other comprehensive income during the year	—	—	—	—	—
Comprehensive income for the year	—	—	—	111.5	111.5
New share issue*	0.0	—	0.4	—	0.4
Dividend	—	—	—	-76.2	-76.2
Total transactions with shareholders	0.0	0.0	0.4	-76.2	-75.8
Closing balance Dec 31, 2015	380.9	539.3	448.7	151.4	1,520.3

MSEK	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings and profit/loss for the year	
Opening balance Jan 1, 2014	379.6	539.3	441.3	71.5	1,431.7
Profit/loss for the year	—	—	—	120.5	120.5
Other comprehensive income during the year	—	—	—	—	—
Comprehensive income for the year	—	—	—	120.5	120.5
New share issue*	1.3	—	7.0	—	8.3
Dividend	—	—	—	-75.9	-75.9
Total transactions with shareholders	1.3	—	7.0	-75.9	-67.6
Closing balance Dec 31, 2014	380.9	539.3	448.3	116.1	1,484.6

\* Refers to issue of shares and warrants to participants in incentive programmes.

# Parent Company Cash Flow Statements

MSEK	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Operating profit/loss		84.4	56.2
Adjustment for items not included in cash flow etc.		0.0	2.2
Net financial items affecting cash flow	49	-11.2	31.2
Taxes paid		-3.5	-3.4
<b>Cash flow from operating activities before changes in working capital</b>		<b>69.7</b>	<b>86.2</b>
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		-13.1	113.2
Change in operating liabilities		-13.1	8.5
<b>Total change in working capital</b>		<b>-26.2</b>	<b>121.7</b>
<b>Cash flow from operating activities</b>		<b>43.5</b>	<b>207.9</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure on intangible assets	42	-0.6	-2.2
Capital expenditure on property, plant and equipment	43	—	-0.1
Divestment of subsidiaries	44	9.9	—
<b>Cash flow from investing activities</b>		<b>9.3</b>	<b>-2.3</b>
<b>FINANCING ACTIVITIES</b>			
Change in interest-bearing liabilities		-24.0	-50.7
Group contributions received		47.0	—
Group contributions paid		—	-90.0
New share issue		0.4	8.3
Dividend to parent company shareholders		-76.2	-75.9
<b>Cash flow from financing activities</b>		<b>-52.8</b>	<b>-208.3</b>
<b>Cash flow for the year</b>		<b>0.0</b>	<b>-2.7</b>
Liquid funds at the beginning of the year		0.1	2.8
<b>Liquid funds at year-end</b>		<b>0.1</b>	<b>0.1</b>

# Notes

Amounts in MSEK unless otherwise stated

## Note 1 General information

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 Göteborg Municipality in Sweden.

The Group's main activities are described in the Board of Directors' Report and in the notes to this Annual Report. A list of Group companies is provided in the parent company's notes. The company's shares are listed on NASDAQ Stockholm, Mid Cap.

The consolidated accounts for the financial year ending December 31, 2015 were approved by the Board on March 4, 2016 and will be submitted to the Annual General Meeting on April 12, 2016 for adoption.

## Note 2 Summary of important accounting principles

### Foundations for preparing the statements

This Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards (IFRS), as adopted by the EU. The Annual Report also contains additional information in accordance with the recommendation of the Swedish Financial Reporting Board, RFR 1 Supplementary Accounting Regulations for Groups, which specifies information required in addition to the IFRS information in accordance with the provisions of the Swedish Annual Accounts Act.

The consolidated accounts have been prepared in accordance with the cost method, with the exception of financial instruments measured at fair value.

Reports prepared in compliance with IFRS require the use of accounting estimates. Furthermore, the management is required to make certain assessments upon application of the company's accounting principles. The areas which include estimates and assessments of significant importance to the consolidated accounts are given in Note 4.

### Consolidated accounts

The consolidated accounts relate to Gunnebo AB and those companies in which the company directly or indirectly owns shares controlling more than 50% of the votes, or over which the company exercises control in some other way.

The consolidated accounts have been drawn up in accordance with the acquisition method, whereby the Group equity includes the parent company's equity, equity in holdings belonging to subsidiaries in which it has a non-controlling interest at the time of acquisition, and subsidiary companies' equity generated after acquisition.

In the case of corporate acquisitions where the total of the purchase sum, any holdings with a non-controlling interest and fair value at the time of the acquisition of former shareholdings exceeds the fair value at the time of acquisition of identifiable acquired net assets, the difference is recognised as goodwill if no allocation can be made to other intangible assets in the statement of financial position. If the difference is negative, it is recognised as a gain on an acquisition at a low price directly as income after reviewing the difference. Intra-Group transactions and statement of financial position items as well as non-realised gains on transactions between Group companies are eliminated.

For every corporate acquisition, holdings with a non-controlling interest in the acquired company are measured either at fair value, or at the value of the percentage of the holding with a non-controlling interest of the acquired company's identifiable net assets.

With gradual acquisitions, the former equity percentages in the acquired company are re-measured at their fair value at the time of acquisition (i.e. when a controlling interest is obtained). Any gain or loss is reported in the income statement.

### Accounting treatment of associated companies

In the accounts, associated companies are companies that are not subsidiaries but in which Gunnebo has a significant but not controlling interest, which generally entails a shareholding or participation corresponding to between 20% and 50% of the number of votes. Shareholdings in associated companies are recognised using the equity interest method. This means that the cost of shares, adjusted to take into account the Group's share of the associated companies' result, is entered in the Group's statement of financial position, under financial assets, after deduction for dividend received. The Group's share of the

associated company's result after tax is recognised in the income statement under Share of profit of associated companies. The Group's carrying amount for holdings in associated companies includes goodwill as identified on acquisition, net of write-downs.

### Translation of foreign currencies

#### a) Functional currency and presentation currency

Items in the financial statements for the various Group units are measured in the currency used in the economic environment in which each company primarily operates (functional currency). In the consolidated accounts the Swedish krona is used, which is the parent company's functional and presentation currency.

#### b) Transactions and statement of financial position items

Transactions in foreign currencies are translated into the functional currency using the exchange rates in force on the transaction date. Exchange rate gains and losses arising upon payment of such transactions and upon translating monetary assets and liabilities in foreign currencies at the closing day exchange rate are recognised in the income statement.

#### c) Group companies

The income statement and statement of financial position of all Group companies with a functional currency different to the presentation currency are retranslated into the Group's presentation currency as follows:

- (i) assets and liabilities for each of the statements of financial position are translated at the closing day rate;
- (ii) income and expenses for each of the income statements and statements of comprehensive income are translated at the average exchange rate,
- (iii) all currency differences which arise are recognised in other comprehensive income. Upon consolidation, currency differences which arise as a result of translating net investments in foreign operations and of borrowing and other currency instruments identified as hedges of such investments, are recognised in other comprehensive income. On divestment of a foreign operation, such currency differences are recognised in the income statement along with the gain/loss entailed by the transaction. Goodwill and adjustments of fair value arising upon acquisition of a foreign operation are treated as assets and liabilities in the operation in question, and are translated at the closing day rate.

### Discontinued operations

A discontinued operation is a part of a company that has either been divested or is classified as being held for sale and constitutes a considerable, independent business line or an operation run within a geographical region. The profit for a discontinued operation is recognised separately from continuing operations in the income statement.

### Derivative instruments

The Group applies accounting standard IAS 39, Financial Instruments: Recognition and Measurement. This means that all derivative instruments are recognised in the statement of financial position at fair value. Changes in value relating to derivative instruments are recognised in the income statement except where the derivative instrument is a hedging instrument in a cash flow hedge or in a hedge of a net investment in a foreign company. In these cases the effective portion of the change in value regarding the derivative instrument is recognised via other comprehensive income and is accumulated under equity until the point where the hedged transaction has an effect on profit. With regard to the derivative instruments relating to hedging of fair value, the changes in value both from derivative instruments and the hedged item will be recognised in the income statement, where they neutralise one another to the extent that the hedge is effective.

### Other long-term receivables

Assets in this category mainly comprise long-term financial receivables and they are initially recognised at fair value including transaction costs. After that they are recognised at amortised cost with the application of the effective interest method.

### Inventories

Inventories are measured at the lower of cost and net selling price in accordance with the first-in first-out principle (FIFO). The value of inventories includes an attributable share of indirect costs.



**Note 2 cont.****Accounts receivable**

A reserve for doubtful receivables is made when it is likely that the Group will not receive the amounts due in accordance with the receivables' original terms. The size of the reserve comprises the difference between the assets' carrying amount and the present value of assessed future cash flows.

**Liquid funds**

Liquid funds include cash, bank deposits and other short-term investments which mature within three months of the date of acquisition.

**Income tax**

The stated income tax comprises tax that is to be paid or received for the financial year in question, adjustments to previous years' taxes and changes in deferred tax. All tax liabilities and assets are measured at nominal amounts in accordance with the tax rules and at the tax rates that have been decided or announced and will almost certainly be approved.

Tax effects relating to items in the income statement are also recognised in the income statement. The tax effects of items recognised under other comprehensive income are also reported under other comprehensive income and accumulated under equity. Deferred tax is calculated based on the difference between the tax base and the carrying amount of assets and liabilities (temporary differences), and on tax loss carry-forwards. Deferred tax is also calculated on the basis of the unrealised result of loans and forward contracts entered into to hedge the net assets of foreign subsidiaries against exchange rate fluctuations. The change in the item is recognised under other comprehensive income and accumulated under equity. Deferred tax assets attributable to loss carry-forwards are only recognised if it is probable that the loss carry-forward can be netted against a surplus in future taxation.

**Pension commitments**

IAS 19 is applied in the reporting of pensions, healthcare benefits and other employee benefits after the period of employment. The recommendation makes a distinction between defined contribution and defined benefit pension plans. Defined contribution pension plans are defined as plans where the company makes pre-determined payments to a third party and has no other commitment once the premiums have been paid. The payments made in exchange for the employee carrying out services for the company are expensed in the period in which those services are carried out.

Other plans are defined benefit plans in which the commitments remain within the Group. These commitments and plan-related costs regarding employment during the current period are based on actuarial calculations in accordance with the projected unit credit method. External actuaries are engaged for these calculations and the method allocates the cost for pensions as the employees carry out services which increase their right to future remuneration. The actuarial assumptions used to calculate the commitments and costs vary with the economic factors that reflect conditions in the countries where the defined benefit plans are located. The discount rate equates to the interest on first-class corporate bonds or government bonds, the duration of which corresponds to the average term of the obligations.

The Group's defined benefit plans are either non-funded or funded externally. Provisions for non-funded plans in the statement of financial position comprise the present value of the defined benefit commitments.

As regards the funded plans, the plan assets of the plans are separated from the Group's assets in externally managed funds. Liabilities or assets recognised in the statement of financial position relating to funded plans represent the amount by which the market value of the plan assets exceeds or falls short of the present value of the defined benefit commitments. However, a net asset is only recognised to the extent that it represents future financial benefits which the Group can utilise, for example in the form of reduced contributions in the future or repayment of funds paid into the plan. When it is not possible to utilise such surpluses, they are not recognised but presented in the notes.

Actuarial gains or losses arise in the event of changes in actuarial assumptions and differences between actuarial assumptions and the actual outcome. Changes to expected life span, pay and the discount rate are examples of

amended assumptions which could give rise to actuarial gains and losses.

Actuarial gains and losses are recognised in their entirety under other comprehensive income in the period in which they arise, and they are not transferred to the income statement in a subsequent period.

Interest expenses for pension liabilities and interest income on plan assets are recognised net as financial income or expenses. Costs regarding employment during the current and earlier periods, reductions and rules as well as other components in the pension cost for the year are recognised under operating profit.

Some of the plans for supplementary pensions for salaried employees in Sweden are financed through insurance premiums paid to Alecta/Collectum. This arrangement constitutes a defined benefit plan encompassing several employers. Alecta is currently unable to provide the information required to report the plan as a defined benefit plan. Consequently, supplementary pensions for salaried employees insured with Alecta are stated as defined contribution plans.

**Provisions**

Liabilities that are uncertain in terms of amount or when they will be settled are entered as provisions. It must also be considered likely that an outflow of resources will be required in order to service the commitment and that the amount can be reliably estimated. Provisions for restructuring expenses include costs for terminating lease agreements and severance pay and are recognised when the Group has a definite detailed restructuring plan which it has made known to interested parties. Provisions for legal requirements are estimates of the future cash flows required in order to settle the commitments. These estimates are based on the nature of the legal proceedings and take into account the assessments and opinions of legal advisers with regard to their outcome. Provisions to cover guarantee costs are estimates of warranty claims made and have been estimated using statistics for previous claims, the expected costs of measures and the average time required between the occurrence of a fault and a claim being made against the company.

**Revenue recognition**

Revenue from the sale of goods and services is stated when an agreement has been reached with a customer and the products have been delivered or the services provided and when all significant risks have transferred to the customer. Sales revenue is stated net after value added tax (VAT), discounts and returns. Intra-Group sales are eliminated in the Group. Income for major ongoing projects of long duration on behalf of outside parties is recognised on the basis of the degree of completion, which is determined by comparing costs incurred on the closing date with the estimated total cost.

**Other operating income**

Other operating income mainly comprises income in the form of royalties, rent, capital gains on sales of non-current assets, and currency gains on receivables and liabilities that are operational in character.

**Intangible assets**

Intangible assets are primarily brands, customer relations, product development costs and the costs of purchasing and developing software, as well as goodwill. Internally developed intangible assets are only recognised as assets if an identifiable asset has been created, it is likely that the asset will generate future financial benefit and the cost of developing the asset can be calculated in a reliable way. If it is not possible to recognise an internally developed intangible asset, the development costs are recognised as a cost in the period in which they arise.

**Brands**

Acquired brands are recognised at cost less any accumulated amortisation and write-down. Brands which have been established for a long time and are deemed to be strong are considered to have an indefinite useful life. Brands with an indefinite useful life are not amortised but instead reviewed annually in terms of write-down requirement in the same way as for goodwill. The useful life is considered indefinite if there is no foreseeable limit to the period over which the brand is expected to be used and to generate net cash inflows.

#### Customer relations

Acquired customer relations are recognised at cost less accumulated amortisation and write-down. Customer relations have a finite useful life and amortisation is carried out linearly over the asset's expected useful life. The amortisation period is 5–10 years.

#### Expenditure on product development

Expenditure on development projects is capitalised under intangible assets to the extent it is expected to generate future financial benefits. Other development expenditure is expensed in the income statement as it is incurred and is included in cost of goods sold. Development expenditure previously stated as a cost in the income statement is not capitalised as an asset in later periods. Capitalised development expenditure is written off linearly over the estimated useful life of 3–5 years.

#### Expenditure on software

Expenditure on software is capitalised under intangible assets if it is likely to have economic benefits in excess of the cost after one year. Other software is recognised as a cost. Capitalised expenditure on purchasing and developing software is written off linearly over the estimated useful life of 3–5 years.

#### Goodwill

In the case of corporate acquisitions where the purchase sum exceeds the fair value at the time of acquisition of identifiable acquired net assets, the difference is recognised as goodwill if no allocation can be made to other intangible assets. Goodwill has an indefinite useful life and is recognised at cost less accumulated write-downs. When a business is sold, goodwill related to this business is recognised in the capital gain/loss calculation.

#### Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any write-down. The cost includes expenses directly attributable to bringing the asset to the location and into the condition required for it to be used for its intended purpose. Costs for improvements to the asset's performance increase the asset's carrying amount if the investment is expected to generate economic benefits. Expenditure on repairs and maintenance is recognised as costs.

Property, plant and equipment are depreciated linearly over the asset's expected useful life down to the asset's estimated residual value. In instances where property, plant and equipment comprise elements with different useful lives, each part is treated as a separate component with regard to depreciation.

The following useful lives are used for calculating scheduled depreciation:

- Equipment
  - Vehicles 5 years
  - Computers 3–5 years
  - Other equipment 5–15 years
- Machinery 5–15 years
- Buildings and land improvements 20–50 years

#### Write-downs

On the occasion of each report, an assessment is made as to whether there is any indication of a reduction in the value of the Group's assets.

If this is the case, an estimate is made of the asset's recoverable amount. Goodwill and other assets with an indefinite useful life have been allocated to the smallest cash-generating units and are subject to annual impairment reviews even if there is no indication of a reduction in value. The need for write-down is reviewed more often, however, if there are indications of a reduction in value. The recoverable amount is calculated as the higher of the value in use of the asset in the business and the net selling price. The value in use consists of the present value of all income and payments attributable to the asset during the period it is expected to be used in the business plus the present value of the net selling price at the end of its useful life. If the recoverable amount calculated is less than the carrying amount, the asset is written down to its recoverable

amount. A previous write-down is reversed if there has been a change in the assumptions that formed the basis for determining the asset's recoverable amount when it was written down and which mean that the write-down is no longer considered necessary. The reversal of previous write-downs is reviewed on an individual basis and is recognised in the income statement. Write-downs of goodwill may not be reversed in any subsequent period.

#### Borrowings

Borrowing is initially recognised at fair value after transaction costs. Subsequently, borrowing is recognised at amortised cost and any difference between the amount received and the repayment amount is recognised in the income statement, distributed across the loan period, with the application of the effective interest method.

#### Leasing

When a lease contract means that the financial benefits are, in all essentials, passed on to the Group, as the lessee, and the Group bears the economic risks attributable to the leased object (known as financial leasing), the object is recognised as a non-current asset in the Group's statement of financial position. The corresponding undertaking to pay leasing charges in the future is recognised as a liability.

Leasing where a significant portion of the risks and benefits of ownership are retained by the lessor is classified as operational leasing. Payments made during the lease term are expensed systematically over the term of the lease.

#### Reporting by segment

An operating segment is a part of a company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the company's chief operating decision-maker and for which discrete financial information is available. Gunnebo's reporting of operating segments agrees with internal reporting to the chief operating decision-maker and the definition of operating segment is also based on the management's decision to organise the Group based on geographical areas that differ as regards the risks they are subject to and the income they earn. The Group's operating segments comprise three regions: EMEA (Europe, Middle East & Africa); Asia-Pacific; and the Americas. The regions are consolidated according to the same principles that apply for the Group as a whole.

#### Equity

Transaction costs that can be directly attributed to the issue of new shares or options are recognised, net of tax, in equity as a reduction in the issue amount. Expenses for buying back treasury shares reduce retained earnings. If these shares are later divested, the sale amount is recognised as an increase in retained earnings.

#### New or amended IFRS standards and new interpretations in 2015

New or amended standards and new interpretations have not had any material effect on the Group's financial statements in 2015.

#### New or amended IFRS standards and new interpretations that have not yet come into force

At the time of preparing the consolidated accounts as of December 31, 2015, the International Accounting Standards Board (IASB) has issued several new or amended standards which have not yet come into force. The Group has not yet begun to apply these new and amended standards. Below is a description of those which are expected to impact on the Group's financial statements in the period they are applied for the first time:

IAS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains principles for financial instruments regarding recognition, measurement, derecognition, impairment and hedge accounting. The standard, which has not yet been adopted by the EU, will be applied from January 1, 2018.

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue and IAS 11 Construction Contracts and will be applied for financial years begin-

**Note 2 cont.**

ning on January 1, 2018 or later, with early application permitted. The standard has not yet been adopted by the EU. IFRS 15 entails a model for recognising revenue that comprises income arising from contracts with customers, with the exception of lease agreements, financial instruments and insurance contracts. With IFRS 15, the fundamental principle for revenue recognition is that income is recognised when the customer obtains control over a good or service in exchange for remuneration for this good or service. The new standard may have consequences for the recognition of, for example, service agreements, long-term contracts and sales transactions with elements of goods and/or services.

IFRS 16 Leases will replace IAS 17 Leases and will be applicable for financial years beginning on January 1, 2019 or later, with early application permitted provided that IFRS 15 is applied simultaneously. IFRS 16 means that the lessee should recognise virtually all leases in the statement of financial position, with the exception of leases with a term of 12 months or less and leases where the underlying asset is of low value. Depreciation for assets and interest expenses for liabilities are recognised in the income statement. The standard has not yet been adopted by the EU.

The corporate management is currently assessing how IFRS 9, IFRS 15 and IFRS 16 will impact on the Group's financial statements. Other new and amended standards and interpretations that have not yet come into force are not expected to have a material impact on the Group's financial statements during the period they are applied for the first time.

**PARENT COMPANY'S ACCOUNTING PRINCIPLES**

The parent company has drawn up its Annual Report in accordance with the Annual Accounts Act and the recommendation of the Swedish Financial Reporting Board, RFR 2 Accounting for Legal Entities, as well as the applicable statements of the Swedish Financial Reporting Board. RFR 2 means that in its annual report for the legal entity, the parent company applies all IFRS and statements approved by the EU as far as possible, within the framework of the Annual Accounts Act and the Act on Safeguarding Pension Obligations with regard to the relationship between accounting and taxation.

The parent company mainly applies the principles described above in relation to the Group. The differences between the accounting principles of the Group and the parent company are described below.

**Shares in subsidiaries**

Shares in subsidiaries are measured at cost less any write-down. Acquisition costs are included in the cost.

**Group contributions**

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 which means that Group contributions received and paid are recognised as appropriations.

**Pensions**

The parent company's pension commitments have been calculated and recognised on the basis of the Act on Safeguarding Pension Obligations. The application of the Act on Safeguarding Pension Obligations is a condition of tax relief law.

**New and amended accounting principles**

The changes to RFR 2 which have come into force and apply to the 2015 financial year relate to the following areas:

IAS 19 Employee Benefits. Reference to FAR SRS recommendation RedR 4 'Accounting of pension liabilities and pension costs' has been removed and the rules have instead been added to RFR 2. The application of the rules set out in the Act on Safeguarding Pension Obligations remains a condition of tax relief law, and the rules in IAS 19 regarding defined benefit plans do not need to be applied to legal entities. The simplification rules may be applied instead. Amendments to RFR 2 have not had a material effect on the parent company's financial statements in 2015.

The new and amended standards and interpretations that have been issued but come into force for the financial year beginning January 1, 2016 or later are not expected to have a material impact on the parent company's financial statements when they are applied for the first time.

# Notes – Group

## Note 3 Financial risk management and financial instruments

### Financial risk management

The 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.

### Objective and policy for risk management

#### Financing risk

Financing risk refers to the risk that financing of the Group's capital requirement and refinancing of its outstanding borrowing 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.

#### 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.

#### Liquidity risk

Liquidity risk refers to the risk of not having access to liquid funds or undrawn lines of credit in order to fulfil payment obligations. The finance policy stipulates that available liquid funds and unused lines of credit shall always amount to a minimum of MSEK 350.

Liquidity in the Group shall be deposited with the internal bank or in local cash pools. Gunnebo has centralised its liquidity management in cash pools in the main European countries where it operates and in the USA. The Group uses these cash pools to match the local subsidiaries' surpluses and deficits in each country and currency. Because the Group is a net borrower, the surplus liquidity is used to pay instalments on external liabilities.

#### Currency risk

Gunnebo's accounts are prepared in Swedish kronor, but the Group has operations in a large number of countries worldwide. Consequently, the Group is exposed to currency risks. In order to manage these risks, the Group can hedge its currency risks within the framework of the finance policy.

#### Transaction exposure

Gunnebo has export income and import costs 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 result. In accordance with the finance policy, Gunnebo 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 not usually run for more than 12 months. There has been no such hedging in 2015 or 2014.

#### Translation exposure (net investments)

On consolidation, the net assets of foreign subsidiaries are translated into Swedish kronor, which can result in translation differences. In order to limit the negative effects of translation differences on Group 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.

#### Translation exposure (income statement)

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

### 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. Gunnebo's finance policy includes a special list of permitted counterparties and maximum credit exposure with each approved counterparty. Gunnebo has also entered into general agreements (ISDAs) with all of its counterparties for transactions in derivative instruments.

Liquid funds shall primarily be used to reduce outstanding liabilities, in order to limit the volume of outstanding surplus liquidity.

#### Customer credit risk

Gunnebo has established a manual 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 a local credit policy regulating credit limits, terms of payment and collection procedures. Lease agreements and customer financing packages shall be approved by Gunnebo Treasury AB.

The Group's maximum exposure to credit risk is equivalent to the book values of financial assets, as shown in the table below.

	2015	2014
Other long-term receivables	6.8	6.1
Accounts receivable	1,150.4	1,125.0
Other receivables	123.3	76.3
Liquid funds	496.4	447.0
<b>Maximum exposure to credit risk</b>	<b>1,776.9</b>	<b>1,654.4</b>

### Financial instruments – Risk management during the year

#### Interest-bearing liabilities

Gunnebo had credit facilities totalling MSEK 2,018 at the end of the year, of which MSEK 1,353 was drawn. The average duration of the agreed credit facilities was 2.7 years.

The long-term credit facilities chiefly comprise of a syndicated loan agreement for MEUR 140 which falls due in February 2019. In addition the Group has two acquisition financing arrangements of MUSD 23 and MEUR 23. Furthermore, there is approximately MSEK 315 in short-term credit facilities and external local financing in subsidiaries. The reason for individual subsidiaries having external financing is that 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
2016	449	214
2017	161	161
2018	114	114
2019 and later	1,294	864
<b>Total</b>	<b>2,018</b>	<b>1,353</b>

#### Interest rate risk

At the end of the year, Gunnebo's loan portfolio had an average fixed interest term\* of 9 (12) months, and the average rate of interest on the loan portfolio\* was 2% (1.9%). Given the same borrowing liability and the same fixed interest terms as at the end of the year, a one percentage point change in the market interest rate would change the Group's interest cost by approximately MSEK 14 before and MSEK 8 after interest rate hedges on an annual basis.

A one percentage point change in the market interest rate would also result in a change in the market value of outstanding interest derivatives of approximately MSEK 14, which affects other comprehensive income.

\* Including margins and interest derivatives related to the loan portfolio through hedge accounting.

**Note 3 cont.****Currency risks**

Currency effects had a positive impact on operating profit of MSEK 33.

**Transaction exposure**

The commercial currency flow in 2015 after net calculations of opposite flows amounts to MSEK 243 on an annual basis. The Group has not hedged transaction exposure in currencies.

**Translation exposure**

The net assets of foreign subsidiaries amounted to MSEK 1,146 (923) on December 31, 2015. The group does not hedge translation exposure in currencies.

**Sensitivity analysis**

A 10% weakening in the value of the Swedish krona against all other currencies would increase profit by a total of approximately MSEK 31, of which approximately MSEK 24 would be netted transaction exposure. The remaining MSEK 7 is attributable to translation exposure (income statement).

A weakening of the Swedish krona by 10% against the Group's most important currencies, the euro and US dollar, would increase profit by MSEK 12 and MSEK 7 respectively.

Such a weakening of the Swedish krona would also mean an increase in equity of MSEK 36 with regard to the euro and an increase in equity of MSEK 15 with regard to the US dollar when translating foreign net assets into Swedish kronor.

**Accounting of derivative instruments and hedges**

Derivative instruments are reported in the statement of financial position on the contract date at fair value, both initially and upon subsequent revaluations. The method for reporting the gain or loss arising upon revaluation depends on whether the derivative is identified as a hedging instrument and, if that is the case, the nature of the item being hedged. The Group identifies derivatives as: (1) a hedge of fair value of an identified asset or liability or a firm commitment (fair value hedge); (2) a hedge of a highly probable forecast transaction (cash flow hedge); or (3) a hedge of a net investment in a foreign operation (net investment hedge). When the transaction is entered into, the relationship between the hedging instrument and the hedged item is documented, as is the aim of the risk management and the strategy for taking various hedging measures. The Group documents at the beginning of the hedge and continuously thereafter whether the derivative instruments used in the hedging transactions are effective in evening out changes in the fair value or cash flow of hedged items.

Information about the fair value for derivative instruments used for hedging is provided in a summary on page 69.

**Liquidity risk**

The contracted maturity dates for the Group's financial instruments are shown below.

The amounts are nominal and include interest payments.

Financial assets and liabilities		Less than 6 months	6–12 months	1–2 years	2–3 years	3–6 years	Total contracted cash flow
Long-term financial receivables		—	7	—	—	—	7
Accounts receivable		1,150	—	—	—	—	1,150
Liquid funds		496	—	—	—	—	496
Bank loans and overdraft facilities*		–1,367	–14	–27	–27	–81	–1,516
Accounts payable		–635	—	—	—	—	–635
Derivatives							
- Interest-rate swap agreements	outflow	–3	–3	–5	–3	–1	–15
	inflow	0	0	0	0	0	0
- Currency forward contracts included in hedge accounting	outflow	—	—	—	—	—	—
	inflow	—	—	—	—	—	—
- Currency forward contracts not included in hedge accounting	outflow	–644	—	—	—	—	–644
	inflow	660	—	—	—	—	660
<b>Total</b>		<b>–343</b>	<b>–10</b>	<b>–32</b>	<b>–30</b>	<b>–82</b>	<b>–497</b>

\* Interest maturity on borrowing under the Group's syndicated credit facilities falls within 6 months but the guaranteed credit facilities do not mature until 2019.

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 December 31, 2015. The base currency of the currency forward contract has been re-measured at the applicable closing rate as of December 31, 2015 while the future flows of the other type of currency are measured at the contracted rate.

**Hedge accounting****Fair value hedge**

Changes in the fair value of derivatives which are identified as fair value hedges and which fulfil the terms of hedge accounting are reported in the income statement together with changes in fair value of the asset or liability which has given rise to the hedged risk.

**Cash flow hedging**

The effective portion of changes in fair value of derivative instruments which have been identified as cash flow hedges and which fulfil the terms of hedge accounting are recognised via other comprehensive income and accumulated under equity. The gain or loss attributable to the ineffective portion is reported directly in the income statement.

Accumulated amounts in equity are reversed to the income statement in the periods during which the hedged item affects the result (for example when the forecast hedged sale takes place).

When a hedging instrument expires or is sold, or when the hedge no longer fulfils the terms of hedge accounting and there are accumulated gains or losses regarding the hedge in equity, these gains/losses remain in equity until the forecast transaction is finally reported in the income statement. When a forecast transaction is no longer expected to take place, the accumulated gain or loss recognised in equity is immediately transferred to the income statement.

**Hedging of net investments in foreign operations**

Net investment hedges in foreign operations are reported in a similar way to cash flow hedges. Gains or losses regarding hedging instruments relating to the effective portion of hedging are recognised via other comprehensive income and accumulated under equity. Gains or losses attributable to the ineffective portion are recognised in the income statement. Accumulated gains and losses in equity are recognised in the income statement when the foreign operation is divested or discontinued.

**Receivables and liabilities in foreign currencies**

Currency forward contracts are used to hedge receivables and liabilities in foreign currencies. To protect against such currency risks, hedge accounting is not applied since a financial hedge is reflected in the accounts in that both the hedged item and the hedging instrument are recognised at the exchange rate on the closing day, and that exchange rate fluctuations are recognised in the income statement.



#### Interest-rate swaps

The nominal value of outstanding interest-rate swap agreements relating to cash flow hedges amounted to MSEK 913 (952) on December 31, 2015. There were no interest-rate swap agreements relating to fair value hedges on the closing date.

#### Derivative instruments

Nominal amounts	2015	2014
<b>Interest-rate swap agreements</b>		
Term of less than 1 year	—	—
Term 1–2 years	548	—
Term 2–5 years	365	952
<b>Interest-rate swap agreements total</b>	<b>913*</b>	<b>952</b>
Currency forward contracts**	660	634
<b>Total</b>	<b>1,573</b>	<b>1,586</b>

\* Of which MSEK 365 refers to interest-rate swap agreements starting after December 31, 2015.

\*\* 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 table below shows the Group's derivatives on the closing day taking into account the netting opportunities.

Derivatives	Gross	Netting agreement	Net
Assets	16.7	–12.9	3.8
Liabilities	–12.9	12.9	0.0

The Group has entered into general agreements (ISDAs) with all of its 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. On December 31, 2015, the Group had not applied net accounting for derivative instruments or for any other important assets and liabilities.

#### 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 34% (35%). Another of Gunnebo's aims is to achieve a return of 15% on capital employed. The return on capital employed for 2015 was 10.1% (12.1%).

Gunnebo's borrowing is 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. With regard to the prevailing terms in the loan agreements, available credit facilities amounted to MSEK 582 at the end of the year as all financial commitments in the form of covenants were fulfilled.

#### Measurement at fair value

The carrying amounts and fair values of the Group's financial instruments are shown in the table below.

#### 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.

The table below presents the assets and liabilities measured at fair value.

#### Other financial instruments

The carrying amount of interest-bearing assets and liabilities in the statement of financial position can deviate from their fair value, as a result of changes to the market interest rates among other things. The fair value has been calculated by discounting future payment flows to current interest rates and exchange rates for equivalent instruments.

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.

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<b>Financial assets measured at fair value*</b>	<b>16.7</b>	<b>16.7</b>	<b>0.7</b>	<b>0.7</b>
- of which derivatives for which hedge accounting does not apply	16.7	16.7	0.7	0.7
- of which currency derivatives regarding commercial exposure for which hedge accounting of cash flows applies	—	—	—	—
- of which currency derivatives for hedging net investment abroad	—	—	—	—
<b>Other financial assets**</b>	<b>1,653.6</b>	<b>1,653.6</b>	<b>1,578.1</b>	<b>1,578.1</b>
<b>Total financial assets</b>	<b>1,670.3</b>	<b>1,670.3</b>	<b>1,578.8</b>	<b>1,578.8</b>
<b>Financial liabilities</b>				
<b>Financial liabilities measured at fair value***</b>	<b>12.9</b>	<b>12.9</b>	<b>29.3</b>	<b>29.3</b>
- of which derivatives for which hedge accounting does not apply	0.3	0.3	15.0	15.0
- of which interest-rate swap agreements for which hedge accounting of cash flows applies	12.6	12.6	14.3	14.3
- of which currency derivatives regarding commercial exposure for which hedge accounting of cash flows applies	—	—	—	—
- of which currency derivatives for hedging net investment abroad	—	—	—	—
<b>Other financial liabilities****</b>	<b>1,988.0</b>	<b>1,988.0</b>	<b>1,726.0</b>	<b>1,726.0</b>
- of which financial liabilities for which hedge accounting does not apply	1,074.5	1,074.5	774.4	774.4
- of which financial liabilities for which hedge accounting of cash flows applies	913.5	913.5	951.6	951.6
<b>Total financial liabilities</b>	<b>2,000.9</b>	<b>2,000.9</b>	<b>1,755.3</b>	<b>1,755.3</b>

\* Assets recognised as other current receivables in the consolidated statement of financial position.

\*\* Assets recognised as other long-term and current receivables, accounts receivable and liquid funds in the consolidated statement of financial position.

\*\*\* Liabilities recognised as other current liabilities in the consolidated statement of financial position.

\*\*\*\* Liabilities recognised as accounts payable as well as short-term and long-term borrowing.

## Note 4 Critical accounting estimates and assessments

When drawing up the annual report in accordance with IFRS and good accounting practice, the Group has made estimates and assumptions about the future which affect the carrying amounts of assets and liabilities. These estimates and assumptions are continuously evaluated and are based on historical experience and other factors considered reasonable under the prevailing conditions. Where it is not possible to establish the carrying amount of assets and liabilities using information from other sources, these estimates and assumptions are used as the basis for valuations. Different assumptions and estimates may give different results and the predicted outcome will rarely correspond exactly to the actual result. The assumptions and estimates deemed to have the greatest impact on Gunnebo's financial position and results are described below.

### Review of write-down requirement for goodwill and brands

The Group conducts an impairment review every year to assess whether there is a write-down requirement for goodwill and brands with an indefinite useful life in accordance with the accounting principles described in Note 2 above. The review requires an estimate of the parameters affecting future cash flow as well as the specification of a discounting factor. The recoverable amounts for cash-generating units have then been established by calculating value in use. Note 14 contains details of the important assumptions made when reviewing the write-down requirement of goodwill and other assets with indefinite useful lives, as well as a description of the effect of reasonably possible changes to the assumptions that form the basis of the calculations. As at December 31, 2015, the carrying amount of goodwill and brands with an indefinite useful life was MSEK 1,591 (1,560).

### Tax

Significant assessments are carried out to determine the value of both current and deferred tax liabilities and tax assets. Deferred tax assets relating to temporary differences of MSEK 106 (114) have been entered in the Group based on the assessment that it is likely they will be able to be utilised and that they will entail lower tax payments in the future.

Furthermore, deferred tax assets reported in relation to loss carry-forward were MSEK 199 (225) as of December 31, 2015. The carrying amount of these tax assets has been reviewed on the closing day and it has been considered likely that the deduction can be used against a surplus in future taxation. The greater part of the tax assets relate to countries with an unlimited period in which the loss carry-forwards can be used. The Group's business in these countries is either profitable or is expected to generate a surplus in the future, based on the budget and strategic plan. Gunnebo therefore believes that there are major factors to indicate that it will be possible to utilise the loss carry-forwards to which the tax assets can be attributed against future taxable surpluses.

At the end of 2015 the Group also had further loss carry-forwards amounting to approximately MSEK 620 (600), for which no deferred tax asset has been recognised based on the assessment that it is not deemed probable that the loss carry-forward can be used.

Changes to the above assumptions and assessments may result in significant differences in the valuation of deferred tax assets. Provisions for ongoing tax disputes amounted to MSEK 1 (3) at the end of 2015. The need for a provision will be assessed when consideration of decision is received from an authority or tax court, which the management deems to entail an outcome different to the stated declarations.

### Guarantee commitments

Many of the products sold by Gunnebo are covered by guarantees that apply for a period specified in advance. Provisions for these product guarantees are based on historical data and on the expected costs of quality issues that are known or can be predicted. Provisions are also made for guarantees of a goodwill nature and extended guarantees. Total provisions for guarantees were MSEK 38 (40) on December 31, 2015. Even though changes to the assumptions may result in different valuations, it is considered unlikely that these will have a significant effect on the Group's profits or financial position.

### Capitalised product development costs

Expenditure on development projects is capitalised to the extent it is expected to generate economic benefits. Capitalisation begins when the management considers that the product will be technically or economically sound. This means that specific criteria must be met before a development project can be capitalised as an intangible asset. Capitalisation ends and amortisation of the capitalised development expenditure begins when the product is ready for sale. Capitalised development costs are subject to an impairment review when there is any indication of a reduction in value. The management decides on the amortisation period as well as the write-down requirement review. On December 31, 2015, the Group's capitalised development costs were MSEK 76 (57).

### Disputes

Provisions for disputes are estimates of the future cash flows required in order to settle the commitments. In addition to the above-mentioned tax disputes, Gunnebo is involved in a number of disputes and legal processes within the framework of its ongoing operation. Disputes mainly relate to contractual obligations attributable to contracts with customers and suppliers, but other kinds of dispute do arise in the normal course of business. The outcome of complex disputes can be difficult to predict and the disputes can be both time-consuming and costly. It cannot therefore be ruled out that an unfavourable outcome in a dispute may have a significant effect on the Group's profits and financial position. The management considers it unlikely, however, that any disputes of which it is currently aware in which Gunnebo is involved will have a significant effect on the Group's accounts. The Group's provisions for disputes was MSEK 21 (31) on the closing day.

### Remuneration after the end of employment

Reporting of provisions for defined benefit pension plans and other pension benefits is based on actuarial calculations using assumptions relating to discount rates, future salary increases, personnel turnover and demographic conditions. The assessments made in relation to these assumptions affect the total value of the pension commitments and major changes in these assessments could have a significant impact on the Group's profits and financial position. The same is true of any changed assessment in relation to whether or not pension insurance with Alecta should be recognised as a defined contribution plan. On December 31, 2015, the Group's provisions for pensions were MSEK 362 (425).

### Obsolescence reserve

Inventory is measured at the lower of cost and net selling price in accordance with the first-in first-out principle (FIFO). The value of inventory is adjusted by an estimated reduction in value for physical damage, discontinued items, over-dimensioned stock and other forms of obsolescence. On December 31, 2015, the Group's reserve for obsolescence amounted to MSEK 74 (78).

### Accounts receivable

A reserve for doubtful receivables is made when it is likely that the Group will not receive the amounts due in accordance with the receivables' original terms. The size of the reserve comprises the difference between the assets' carrying amount and the present value of assessed future cash flows. The assessments made in relation to these future cash flows affect the value of the accounts receivable item and a major change in these assessments could have a significant impact on the Group's profits and position.

The Group's accounts receivable amounted to MSEK 1,150 (1,125) on the closing day, including a reserve for doubtful receivables of MSEK 45 (51).

## Note 5 Reporting by segment

### Operating segments

	2015				2014			
	Region Europe, Middle East & Africa	Region Asia-Pacific	Region Americas	Total	Region Europe, Middle East & Africa	Region Asia-Pacific	Region Americas	Total
Net sales	3,860	1,085	1,107	6,052	3,644	1,029	884	5,557
Operating profit/loss*	84	108	128	320	108	131	113	352
Financial income				19				14
Financial expenses				-62				-49
Tax				-109				-90
Profit/loss for the year				168				227
Operating capital**								
Operating assets	1,711	454	514	2,679	1,547	393	530	2,470
Operating liabilities	-921	-243	-243	-1,407	-914	-235	-288	-1,437
Total operating capital	790	211	271	1,272	633	158	242	1,033
Other information								
Capital expenditure	80	37	18	135	42	15	21	78
Depreciation/Amortisation	65	23	20	108	57	16	15	88

### Geographical information

	Net sales***		Operating capital**		Capital expenditure	
	2015	2014	2015	2014	2015	2014
France	1,052	1,030	191	161	20	13
USA	572	486	237	206	0	3
India	426	429	77	57	26	5
UK	391	328	118	71	15	6
Spain	254	238	199	33	3	0
Germany	237	232	38	44	2	4
Indonesia	222	163	-3	56	8	8
Sweden	199	203	-19	-2	1	2
Mexico	197	70	10	3	0	1
Other	2,502	2,378	424	404	60	36
Total	6,052	5,557	1,272	1,033	135	78

\* Income and expenses of a non-recurring nature had an effect on the Group's results of MSEK -77 (-14). Region Europe, Middle East & Africa has been burdened by MSEK -67 (-1), Region Asia-Pacific by MSEK -7 (-9) and Region Americas by MSEK -3 (-4).

\*\* Operating assets comprise other intangible assets, property, plant and equipment, stock, accounts receivable, other receivables as well as prepaid expenses and accrued income. Operating liabilities comprise accounts payable, other liabilities as well as accrued expenses and deferred income.

\*\*\* In the geographical representation of sales, the customer's location determines the geographical region to which the sale is allocated.

## Note 6 Other operating income

	2015	2014
Capital gains	1.5	11.0
Currency gains	2.8	7.1
Gain from divestment of operations*	-	73.4
Other	10.0	4.2
Total	14.3	95.7

\* Refers to Fichet-Bauche Télésurveillance which was divested in June 2014. For further information, see Note 32 Divestiture of operations.

## Note 7 Other operating expenses

	2015	2014
Capital losses	0.9	0.4
Currency losses	15.5	4.4
Other	0.3	0.7
Total	16.7	5.5

## Note 8 Depreciation by function

Depreciation has been charged against the operating profit as follows:

	2015	2014
Cost of goods sold	77.3	57.8
Selling expenses	7.9	6.7
Administrative expenses	23.1	23.2
<b>Total</b>	<b>108.3</b>	<b>87.7</b>

## Note 9 Income and expenses of a non-recurring nature by function

Income of a non-recurring nature has been included in operating profit as follows:

	2015	2014
Other operating income	—	73.4
<b>Total</b>	<b>—</b>	<b>73.4</b>

Expenses of a non-recurring nature have been charged against the operating profit as follows:

	2015	2014
Cost of goods sold	25.7	31.7
Selling expenses	12.2	24.5
Administrative expenses	38.9	31.6
Other operating expenses	—	0.1
<b>Total</b>	<b>76.8</b>	<b>87.9</b>

The previous year's income of a non-recurring nature refers to gain from divestiture of operations. For further information, see Note 32 Divestiture of operations.

Expenses of a non-recurring nature during the year can primarily be attributed to staff cuts and other structural measures in Region Europe, Middle East & Africa.

## Note 10 Operating expenses allocated per type of cost

	2015	2014
Direct material costs	2,096.5	1,924.5
Change in stock	21.0	-7.9
Remuneration to employees	2,015.0	1,935.8
Temporary personnel and subcontractors	373.6	310.8
Transport costs	137.2	127.1
Vehicle and travel costs	222.3	208.5
Depreciation and write-down of non-current assets	108.9	88.0
Other costs	754.9	708.5
<b>Total operating expenses*</b>	<b>5,729.4</b>	<b>5,295.3</b>

\* Relates to cost of goods sold, selling expenses and administrative expenses.

## Note 11 Other financial income and expenses

	2015	2014
<b>Other financial income</b>		
Currency gains	5.2	1.4
Other	1.8	0.7
<b>Total</b>	<b>7.0</b>	<b>2.1</b>
<b>Other financial expenses</b>		
Currency losses	-9.2	-1.5
Bank charges and bank guarantee costs	-11.1	-9.7
Other	-1.7	-0.7
<b>Total</b>	<b>-22.0</b>	<b>-11.9</b>

## Note 12 Taxes

	2015	2014
Current tax	-88.2	-105.8
Deferred tax	-20.8	16.5
<b>Total</b>	<b>-109.0</b>	<b>-89.3</b>

The Group's tax expense amounted to MSEK -109.0 (-89.3) and the effective tax rate to 39% (28%). The tax expense for the year was burdened by taxes relating to previous years, as well as by the effects of tax deficits for which no deferred tax asset has been stated.

Tax calculated on Group profit before tax differs from the theoretical amount which would have been produced from a weighted average tax rate for profits in the consolidated companies as described below:

	2015	2014
Tax calculated in accordance with national tax rates for each country	-81.1	-84.9
Tax attributable to previous years	-12.7	1.0
Effects of tax deficits for which no deferred tax asset has been stated	-8.0	7.1
Effects of non-deductible expenses and non-taxable income etc.	-7.2	-12.5
<b>Tax expense</b>	<b>-109.0</b>	<b>-89.3</b>

Deferred tax assets and liabilities are attributable to the following items:

Deferred tax assets	2015	2014
Loss carry-forward	198.7	224.7
Hedging transactions	2.8	1.9
Inventories	2.8	2.2
Pension commitments	61.5	73.3
Provisions	23.3	24.3
Other deductible temporary differences	15.5	12.8
<b>Total</b>	<b>304.6</b>	<b>339.2</b>

Deferred tax liabilities	2015	2014
Non-current assets	86.0	60.0
Other taxable temporary differences	7.3	6.0
<b>Total</b>	<b>93.3</b>	<b>66.0</b>
<b>Deferred tax assets and tax liabilities, net</b>	<b>211.3</b>	<b>273.2</b>

The change pertaining to deferred taxes is as follows:

	2015	2014
Opening value, net	273.2	242.8
Translation differences	-1.1	8.2
Deferred tax in the income statement	-20.8	16.5
Deferred tax recognised in other comprehensive income	-11.8	6.1
Acquisition of operations	-28.2	-0.2
Divestment of operations	—	-0.2
<b>Closing value, net</b>	<b>211.3</b>	<b>273.2</b>

Deferred tax assets attributable to loss carry-forwards are only reported if it is probable that the deduction can be netted against a surplus in future taxation. At the end of 2015, loss carry-forwards totalled approximately MSEK 620 where no deferred tax assets have been capitalised on the basis of assessments of the ability to use them against future tax surpluses in the respective tax domicile. Approximately MSEK 30 of this is due within five years.

## Note 13 Earnings per share

### Before dilution

Earnings per share before dilution is calculated by dividing profit after tax attributable to the parent company's shareholders by the average number of outstanding shares.

	2015	2014
Net profit for the year attributable to parent company shareholders, MSEK	165.7	226.2
Average no. of shares before dilution (thousands)	76,180	75,979
Average no. of shares after dilution (thousands)	76,182	75,979
Earnings per share before dilution, SEK	2.18	2.98
Earnings per share after dilution, SEK	2.18	2.98

### After dilution

To calculate earnings per share after dilution, the estimated average number of outstanding shares is adjusted for the dilutive effect of all shares. Gunnebo's long-term share-based incentive programme has a potential dilutive effect.

A dividend of SEK 1.00 (1.00) per share is proposed.

## Note 14 Intangible assets

2015 financial year	Goodwill	Other intangible assets
Opening balance, acquisition values Jan 1, 2015	1,490.0	490.0
Capital expenditure	—	32.8
Acquisitions	92.5	213.7
Sales/disposals	—	-5.5
Reclassifications	-7.6	7.6
Translation differences	-58.4	-14.9
<b>Closing accumulated cost Dec 31, 2015</b>	<b>1,516.5</b>	<b>723.7</b>
Opening amortisation and write-downs Jan 1, 2015	—	305.4
Acquisitions	—	94.9
Sales/disposals	—	-5.5
Amortisation	—	47.0
Write-downs	—	0.3
Translation differences	—	-13.5
<b>Closing accumulated amortisation and write-downs Dec 31, 2015</b>	<b>—</b>	<b>428.6</b>
<b>Closing carrying amount Dec 31, 2015</b>	<b>1,516.5</b>	<b>295.1</b>

2014 financial year	Goodwill	Other intangible assets
Opening balance, acquisition values Jan 1, 2014	1,322.4	437.7
Capital expenditure	—	26.4
Acquisitions	51.7	—
Divestment of operations	-5.2	-2.7
Sales/disposals	—	-6.1
Translation differences	121.1	34.7
<b>Closing accumulated cost Dec 31, 2014</b>	<b>1,490.0</b>	<b>490.0</b>
Opening amortisation and write-downs Jan 1, 2014	—	265.6
Divestment of operations	—	-2.5
Sales/disposals	—	-3.3
Amortisation	—	31.2
Write-downs	—	0.2
Translation differences	—	14.2
<b>Closing accumulated amortisation and write-downs Dec 31, 2014</b>	<b>—</b>	<b>305.4</b>
<b>Closing carrying amount Dec 31, 2014</b>	<b>1,490.0</b>	<b>184.6</b>

Other intangible assets in the Group consist primarily of acquisition-related assets in the form of brands and customer relations, as well as expenditure on software and capitalised expenditure on product development. The useful life is limited for all asset types included in this item, with the exception of brands. Amortisation is linear over the useful life.

Capitalised expenditure on product development amounted to MSEK 75.6 (56.7). During the course of the year, capital expenditure on product development projects totalled MSEK 22.0 (12.2). The closing carrying amounts for customer relations and brands total MSEK 113.9 (30.7) and MSEK 74.7 (69.9) respectively. The carrying amount for brands refers entirely to brands with an indefinite useful life attributable to the Bank Security & Cash Handling business area. Other asset types included in the item mainly refer to software, and the closing carrying amount for these assets amounts to MSEK 30.9 (27.3).

### Review of write-down requirement

Goodwill is distributed between the Group's cash-generating units as follows:

Specification of goodwill	2015	2014
Bank Security & Cash Handling	821.4	747.1
Secure Storage	188.4	197.2
Global Services	277.9	305.0
Entrance Control	199.5	211.4
Gateway	29.3	29.3
<b>Carrying amount</b>	<b>1,516.5</b>	<b>1,490.0</b>

The write-down requirement for goodwill and brands with an indefinite useful life is reviewed annually, and when there are indications that a write-down is necessary.

The recoverable amount for cash-generating units has been established by calculating the value in use. In terms of the write-down test, this has been carried out at the lowest level where separable cash flows have been identified.\*

The value in use of goodwill and brands with an indefinite useful life in relation to Gunnebo's cash-generating units has been calculated on the basis of discounted cash flows. Cash flows for the first year are based on a budget set by the Board of Directors, and for the two subsequent years cash flows have been calculated based on financial plans approved by the Board of Directors. For the cash-generating units that contain assets with an indefinite useful life, cash flows beyond this three-year period have been established with a growth rate equivalent to 2.0%. This growth rate is based on a cautious assumption and is expected to be in line with the security industry's long-term growth rate in the countries where Gunnebo operates business.

The forecast cash flows have been computed at present value with a discount rate of 11.0% before tax (10.0%). The discount rate equates to the Group's weighted average cost of capital, WACC, for the required return on equity and the cost of external borrowing. The calculation of required return on equity is based on a risk-free interest rate of 1.3% and a risk premium of 8.7%.

Using a discount rate of 11.0%, the value in use exceeds the carrying amount for all cash-generating units.

Adverse effects in the form of a one percentage point increase in the discount rate or a 10.0% decrease in operating margin would not individually have such a large impact that the recoverable amount would be reduced to a value equal to or less than the carrying amount for any cash-generating unit.

\* According to IAS 36, the impairment review for goodwill is based on the smallest group of assets to which goodwill is allocated and which gives rise to payments. For Gunnebo these cash-generating units are the business areas.

Value on consolidation*	2015
Bank Security & Cash Handling	1,559
Secure Storage	303
Global Services	487
Entrance Control	347
Gateway	69

\* Value on consolidation refers to goodwill and capital employed.

## Note 15 Property, plant and equipment

2015 financial year	Buildings and land*	Machinery	Equipment	Construction in progress
Opening balance Jan 1, 2015	379.1	424.6	316.1	15.7
Capital expenditure	1.5	40.8	16.6	43.6
Acquisitions	27.9	28.2	9.9	0.1
Sales/disposals	-2.9	-8.5	-7.7	-0.4
Reclassifications	13.2	15.2	2.1	-30.5
Translation differences	-12.9	-24.1	-15.7	-0.6
<b>Closing accumulated cost Dec 31, 2015</b>	<b>405.9</b>	<b>476.2</b>	<b>321.3</b>	<b>27.9</b>
Opening depreciation and write-downs Jan 1, 2015	259.5	325.1	246.5	—
Acquisitions	6.3	18.0	8.6	—
Sales/disposals	-1.1	-8.0	-6.6	—
Depreciation	10.4	26.4	24.5	—
Write-downs	—	—	0.3	—
Reclassifications	—	0.0	0.0	—
Translation differences	-8.9	-15.1	-12.3	—
<b>Closing accumulated depreciation and write-downs Dec 31, 2015</b>	<b>266.2</b>	<b>346.4</b>	<b>261.0</b>	<b>—</b>
<b>Closing carrying amount Dec 31, 2015</b>	<b>139.7</b>	<b>129.8</b>	<b>60.3</b>	<b>27.9</b>

2014 financial year	Buildings and land*	Machinery	Equipment	Construction in progress
Opening balance Jan 1, 2014	458.2	370.6	290.9	7.4
Capital expenditure	1.6	28.0	10.7	11.0
Acquisitions	0.2	—	9.8	—
Divestment of operations	—	-0.2	-9.7	—
Sales/disposals	-111.1	-8.6	-9.3	—
Reclassifications	0.1	2.0	1.9	-4.0
Translation differences	30.1	32.8	21.8	1.3
<b>Closing accumulated cost Dec 31, 2014</b>	<b>379.1</b>	<b>424.6</b>	<b>316.1</b>	<b>15.7</b>
Opening depreciation and write-downs Jan 1, 2014	328.6	284.0	210.8	—
Acquisitions	0.0	—	7.2	—
Divestment of operations	—	-0.2	-3.7	—
Sales/disposals	-98.7	-5.2	-8.6	—
Depreciation	9.8	22.4	24.3	—
Write-downs	—	—	0.1	—
Translation differences	19.8	24.1	16.4	—
<b>Closing accumulated depreciation and write-downs Dec 31, 2014</b>	<b>259.5</b>	<b>325.1</b>	<b>246.5</b>	<b>—</b>
<b>Closing carrying amount Dec 31, 2014</b>	<b>119.6</b>	<b>99.5</b>	<b>69.6</b>	<b>15.7</b>

Specification, buildings and land	2015	2014
Carrying amount, buildings*	113.1	92.3
Carrying amount, land	26.6	27.3
<b>Total carrying amount</b>	<b>139.7</b>	<b>119.6</b>

\* Including land improvements

## Note 16 Holdings in associated companies

	2015	2014
Opening book value	9.6	10.1
Share of profit of associated companies	0.7	0.4
Reclassifications*	-1.6	—
Dividends	-1.9	-1.3
Translation differences	0.1	0.4
<b>Closing book value</b>	<b>6.9</b>	<b>9.6</b>

Group's holdings in associated companies	% share of capital	Book value	
		2015	2014
FBH Fichet Ltd, UK	49	1.8	1.1
Gateway Security Portugal Ltda, Portugal	55	0.0	0.0
Prodimo AB, Sweden	48	5.1	6.9
K/H Enterprises Inc., USA*	31	—	1.6
<b>Total</b>		<b>6.9</b>	<b>9.6</b>

Gunnebo's share in the income and profit of the associated companies after tax amounts to MSEK 51.1 (55.1) and MSEK 0.7 (0.4) respectively. The share of their total assets is MSEK 30.6 (31.6) and the share of their liabilities is MSEK 23.7 (22.0).

\* During the year the remaining shares in K/H Enterprises Inc. were acquired, after which the company was merged with Hamilton Safe Inc.

## Note 17 Inventories

	2015	2014
Raw materials	202.2	215.1
Work in progress	36.9	19.9
Finished goods	435.8	444.2
Installation work in progress	102.1	106.4
Less advance payments from customers	-98.7	-91.4
<b>Total</b>	<b>678.3</b>	<b>694.2</b>

Of the inventories, MSEK 638.7 is measured at cost and MSEK 39.6 at net selling price. At December 31, 2015, the Group's reserve for obsolescence amounted to MSEK 73.7 (78.0).



## Note 18 Accounts receivable

	2015	2014
Accounts receivable, not yet due	847.1	882.8
Overdue, 1–30 days	205.5	164.1
Overdue, 31–60 days	61.2	49.6
Overdue, 61–90 days	25.2	28.2
Overdue, over 90 days	56.1	51.7
<b>Total</b>	<b>1,195.1</b>	<b>1,176.4</b>
<b>Provision for doubtful receivables</b>	<b>2015</b>	<b>2014</b>
Provision at the beginning of the year	–51.4	–53.7
Reserve for anticipated losses	–19.1	–10.5
Confirmed losses	8.8	7.1
Discharged payment of reserved receivables	18.4	9.6
Divestment	—	0.7
Acquisition of operations	–3.1	–0.3
Translation differences	1.7	–4.3
<b>Provision at the end of the year</b>	<b>–44.7</b>	<b>–51.4</b>
<b>Closing carrying amount</b>	<b>1,150.4</b>	<b>1,125.0</b>

## Note 19 Prepaid expenses and accrued income

	2015	2014
Prepaid insurance premiums	10.8	10.4
Prepaid rent	9.6	9.2
Accrued interest	1.1	1.0
Other items	52.9	65.3
<b>Total</b>	<b>74.4</b>	<b>85.9</b>

## Note 20 Liquid funds

	2015	2014
Short-term investments	19.1	46.8
Cash and bank	477.3	400.2
<b>Total</b>	<b>496.4</b>	<b>447.0</b>

## Note 21 Equity reserves

	Hedging reserve	Translation reserve	Total reserves
Opening balance Jan 1, 2015	–11.1	–159.1	–170.2
Currency differences:			
- Subsidiaries	—	–76.8	–76.8
- Associated companies	—	0.1	0.1
Hedging of net investments	—	–3.2	–3.2
Cash flow hedges:			
- Changes in fair value during the year	1.1	—	1.1
- Tax on changes in fair value	–0.2	—	–0.2
- Transfers to income statement	—	—	0.0
- Tax on transfers to income statement	—	—	0.0
<b>Closing balance Dec 31, 2015</b>	<b>–10.2</b>	<b>–239.0</b>	<b>–249.2</b>

	Hedging reserve	Translation reserve	Total reserves
Opening balance Jan 1, 2014	–4.0	–256.8	–260.8
Currency differences:			
- Subsidiaries	—	92.2	92.2
- Associated companies	—	0.4	0.4
Hedging of net investments	—	5.1	5.1
Cash flow hedges:			
- Changes in fair value during the year	–9.1	—	–9.1
- Tax on changes in fair value	2.0	—	2.0
- Transfers to income statement	—	—	—
- Tax on transfers to income statement	—	—	—
<b>Closing balance Dec 31, 2014</b>	<b>–11.1</b>	<b>–159.1</b>	<b>–170.2</b>

No. of shares	2015	2014
Opening balance	76,173,501	75,914,098
Issue via conversion of warrants	11,500	259,403
<b>Closing balance</b>	<b>76,185,001</b>	<b>76,173,501</b>

## Note 22 Pension commitments

Remuneration to employees after the end of employment, such as pensions, healthcare benefits and other remuneration, is predominantly funded through payments to insurance companies or authorities which thereby take over the obligations to the employees; these are known as defined contribution plans. The remainder is carried out through defined benefit plans whereby the obligations remain within the Group. The main defined benefit plans are in the UK and Sweden (FPG/PRI provision). There are other defined benefit plans in Canada, France, Germany, the Netherlands, Italy, Indonesia, India and South Africa.

With regard to defined benefit plans, the company's costs and the value of outstanding commitments are estimated using actuarial calculations, which aim to establish the present value of commitments issued.

At December 31, 2015, the Group's total defined benefit pension commitment amounted to MSEK 1,026.7 (1,083.2). Contributed funds to cover these commitments, known as plan assets, amounted to MSEK 664.6 (658.0). Plan assets mainly comprise shares and interest-bearing current receivables. No plan assets comprise financial instruments in Gunnebo AB or assets used within the Group.

The Group's net provision for pensions, which is recognised in the statement of financial position, amounted to MSEK 362.1 (425.2). The pension commitment has decreased in the majority of countries compared with last year due primarily to a lower discount rate and exchange rate fluctuations.

The defined benefit pension cost recognised in the income statement amounted to MSEK 36.6 (42.7), of which MSEK 13.5 (14.5) related to financial expenses. Actuarial gains and losses recognised in other comprehensive income amounted to MSEK 53.9 (–35.5) net.

### UK

In the UK, pension commitments are mainly secured through payments into a defined benefit pension plan. The plan is closed to new employees but is still open to the employees it covers. To meet legal requirements, the plan comprises an independent foundation and is funded.

The foundation's assets are managed by a board comprising representatives for Gunnebo 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 benefits are based on the employees' final pay and the remaining average term for the commitments is 20 years.

The total defined benefit commitment decreased to MSEK 620.0 (650.3). The decrease can mainly be attributed to altered assumptions regarding discount rate and to adjustments regarding demographic conditions. The value of the foundation's plan assets amounted to MSEK 542.2 (532.4), which gave a net provision of MSEK 77.8 (117.9).

The defined benefit commitment has been calculated using a discount rate based on high-quality corporate bonds with a term corresponding to the average remaining term of the commitment.

The costs for defined benefit pension plans in the UK recognised in the income statement amounted to MSEK 13.6 (14.3), of which MSEK 4.2 (5.0) related to financial expenses.

### Sweden

The majority of the Group's pension arrangements in Sweden comprise a defined benefit pension plan. The commitment relates to lifelong retirement pensions and the benefits are primarily based on the employees' final pay. The average remaining term for the commitment is 19 years.

The pension commitment at the end of the year amounted to MSEK 93.8 (97.9). There are no plan assets. The commitment has decreased compared with last year due to a higher discount rate.

The pension commitment has been calculated using a discount rate based on the return on the market interest rate for Swedish housing bonds with an extrapolation up to the term of the commitment. These bonds are considered to be high quality because they are secured with assets and the housing bond market in Sweden is judged to be deep and liquid. The term of the bonds equates to the average term of the commitment.

The costs for defined benefit pension plans in Sweden recognised in the

income statement amounted to MSEK 4.3 (4.1), of which MSEK 2.5 (3.0) related to financial expenses. Costs for defined contribution plans amounted to MSEK 14.0 (11.9) and burdened operating profit.

MSEK 4.8 (4.9) of the cost for defined contribution plans comprises premiums to Alecta/Collectum. This insurance policy encompasses several employers in Sweden, and insufficient information is available from Alecta/Collectum to be able to report the plan as a defined benefit plan.

Alecta's collective funding ratio at the end of the year was 153% (143%). The collective funding level is the difference between the company's assets and insurance commitments, based on Alecta's calculation assumptions for insurance purposes, which do not comply with IAS 19.

### Other countries

Total defined benefit commitments in other countries amounted to MSEK 312.9 (335.0) and the associated plan assets amounted to MSEK 122.4 (125.6). The net provision recognised in the statement of financial position amounted to MSEK 190.5 (209.4). The largest pension provisions related to France and Germany where they amounted to MSEK 85.3 (91.3) and MSEK 40.0 (41.4) respectively.

The weighted average term for the total commitment for other countries amounts to 12 years.

Important actuarial assumptions, %			2015	2014
<b>Discount rate</b>				
UK			3.9	3.7
Sweden			3.0	2.8
Other countries (weighted average)			3.9	3.8
<b>Expected salary increase rate</b>				
UK			3.0	3.1
Sweden			3.0	3.0
Other countries (weighted average)			3.3	2.8
<b>Inflation</b>				
UK			3.0	3.1
Sweden			1.5	1.5
Other countries (weighted average)			2.7	2.7
<b>Reconciliation of pension commitments</b>				
	UK	Sweden	Other countries	2015 total
Present value of commitments	620.0	93.8	312.9	1,026.7
Fair value of plan assets	−542.2	—	−122.4	−664.6
<b>Net provision in statement of financial position</b>	<b>77.8</b>	<b>93.8</b>	<b>190.5</b>	<b>362.1</b>
<b>Reconciliation of pension commitments</b>				
	UK	Sweden	Other countries	2014 total
Present value of commitments	650.3	97.9	335.0	1,083.2
Fair value of plan assets	−532.4	—	−125.6	−658.0
<b>Net provision in statement of financial position</b>	<b>117.9</b>	<b>97.9</b>	<b>209.4</b>	<b>425.2</b>

Of the present value of commitments, MSEK 821.6 (868.2) relates to funded pensions and other plans, and MSEK 205.1 (215.0) to non-funded pensions and other plans. The Group's expected contributions to defined benefit plans in 2016 amount to MSEK 43.6 (43.7).

Specification of changes in defined benefit commitments	2015	2014
Opening balance	1,083.2	875.3
Costs pertaining to employment during the current year	19.8	15.7
Interest expense on commitments	39.4	39.0
Actuarial gains (-) and losses (+) relating to altered demographic assumptions	-10.7	-27.3
Actuarial gains (-) and losses (+) relating to altered financial assumptions	-30.5	101.3
Experience-based gains (-) and losses (+)	-21.6	-1.3
Payroll tax on actuarial changes	-0.8	2.6
Contributions made by pension plan members	2.0	2.2
Payment of pension benefits	-46.5	-34.0
Past service costs/income	-1.8	10.3
Companies acquired and divested	—	-1.6
Currency differences on foreign plans	-5.8	101.0
<b>Closing balance</b>	<b>1,026.7</b>	<b>1,083.2</b>

Specification of changes in plan assets	2015	2014
Opening balance	658.0	514.7
Administrative expenses	-5.1	-2.2
Interest income on plan assets	25.9	24.5
Return on plan assets excluding amounts included in interest income	-9.7	39.8
Contributions made by pension plan members	2.0	2.2
Contributions to the plan made by the company	31.3	31.7
Payment of pension benefits	-36.2	-21.9
Currency differences on foreign plans	-1.6	69.2
<b>Closing balance</b>	<b>664.6</b>	<b>658.0</b>

Specification of changes in provisions for pensions	2015	2014
Opening balance	425.2	360.6
Net cost entered in the income statement	36.6	42.7
Actuarial gains (-) and losses (+)	-53.9	35.5
Payment of benefits	-10.3	-12.1
Contributions into funded plans	-31.3	-31.7
Companies acquired and divested	—	-1.6
Currency differences on foreign plans	-4.2	31.8
<b>Closing balance</b>	<b>362.1</b>	<b>425.2</b>

Specification of pension costs in the income statement	2015	2014
Costs pertaining to defined benefit plans:		
Costs pertaining to employment during the current year	19.8	15.7
Net interest	13.5	14.5
Administrative expenses	5.1	2.2
Past service costs/income	-1.8	10.3
<b>Costs pertaining to defined benefit plans</b>	<b>36.6</b>	<b>42.7</b>
Costs pertaining to defined contribution plans	58.6	49.3
<b>Total pension costs in the income statement</b>	<b>95.2</b>	<b>92.0</b>
of which:		
Amount charged against operating profit	81.7	77.5
Amount charged against financial expenses	13.5	14.5
<b>Total pension costs in the income statement</b>	<b>95.2</b>	<b>92.0</b>

Specification of actuarial gains and losses recognised in other comprehensive income	2015	2014
Return on plan assets excluding interest income	9.7	-39.8
Actuarial gains (-) and losses (+) relating to altered demographic assumptions	-10.7	-27.3
Actuarial gains (-) and losses (+) relating to altered financial assumptions	-30.5	101.3
Experience-based gains (-) and losses (+)	-21.6	-1.3
Payroll tax on actuarial changes	-0.8	2.6
<b>Total actuarial gains (-) and losses (+) recognised in other comprehensive income</b>	<b>-53.9</b>	<b>35.5</b>

Specification of plan assets	2015	2014
Government bonds	97.9	91.7
Commercial papers	215.9	208.9
Shares	334.4	335.9
Liquid funds	16.4	21.5
<b>Total plan assets</b>	<b>664.4</b>	<b>658.0</b>

Interest expense on pension commitments and interest income on plan assets are classified as a financial cost. Other cost items are recognised under operating profit and are allocated between cost of goods sold, selling expenses or administrative expenses depending on the employee's function.

#### Sensitivity analysis

The table below shows how the defined benefit pension commitment is affected in MSEK if the actuarial assumptions regarding discount rate, expected wage increase rate and inflation each change by 1 percentage point.

Assumption	+1 percentage point	-1 percentage point
Discount rate	-169	180
Expected wage increase rate	39	36
Inflation	63	-60

#### Maturity analysis

The expected maturity dates for the Group's defined benefit pension commitment are shown below in nominal amounts.

Maturity analysis	< 1 year	1-2 years	2-5 years	5-10 years	> 10 years	Total
Expected pension payments	28	40	137	271	2,319	2,795

## Note 23 Other provisions

2015 financial year	Restructuring programme	Disputes	Guarantees	Taxes	Other	Total
Opening balance	15.2	30.8	40.1	2.9	10.2	99.2
Reclassifications	—	2.5	—	—	—2.5	—
Provisions during the year	22.2	12.6	18.1	—	0.9	53.8
Utilised during the year	—12.4	—20.3	—14.9	—	—0.8	—48.4
Reversed during the year	—0.4	—4.5	—3.8	—2.2	—4.3	—15.2
Translation differences	—0.8	—0.4	—1.2	—0.1	—0.2	—2.7
<b>Closing balance</b>	<b>23.8</b>	<b>20.7</b>	<b>38.3</b>	<b>0.6</b>	<b>3.3</b>	<b>86.7</b>

2014 financial year	Restructuring programme	Disputes	Guarantees	Taxes	Other	Total
Opening balance	16.4	23.4	40.2	2.1	9.6	91.7
Divestment of operations	—	—	—	—	—0.6	—0.6
Provisions during the year	18.6	11.3	25.2	0.6	1.4	57.1
Utilised during the year	—20.3	—5.3	—23.5	—	—0.6	—49.7
Reversed during the year	—0.4	—0.7	—5.0	—	0.0	—6.1
Translation differences	0.9	2.1	3.2	0.2	0.4	6.8
<b>Closing balance</b>	<b>15.2</b>	<b>30.8</b>	<b>40.1</b>	<b>2.9</b>	<b>10.2</b>	<b>99.2</b>

Provisions for restructuring measures have been made mainly for discontinued operations and reorganisation. The provisions are expected to be utilised mainly during 2016. For information relating to the assumptions and estimates made in reporting reserves, see Note 4.

## Note 24 Borrowings

Long-term borrowing	2015	2014
Liabilities to credit institutions	1,139.2	958.0
<b>Total</b>	<b>1,139.2</b>	<b>958.0</b>
<b>Short-term borrowing</b>		
Overdraft facilities	30.3	56.0
Liabilities to credit institutions	183.1	52.5
<b>Total</b>	<b>213.4</b>	<b>108.5</b>
<b>Total borrowing*</b>	<b>1,352.6</b>	<b>1,066.5</b>

\* Loan maturity structure for the Group is reported in Note 3.

## Note 25 Accrued expenses and deferred income

	2015	2014
Holiday pay liability	111.5	116.0
Accrued salaries	79.9	107.7
Social security charges	67.3	70.9
Deferred income	105.3	52.1
Accrued interest	4.1	6.9
Other items	213.1	202.4
<b>Total</b>	<b>581.2</b>	<b>556.0</b>

## Note 26 Pledged assets

	2015	2014
Property mortgages	3.9	—
<b>Total</b>	<b>3.9</b>	<b>—</b>

## Note 27 Contingent liabilities

	2015	2014
Guarantees	229.6	184.1
<b>Total</b>	<b>229.6</b>	<b>184.1</b>

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.

As a result of standard business operations, Gunnebo is a party in various legal disputes. At the end of 2015, there were not deemed to be any disputes that could entail a material negative impact on the Group's results and financial position. See Note 4 and Note 36 for further information on disputes.

## Note 28 Operating lease contracts

### Leased assets

Future payment commitments for operating lease contracts have the following breakdown:

2016	97.6
2017	61.6
2018	35.6
2019	18.5
2020	12.4
2021 and later	19.3
<b>Total</b>	<b>245.0</b>

Assets owned via operating lease contracts mainly comprise leased premises, machinery and office equipment. The year's cost for leased assets amounted to MSEK 119.4 (113.5).

## Note 29 Net financial items affecting cash flow

	2015	2014
Interest received	12.2	11.6
Interest paid	—43.3	—34.4
Other items affecting cash flow	—15.0	—9.8
<b>Total</b>	<b>—46.1</b>	<b>—32.6</b>

## Note 30 Adjustment for items not included in cash flow etc.

	2015	2014
Amortisation of intangible assets	47.0	31.2
Depreciation of property, plant and equipment	61.3	56.5
Write-down of intangible assets	0.3	0.2
Write-down of property, plant and equipment	0.3	0.1
Share in profit of associated companies, not distributed	1.8	0.9
Adjustment for provisions	-5.9	3.0
Restructuring costs not affecting cash flow	35.3	54.5
Restructuring costs paid, previously recognised as costs	-13.4	-22.6
Capital gain from divestiture of associated companies	0.7	-0.4
Capital gain from divestiture of operations	—	-73.4
Capital gain from sale/disposal of property, plant and equipment	-0.6	-10.2
<b>Adjustment for items not included in cash flow etc.</b>	<b>126.8</b>	<b>39.8</b>

## Note 31 Acquisition of operations

Assets and liabilities of acquired operations	2015	2014
Intangible assets	126.4	—
Property, plant and equipment	33.2	2.8
Financial assets	9.3	0.1
Inventories	13.5	3.9
Current receivables*	31.4	33.6
Liquid funds	13.9	2.3
Holdings with a non-controlling interest	-0.3	—
Long-term liabilities	—	-2.4
Current liabilities	-88.7	-23.7
<b>Identifiable net assets</b>	<b>138.7</b>	<b>16.6</b>
Goodwill	84.9	51.7
Value on consolidation of participation in associated company at time of acquisition	-1.6	—
<b>Total purchase sums</b>	<b>222.0</b>	<b>68.3</b>
<i>Less:</i>		
Purchase sums not paid	-47.5	-12.4
Acquisitions of own shares	-0.5	-9.8
Liquid funds in acquired operations	-13.9	-2.3
<b>Effect on Group liquid funds</b>	<b>160.1</b>	<b>43.8</b>

\* Current receivables primarily relate to accounts receivable.

### Acquisitions in 2015

#### Acquisition of Grupo Sallén Tech S.L.

On July 30, 2015 Gunnebo acquired 100% of the shares in Spanish Grupo Sallén Tech S.L., which is a leading producer and supplier of cash management solutions. The acquisition is part of the Group's strategic focus on growing the operation in the field of cash management. The acquisition of Sallén gives Gunnebo access to advanced technology, which is the main reason for the acquisition. The purchase sum is expected to total MSEK 200, of which approximately MSEK 48 is estimated additional payments. MEUR 2 of the estimated purchase sum is expected to be paid in 2016, based on terms relating to operating profit in 2015,

and a further total of MEUR 3 in 2018–2019, based on terms relating to units sold. According to the preliminary acquisition analysis, Group surplus value arising from the acquisition is primarily attributed to acquired technology and customer relations. The recognised goodwill can mainly be attributed to human capital and growth opportunities from synergies. Acquisition costs, which burdened profit, totalled MSEK 1.8. After the acquisition the company has had sales of MSEK 50 and an operating profit of MSEK 10. The acquired company's income and profit amounted to MSEK 125 and MSEK 25 respectively for the whole of 2015, and the operation has 50 employees.

Sallén	Carrying amount in Group
Intangible assets	115.6
Property, plant and equipment	33.1
Financial assets	9.3
Inventories	11.3
Current receivables	29.7
Liquid funds	13.1
Current liabilities	-85.7
<b>Identifiable net assets</b>	<b>126.4</b>
Goodwill	73.4
<b>Total purchase sums</b>	<b>199.8</b>
<i>Less:</i>	
Purchase sums not paid	-47.5
Liquid funds in acquired operations	-13.1
<b>Effect on Group liquid funds</b>	<b>139.2</b>

#### Acquisition of remaining shares in K/H Enterprises Inc.

In August 2012, Gunnebo acquired the Hamilton companies in the USA. In addition to the wholly-owned subsidiaries, the then associated company Kaaa/Hamilton Enterprises Inc. (KHE) was part of the acquisition. Under the arrangement, 31% of shares in KHE were received upon the acquisition of Hamilton, with the intention that the remaining 69% of the shares would be transferred to Gunnebo for an agreed purchase sum within a three-year period. In 2015, the remaining 69% of the shares were transferred to Gunnebo for a purchase sum of MSEK 21. Goodwill on consolidation in the form of goodwill arising from the acquisition of the remaining shares amounted to MSEK 18.

K/H Enterprises	Carrying amount in Group
Intangible assets	0.2
Property, plant and equipment	0.1
Inventories	2.2
Current receivables	1.7
Liquid funds	0.8
<b>Identifiable net assets</b>	<b>5.0</b>
Goodwill	17.9
Value on consolidation of participation in associated company at time of acquisition	-1.6
<b>Total purchase sums</b>	<b>21.3</b>
<i>Less:</i>	
Liquid funds in acquired operations	-0.8
<b>Effect on Group liquid funds</b>	<b>20.5</b>

**Note 31 cont.****Acquisitions in 2014****Acquisition of Diseños Inteligentes de Seguridad S.A. de C.V.**

On August 28, 2014, Gunnebo acquired 100% of Mexican company Diseños Inteligentes de Seguridad S.A. de C.V. (Dissamex), which provides service and installation services in electronic security, primarily to banks. The acquired operation has annual sales of approximately MSEK 45 and 130 employees. The purchase sum is estimated at MSEK 32 and the surplus value on consolidation arising from the acquisition in 2014 was not confirmed as the acquisition analysis was preliminary.

The acquisition analysis has been adjusted and confirmed in 2015. The total purchase sum amounted to MSEK 33 and goodwill on consolidation in the form of goodwill arising from the acquisition amounted to MSEK 25. Other surplus values on consolidation arising from the acquisition is primarily related to customer relations.

Adjustment of acquisition statement of financial position 2015 (acquisitions in 2014) Dissamex	Carrying amount in Group 2014	Adjusted acquisition statement of financial position 2015	Carrying amount in Group 2015
Intangible assets	—	7.8	7.8
Property, plant and equipment	1.3	—	1.3
Financial assets	0.1	—	0.1
Inventories	1.9	—	1.9
Current receivables	7.0	—	7.0
Liquid funds	0.2	—	0.2
Holdings with a non-controlling interest	—	–0.3	–0.3
Long-term liabilities	–2.2	—	–2.2
Current liabilities	–5.1	–2.3	–7.4
<b>Identifiable net assets</b>	<b>3.2</b>	<b>5.3</b>	<b>8.4</b>
Goodwill	28.8	–4.3	24.5
<b>Total purchase sums</b>	<b>32.0</b>	<b>0.9</b>	<b>32.9</b>
<i>Less:</i>			
Purchase sums not paid	–7.9	—	–7.9
Acquisitions of own shares	–9.8	–0.5	–10.3
Liquid funds in acquired operations	–0.2	—	–0.2
<b>Effect on Group liquid funds</b>	<b>14.1</b>	<b>0.4</b>	<b>14.5</b>

**Acquisition of Clear Image MMS Ltd**

On October 10, 2014 Gunnebo acquired 100% of British company Clear Image MMS Ltd, which operates in electronic security. The acquired operation has annual sales of approximately MSEK 60 and 60 employees. The purchase sum was expected to total MSEK 36. Surplus value on consolidation in the form of goodwill arising from the acquisition was not confirmed as the acquisition analysis was preliminary.

The acquisition analysis has been adjusted and confirmed in 2015 through the reallocation of the goodwill on consolidation arising from the acquisition as per the table below:

Adjustment of acquisition statement of financial position 2015 (acquisitions in 2014) Clear Image	Carrying amount in Group 2014	Adjusted acquisition statement of financial position 2015	Carrying amount in Group 2015
Intangible assets	—	2.8	2.8
Property, plant and equipment	1.5	—	1.5
Inventories	2.0	—	2.0
Current receivables	26.6	—	26.6
Liquid funds	2.1	—	2.1
Long-term liabilities	–0.2	—	–0.2
Current liabilities	–18.6	–0.7	–19.3
<b>Identifiable net assets</b>	<b>13.4</b>	<b>2.1</b>	<b>15.5</b>
Goodwill	22.9	–2.1	20.8
<b>Total purchase sums</b>	<b>36.3</b>	<b>0.0</b>	<b>36.3</b>
<i>Less:</i>			
Purchase sums not paid	–4.5	—	–4.5
Liquid funds in acquired operations	–2.1	—	–2.1
<b>Effect on Group liquid funds</b>	<b>29.7</b>	<b>—</b>	<b>29.7</b>



## Note 32 Divestment of operations

### Divestment in 2014

#### Divestment of Fichet-Bauche Télésurveillance

In June 2014, the subsidiary Fichet-Bauche Télésurveillance, which provides alarm monitoring and call-out services on the French market, was sold to venture capital company Butler Group. The purchase sum after transaction costs amounted to MSEK 89.6 and the Group capital gain totalled MSEK 73.4.

Assets and liabilities in discontinued operations	2015	2014
Goodwill	—	5.2
Other intangible assets	—	0.2
Property, plant and equipment	—	6.0
Deferred tax assets	—	0.2
Current receivables	—	12.1
Liquid funds	—	12.7
Long-term liabilities	—	–1.6
Current liabilities	—	–18.6
<b>Divested net assets</b>	<b>—</b>	<b>16.2</b>
Capital gains/losses		73.4
<b>Purchase sum received after transaction costs and tax</b>	<b>—</b>	<b>89.6</b>
Liquid funds in discontinued operations	—	–12.7
<b>Effect on Group liquid funds</b>	<b>—</b>	<b>76.9</b>

## Note 33 Personnel

Average number of employees	2015	2014
Sweden	171	165
Australia	48	73
Austria	8	9
Belgium	77	75
Brazil	125	125
Canada	142	145
China/Hong Kong	91	80
Czech Republic	16	15
Denmark	68	71
Finland	—	7
France	906	968
Germany	215	241
Hungary	11	9
India	1,036	1,131
Indonesia	792	830
Italy	140	143
Kenya	—	1
Luxembourg	6	6
Malaysia	33	33
Mexico	216	97
Netherlands	327	345
Norway	28	28
Oman	7	4
Poland	45	42
Portugal	39	39
Saudi Arabia	1	—
Singapore	22	20
Spain	247	220
South Africa	188	196
South Korea	18	18
Switzerland	36	38
Turkey	2	2
UAE	18	16
UK	260	238
USA	179	199
<b>Total</b>	<b>5,518</b>	<b>5,629</b>

Of the average number of employees, 856 (868) were female. Women occupy 7% of the senior management positions in the Group. The average number of employees abroad was 5,347 (5,464).

### Costs of personnel

Salaries, other remuneration and social security charges 2015	Salaries and other remuneration	Share-based remuneration	Social security charges	of which pension costs
Group total	1,566.3	2.8	445.9	81.7
Salaries, other remuneration and social security charges 2014	Salaries and other remuneration	Share-based remuneration	Social security charges	of which pension costs
Group total	1,502.2	—	433.6	77.5

Of the above amount, a total of MSEK 65.9 (57.8) was paid in salaries and other remuneration to Presidents, of which MSEK 8.6 (6.5) consisted of performance-related pay. Of the Group's pension costs, MSEK 8.3 (5.2) related to Managing Directors.

### Remuneration to the Board

### Note 33 cont.

During the year remuneration paid to the Board of the parent company amounted to TSEK 2,045 (1,910), of which TSEK 170 (170) comprises remuneration for committee work. A Board fee of TSEK 500 (475) was paid to Chairman of the Board Martin Svalstedt. Board fees of TSEK 310 (297.5) and TSEK 300 (287.5) were paid to Mikael Jönsson and Bo Dankis respectively. A Board fee of TSEK 280 (267.5) per person was paid to members Göran Bille and Tore Bertilsson. Board fees of TSEK 250 (237.5) and TSEK 125 were paid to Charlotte Brogren and Eva Elmstedt respectively.

#### Remuneration to senior executives

##### Remuneration and other benefits for senior executives during the year

SEK '000	Salary	Performance-related pay	Other benefits	Pension cost	Other remuneration	Total
Henrik Lange, President	3,572	1,000	78	1,239	—	5,889
Per Borgvall, former President	1,725	—	87	629	5,532	7,973
Other senior executives (8)*	18,655	487	2,335	5,637	—	27,114
<b>Total</b>	<b>23,952</b>	<b>1,487</b>	<b>2,500</b>	<b>7,505</b>	<b>5,532</b>	<b>40,976</b>

Other benefits relate mainly to housing allowances and company cars. Other remuneration refers to severance pay etc. in accordance with the terms of employment.

\*Includes the number of positions that have received remuneration during the year while active as senior executives.

#### 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 (eight people who, together with the President, constitute the Group Executive Team), the notice period is a maximum of one year, during which salary and other benefits are payable. Members of the Group Executive Team 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 (four people). The agreed premium provision may amount to a maximum of 35% of the basic salary, depending on age and salary level.

Performance-related pay for the President and other members of the Group Executive Team is dependent on the achievement of predetermined, quantitative financial targets and may not exceed 50% of the fixed salary.

#### Incentive programmes

At the 2011 AGM a share price-related incentive programme was adopted for senior executives and other key personnel within the Group. The background was that the Board considered it important that these people have a long-term interest in the good value development of the company share. The 2012 AGM decided to implement similar programmes, and consequently two programmes were running in parallel in 2015.

##### Incentive programme 2011

At the 2011 AGM, an incentive programme was adopted for 49 senior executives and other key personnel within the Group through an issue of warrants which entitle the holder to subscribe to new shares in Gunnebo AB. The market value of the warrants was determined by an external financial institute using

the Black & Scholes valuation model and the price was set at SEK 6.30 per warrant. A warrant gave the holder the right to subscribe to a share in Gunnebo AB for SEK 44.20 during certain periods in 2014–2015.

##### Incentive programme 2012

In connection with the 2012 AGM, yet another new 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.

Changes to incentive programmes	Warrants	
	Incentive programme 2011	Incentive programme 2012
Opening balance	154,500	146,500
Exercised	—	–11,500
Matured	–154,500	—
<b>Closing balance</b>	<b>—</b>	<b>135,000</b>

Specification of incentive programmes	Warrants
	Incentive programme 2012
President and CEO*	40,000
Other senior executives	60,000
Other	35,000
<b>Closing balance</b>	<b>135,000</b>

\* Refers to former President.

Since the participants in the above incentive programmes have been offered the opportunity to acquire warrants at market price, the programmes will not entail payroll costs for accounting purposes according to IFRS 2. Costs in the form of social security charges may, however, arise in certain countries.

#### Long-term incentive programme LTIP 2015

The 2015 AGM decided on a new long-term share-based incentive programme for a maximum of 20 employees comprising the President, senior executives and other key personnel within the Group. The programme requires that the participant invests in Gunnebo shares within LTIP 2015 ('Savings shares'). The Saving shares must be kept for a three-year earning period from June 1, 2015 to June 1, 2018. Providing that the participant still owns the Saving 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 also receive a maximum of four Gunnebo shares per Savings share and other participants are entitled to also receive up to three Gunnebo shares if certain performance goals have been met ('Performance shares'). Performance shares are allocated based on the minimum level set by the Board and the upper goal level regarding earnings per share during the earning period. The Board of Directors intends to present the defined performance goals in the 2017 Annual Report.

##### Estimated share entitlement for LTIP 2015

Opening balance, number of shares	—
Estimated share entitlement for Matching shares	135,423
Estimated share entitlement for Performance shares	443,034
<b>At year-end, number of shares</b>	<b>578,457</b>

The total cost of the LTIP in 2015 for the earning period from June 1, 2015 to June 15, 2018 is estimated at MSEK 14.4 including social security charges. The affect on profit in 2015 amounts to MSEK 2.8 including social security charges.

The market value of the remuneration has been calculated on the basis of the share price at the time of allocation less the present value of the expected dividends during the period up until the shares are distributed.

## Note 34 Auditors' remuneration

	2015	2014
<b>Remuneration to Deloitte</b>		
Auditing	6.9	7.0
Auditing assignments in addition to auditing	0.1	0.3
Tax advice	0.7	0.4
Other services	0.3	0.4
<b>Total remuneration to Deloitte</b>	<b>8.0</b>	<b>8.1</b>
Audit remuneration to other firms of accountants	1.0	0.9
<b>Total auditors' remuneration</b>	<b>9.0</b>	<b>9.0</b>

Auditing refers to the auditors' remuneration for the statutory audit. Auditing assignments in addition to auditing constitute any examination of administration or financial information resulting from statutes, the Articles of Association, regulations or agreements which result in a report or some other document intended to form a basis for assessment also for a party other than the ordering client, as well as advice or other assistance prompted by observations in an auditing assignment. Two examples of auditing assignments that are not part of the audit are the auditors' general review of an interim report and the review of selected processes relating to internal control in subsidiaries.

Tax advice is self evident. Other services are advice not related to any of the previously specified services.

## Note 35 Transactions with related parties

Information on remuneration to Board members is provided in Note 33. Over and above these, there were no other transactions with related parties.

## Note 36 Business risks

Exposure to risk and uncertainty with regard to future development are natural aspects of all businesses. Risk awareness and good risk management are prerequisites for creating long-term value and for securing good profitability. Gunnebo therefore seeks to continuously evaluate the risks to which the business is exposed and carefully monitor the development of factors that influence the main risks that have been identified.

Gunnebo is an international group with a broad geographical spread. The Group currently has operations in 32 countries and production units in 11 countries. The Group is therefore exposed to various kinds of strategic, operational and financial risk. Strategic and operational risks include market risks, business environment risks, raw material risks, production risks and legal risks. The financial risks are mainly linked to changes in interest and exchange rates, as well as financing and counterparty risks. See also Note 3.

Risk management within the Group is an important part of the governance and control of the Group's operation and aims to identify, evaluate and manage these types of risk and, thereby, mitigate their potential effects.

The management groups in Gunnebo's regions and sales companies are responsible for developing strategies and identifying, evaluating and managing risks in their market or area of responsibility. These management groups are supported by resources within central Group functions and by Group-wide principles, guidelines and instructions. The Group's risk management is monitored by the Group Executive Team, partly through monthly reports and monitoring whereby the management groups describe developments in their respective units. Further control is achieved through the inclusion of representatives of the Group Executive Team on internal boards of directors. The President reports continuously to the Board of Directors about the development of the Group's significant risks, for example, and Gunnebo's Board has overall responsibility for the Group's risk management and for deciding the Group's strategic direction.

### Market risks

The Gunnebo Group's operation 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 customers' 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 intended to restrict the effect of a change in demand limited to a particular customer, industry, region or country.

The operation's geographical distribution entails exposure to business environment risks such as country-specific risks in the form of political decisions and changes to regulations.

### Raw material risks

The Gunnebo Group is exposed to risks related to supply and price variations of raw materials and components. Competition on the market may restrict the opportunity to fully offset cost increases through price rises, even though the Group endeavours to enter sales agreements which allow the price increases to be passed on to customers.

Steel is the single largest raw material component in the Group. Many different types and grades of steel are purchased on different markets, resulting in differentiated price development. With the aim of limiting the short-term effect of price fluctuations, a large part of the Group's steel requirement is purchased via index-based contracts.

Risks related to the Group's purchases of more important input goods are managed by co-ordinating and controlling procurement through a central purchasing function, which for instance appoints people responsible for certain categories of raw materials or components.

### Production risks

Gunnebo's production operation takes place in 12 production units and comprises a chain of processes where stoppages or disruptions can have consequences on Gunnebo's ability to fulfil its obligations to customers. Gunnebo deals with risks relating to the Group's property and operational stoppages through a programme for identifying and assessing such risks, for example. The programme is applied at all of Gunnebo's production plants and aims to prevent these types of risks or, if an event is beyond Gunnebo's control, to mitigate the consequences.

The majority of components used in the Group's products are sourced from subcontractors. With the aim of minimising the risk of one of these subcontractors being unable to deliver the component, or to deliver on time, for any reason, Gunnebo actively strives to secure alternative suppliers for critical components. There is, therefore, usually more than one subcontractor that can deliver a particular component. Furthermore, the Group's purchasing function works to evaluate and analyse the Group's more important suppliers from a risk perspective, for example.

Environmental impact primarily takes place in the production process through material and energy consumption, emissions to air and water, and the creation of noise and waste. To restrict the environmental impact of production, the Group has the objective to gain ISO 14001 certification for all production units. 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 production plants, and relevant programmes of measures can therefore be implemented.

### Acquisition of new operations

The Gunnebo Group has a growth goal. Growth shall be organic and supplemented by acquisitions. Acquisitions can entail various difficulties integrating the acquired operation, which can lead to far higher costs for the acquisition than estimated and/or that the synergies take longer to realise than planned.

Acquisitions that do not develop as planned may also lead to high write-down costs for goodwill and other intangible assets, which can have a significant adverse effect on the Group's results and financial position.

The acquisition process is conducted in accordance with set instructions and guidelines. The Group's function for Mergers & Acquisitions has overall responsibility for evaluating and implementing acquisitions, and for ensuring that the established integration plans are carried out.

**Note 36 cont.****Legal risks**

The legal department within the Group is responsible for monitoring and controlling the management of legal risks within Gunnebo. A Group-wide legal policy has been introduced which states, for example, that some matters of a legal nature must be escalated to the legal affairs department. This includes stock exchange related issues, competition law issues and issues relating to the Group's intangible assets.

With the aim of eliminating unwanted risks in the Group's customer and supplier agreements and to ensure the quality of these agreements, instructions and guidelines have been issued on the more important agreement terms, such as those relating to liability and limitations on liability. Furthermore, the Group's business areas have access to agreement templates for the more common types of agreement. In addition to the above, there are also procedures for approving agreements.

As a result of standard business operations, Gunnebo is a party in various legal disputes. These disputes include, for example, commercial disputes and disputes regarding tax or labour law. Such outstanding and potential disputes are reported regularly to the Group's legal affairs department. Disputes can last a long time and entail high costs. It can also be hard to predict the outcome of many disputes. A negative outcome in one particular dispute could have an important negative impact on the Group's results and financial position.

**Insurable risks**

Gunnebo has established a Group-wide insurance programme to protect the Group's insurable assets and interests. The programme covers property and loss of profit insurance, general liability and product liability, transport insurance, crime against property as well as claims for damages against the Board and senior executives, for example. Linked to the insurance programme is a programme for identifying and evaluating risks related to physical injury at the Group's production plants and related financial consequences. The results of these reviews are summarised in a points system for risk exposure at each plant, enabling the management to control the risks and to assess the need for risk-reduction measures and establish priorities among these.

**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 the year-end and assuming all other factors remain unchanged.

**Selling prices**

A 1% change in selling prices affects income and operating profit by approximately MSEK 60.

**Labour costs**

A 1% change in labour costs, including social security charges, affects operating profit by approximately MSEK 20.

**Steel prices**

Steel is the single largest raw material component in the Group. Steel purchases span many different types and grades, resulting in differentiated price development. A general change in the steel price of 10% affects profits by around MSEK 21 for the subsequent 12 months.

**Note 37 Subsequent events**

No significant events have occurred since the end of the financial year.

# Notes – Parent Company

**Note 38 Operating expenses allocated per type of cost**

	2015	2014
Remuneration for employees	72.4	68.3
Temporary personnel and subcontractors	36.1	57.6
Vehicle and travel costs	7.2	8.6
Depreciation/amortisation and write-downs	2.5	2.3
Other costs	62.9	67.1
<b>Total operating expenses</b>	<b>181.1</b>	<b>203.9</b>

**Note 39 Financial income and expenses**

	2015	2014
<b>Profit from participations in Group companies</b>		
Dividends	—	49.0
<b>Total</b>	<b>—</b>	<b>49.0</b>
<b>Interest income</b>		
Interest income, external	0.0	0.2
<b>Total</b>	<b>0.0</b>	<b>0.2</b>
<b>Other financial income</b>		
Currency gains	1.5	—
<b>Total</b>	<b>1.5</b>	<b>—</b>
<b>Interest expenses</b>		
Interest expenses, Group companies	–12.7	–18.1
<b>Total</b>	<b>–12.7</b>	<b>–18.1</b>

**Note 40 Appropriations**

	2015	2014
Group contributions received	75.0	84.0
Group contributions paid	—	–37.0
<b>Total</b>	<b>75.0</b>	<b>47.0</b>

**Note 41 Taxes**

	2015	2014
Current tax	–3.5	–3.4
Deferred tax	–33.2	–10.4
<b>Total</b>	<b>–36.7</b>	<b>–13.8</b>

Deferred tax assets of MSEK 87.1 (120.3) relate entirely to loss carry-forwards.

## Note 42 Intangible assets

Other intangible assets*	2015	2014
Opening balance	26.5	24.3
Capital expenditure	0.6	2.2
Closing accumulated cost	27.1	26.5
Opening amortisation	20.4	18.6
Amortisation	2.1	1.8
Closing accumulated amortisation	22.5	20.4
Closing carrying amount	4.6	6.1

\* Mainly refers to software licences.

## Note 43 Property, plant and equipment

Equipment	2015	2014
Opening balance	6.5	6.4
Capital expenditure	—	0.1
Closing accumulated cost	6.5	6.5
Opening depreciation	4.4	4.0
Depreciation	0.4	0.4
Closing accumulated depreciation	4.8	4.4
Closing carrying amount	1.7	2.1

## Note 44 Participations in Group companies

	2015	2014
Opening book value	1,595.3	1,595.3
Sales	−9.9	—
Closing book value	1,585.4	1,595.3

Specification of participations in Group companies 2015	No. of shares	Holding, %	Corporate identity number (SE)	Reg. office	Country code	Book value
Gunnebo Holding GmbH	1	100		Garching	DE	0.1
Gunnebo Holding ApS	1,000	100		Skovlunde	DK	91.4
Gunnebo India Pvt. Ltd.	8,059,880	100		Mumbai	IN	115.5
Gunnebo Holding AB	1,000	100	556573-7508	Gothenburg	SE	90.1
Gunnebo Nordic AB	251,000	100	556041-2362	Gothenburg	SE	388.3
Gunnebo Treasury AB	1,000	100	556465-2765	Gothenburg	SE	900.0
<b>Total</b>						<b>1,585.4</b>

Specification of participations in Group companies 2014	No. of shares	Holding, %	Corporate identity number (SE)	Reg. office	Country code	Book value
Gunnebo Holding GmbH	1	100		Garching	DE	0.1
Gunnebo Holding ApS	1,000	100		Skovlunde	DK	91.4
Gunnebo India Pvt. Ltd.	8,059,880	100		Mumbai	IN	115.5
Hidef Industri AB	1,000	100	556465-2757	Gothenburg	SE	0.1
Gunnebo Entrance Control AB	48,000	100	556086-5403	Gothenburg	SE	8.5
Gunnebo Holding AB	1,000	100	556573-7508	Gothenburg	SE	90.0
Gunnebo Nordic AB	251,000	100	556041-2362	Gothenburg	SE	388.3
Gunnebo Sverige AB	5,500	100	556095-6509	Gothenburg	SE	1.3
Gunnebo SafePay AB	1,000	100	556621-4721	Gothenburg	SE	0.1
Gunnebo Treasury AB	1,000	100	556465-2765	Gothenburg	SE	900.0
<b>Total</b>						<b>1,595.3</b>

## Note 44 cont.

Subsidiaries' holdings in Group companies	Holding, %	Corporate identity number (SE)	Reg. office	Country code
Gunnebo Middle East FZE	100		Dubai	AE
Gunnebo Australia Pty Ltd	100		Bella Vista	AU
Gunnebo Österreich GmbH	100		Ansfelden	AT
Gunnebo Belgium SA/NV	100		Brussels	BE
Gunnebo Gateway Brasil S.A.	80		Cotia	BR
Gunnebo Gateway Brasil Servicos Ltda	100 *		Cotia	BR
Gunnebo Canada Inc.	100		Barrie	CA
Gunnebo (Suisse) SA	100		Geneva	CH
Gunnebo Security (China) Co. Ltd	100		Kunshan City	CN
Gunnebo CZ s. r. o.	100		Prague	CZ
Gunnebo Cash Automation GmbH	100		Trier	DE
Gunnebo Deutschland GmbH	100		Garching	DE
Gunnebo Logistics GmbH	100		Hildesheim	DE
Gunnebo Markersdorf GmbH	100		Markersdorf	DE
Rosengrens GmbH	100		Garching	DE
A/S Gunnebo Nordic	100		Skovlunde	DK
Fichet Industria S.L.	100		Barcelona	ES
Grupo Sallén Tech S.L.	100		Binefár	ES
Gunnebo España SA	100		Barcelona	ES
Perimentral Sallén Technologies S.L.	100		Binefár	ES
Gunnebo Nordic Oy	100		Vantaa	FI
Gunnebo Bazancourt SAS	100		Versailles	FR
Gunnebo Electronic Sécurité SAS	100		Colmar	FR
Gunnebo France SAS	100		Velizy	FR
SCI route de Schwobsheim	100		Colmar	FR
Clear Image MMS Ltd	100		Batley	GB
Clear Image Group LLP	100		Batley	GB
FBH Fichet Ltd	49		Hitchin	GB
Gunnebo Entrance Control Ltd	100		Uckfield	GB
Gunnebo UK Ltd	100		Wolverhampton	GB
Gunnebo Magyarorszag Kft.	100		Budapest	HU
Gunnebo Hong Kong Ltd.	100		WanChai	HK
PT Chubb Safes Indonesia	100		Jakarta	ID
Gunnebo Services India Pvt. Ltd.	100		New Delhi	IN
Gunnebo Entrance Control S.p.A.	100		Trento	IT
Gunnebo Italia S.p.A.	100		Milan	IT
Gunnebo Korea Co. Ltd.	100		Seoul	KR
Gunnebo Luxembourg SARL	100		Schifflange	LU
Diseños Inteligentes de Seguridad S.A. de C.V.	100 **		Monterrey	MX
Gunnebo México S.A. de C.V	85		Mexico City	MX
Gunnebo Malaysia Sendirian Berhad	100		Kuala Lumpur	MY
Gunnebo Doetinchem BV	100		Arnhem	NL
Gunnebo Holding Nederland BV	100		Doetinchem	NL
Gunnebo Nederland BV	100		Amsterdam	NL
Gunnebo Nederland Technical BV	100		Rotterdam	NL
Gunnebo Nordic AS	100		Oslo	NO
Gunnebo Polska Sp. z o.o.	100		Kalisz	PL
GAT – Comercializacao de Sistemas de Proteccao Electronica LDA	55		Lisbon	PT
Gunnebo Portugal SA	100		Lisbon	PT
Gunnebo Cash Automation AB	100	556533-2078	Gothenburg	SE
Gunnebo Gateway AB	100	556480-7641	Motala	SE
Gunnebo Mora AB	100	556009-9458	Mora	SE
Prodimo AB	48	556653-3153	Motala	SE
Gunnebo Singapore Pte Ltd.	100		Singapore	SG
Gateway Security Inc.	100		Florida	US
Gunnebo Entrance Control Inc.	100		California	US
Gunnebo Security Inc.	100		Florida	US
Hamilton Products Group, Inc.	100		Ohio	US
Hamilton Safe Company, Inc.	100		Ohio	US
Safe LLC	100		Delaware	US
All Technologies Access and Parking (Pty) Ltd	100		Johannesburg	ZA
Gunnebo South Africa (Pty) Ltd	100		Johannesburg	ZA

\* The company is a wholly-owned subsidiary of Gunnebo Gateway Brasil S.A. in which Gunnebo has a participating interest of 80%.

\*\* The company is a wholly-owned subsidiary of Gunnebo México S.A. de C.V. in which Gunnebo has a participating interest of 85%.



## Note 45 Prepaid expenses and accrued income

	2015	2014
Prepaid rent	0.7	0.7
Other items	4.0	2.6
<b>Total</b>	<b>4.7</b>	<b>3.3</b>

## Note 46 Accrued expenses and deferred income

	2015	2014
Holiday pay liability	5.8	5.9
Social security charges	13.2	15.2
Accrued salaries	2.6	10.3
Other items	3.9	4.5
<b>Total</b>	<b>25.5</b>	<b>35.9</b>

## Note 47 Contingent liabilities

	2015	2014
Guarantees*	1,602.2	1,317.5
<b>Total</b>	<b>1,602.2</b>	<b>1,317.5</b>

\* Refers to guarantees for subsidiaries and associated companies.

## Note 48 Operating lease contracts

### Leased assets

Future payment commitments for operating lease contracts have the following breakdown:

	2015	2014
2016	3.4	—
2017	1.7	—
2018	0.8	—
2019	—	—
2020	—	—
2021 and later	—	—
<b>Total</b>	<b>5.9</b>	<b>—</b>

Assets owned via operating lease contracts comprise leased premises, office equipment and vehicles. Leasing costs at the parent company amounted to MSEK 3.5 (3.4).

## Note 49 Net financial items affecting cash flow

	2015	2014
Interest received	0.0	0.2
Interest paid	−12.7	−18.0
Dividends received	—	49.0
Other items affecting cash flow	1.5	—
<b>Total</b>	<b>−11.2</b>	<b>31.2</b>

## Note 50 Personnel

### Average number of employees

In 2015, the average number of parent company employees was 33 (33), of whom 12 were female (15).

There are two women on the Board of the parent company and one in the executive management team.

### Costs of personnel

Salaries, other remuneration and social security charges 2015	Salaries and other remuneration	Social security charges	of which pension costs
<b>Total</b>	<b>44.4</b>	<b>28.0</b>	<b>11.5</b>

Salaries, other remuneration and social security charges 2014	Salaries and other remuneration	Social security charges	of which pension costs
<b>Total</b>	<b>42.7</b>	<b>25.6</b>	<b>9.6</b>

Information on remuneration to senior executives and the Board is provided in Note 33.

## Note 51 Auditors' remuneration

	2015	2014
<b>Remuneration to Deloitte</b>		
Auditing	0.8	1.0
Auditing assignments in addition to auditing	0.0	0.1
Tax advice	0.1	0.1
Other services	0.1	0.3
<b>Total remuneration to Deloitte</b>	<b>1.0</b>	<b>1.5</b>

Auditing assignments in addition to auditing constitute any examination of administration or financial information resulting from statutes, the Articles of Association, regulations or agreements which result in a report or some other document intended to form a basis for assessment also for a party other than the ordering client, as well as advice or other assistance prompted by observations in an auditing assignment. An example of an auditing assignment that is not part of the audit is the auditors' general review of an interim report.

Tax advice is self evident. Other services are advice not related to any of the previously specified services.

## Note 52 Current liabilities to Group companies

The company is part of Gunnebo Treasury AB's Group cash pool system whereby the company's granted credit amounts to MSEK 235.0. The receivable at the end of the year totalled MSEK 8.1 and is net accounted in the item "Current liabilities to Group companies". Last year a liability amounting to MSEK 28.8 was net accounted.

## Note 53 Transactions with related parties

Of the parent company's net sales, 100% (100%) related to Group companies, while purchases from Group companies accounted for 40% (20%) of the total.

Information on remuneration to Board members is provided in Note 33. Over and above these, there were no other transactions with related parties.

## Note 54 Subsequent events

No significant events have occurred since the end of the financial year.

# Proposed distribution of earnings

Unrestricted equity in the parent company at the disposal of the Annual General Meeting:

Share premium reserve	448.7
Retained earnings	39.9
Profit/loss for the year	111.5
<b>Total</b>	<b>600.1</b>

\* For Euroclear Sweden AB-registered owners, the proposed record date for dividend payment is April 14, 2016.  
The number of dividend-bearing shares on the record day is expected to total 76,185,001.

Board statement: The Board has proposed that a dividend of SEK 1.00 per share be paid i.e. a total of approximately MSEK 76. 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 of Directors proposes:

that a dividend of SEK 1.00 per share be paid to shareholders*	76.2
and that the remaining sum be carried forward	523.9
<b>Total</b>	<b>600.1</b>

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 hereby give their assurance 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 good accounting practice 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 the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, March 4, 2016.

Martin Svalstedt  
Chairman

Tore Bertilsson  
Board member

Göran Bille  
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

Crister Carlsson  
Board member

Our audit report was submitted on March 4, 2016.  
Deloitte AB

Hans Warén  
Authorised Public Accountant

# Auditor's Report

*This auditor's report 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 annual meeting of the shareholders of Gunnebo AB (publ)**  
**Corporate identity number 556438-2629**

## **Report on the annual accounts and the consolidated accounts**

We have carried out an audit of the annual accounts and consolidated accounts for Gunnebo AB for the financial year from January 1, 2015 – December 31, 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 48-88.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### *Opinions*

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 December 31, 2015 and of its financial performance and its cash flows 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 December 31, 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and statement of financial position for the Parent Company and the Group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Gunnebo AB for the financial year January 1, 2015 – December 31, 2015.

### *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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### *Auditors' responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board's reasoned statement and a selection of the supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### *Opinions*

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

Gothenburg, March 4, 2016  
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](http://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](mailto: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 Group Marketing & Communication Director. There is also detailed information about both the Group's operations and its financial results on the Group website, [www.gunnebogroup.com](http://www.gunnebogroup.com).

## ANNUAL GENERAL MEETING

Gunnebo's Annual General Meeting will be held at 4.00 pm CET on Tuesday April 12, 2016 at the Chalmers Student Union building, Chalmersplatsen 1, Gothenburg, Sweden.

## 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 Wednesday April 6, 2016, and must notify the AGM of attendance by no later than Wednesday April 6, 2016, preferably before 4.00 pm CET, either online at [www.gunnebogroup.com](http://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 April 6, 2016.

## Invitation to the 2016 Annual General Meeting

Gunnebo's Annual General Meeting will be held at 4.00 pm CET on Tuesday April 12, 2016 at the Chalmers Student Union building, Chalmersplatsen 1, Gothenburg, Sweden.

### 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 Wednesday April

6, 2016, and must notify the AGM of attendance by no later than Wednesday April 6, 2016, preferably before 4.00 pm CET, either online at [www.gunnebogroup.com](http://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 Wednesday April 6, 2016.

## Dividend

The Board proposes to the AGM a dividend of SEK 1.00 (SEK 1.00) per share for the 2015 financial year.

## IR POLICY

The goal of Gunnebo's Investor Relations activities is, through communication activities, to help give all stakeholders as fair a picture as possible of the Group's operation and financial results.

In addition to day-to-day communications, contact takes place with the finance market 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, accurate reporting from all the Group's business.

Gunnebo keeps important financial information confidential until it is disclosed – simultaneously and consistently – 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 Group Marketing & Communication Director. 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, relevant information to the market.

## ACTIVITIES 2015

In 2015, Gunnebo held individual analyst meetings with, for example, the analysts that follow Gunnebo: Carnegie, SEB and Swedbank. During the year telephone conferences and face-to-face meetings were also held with analysts.

The company also participated in seminars, breakfast, lunch and dinner meetings, as well as several shareholder meetings. After each

interim report Gunnebo arranges a telephone conference to present the financial results. The conference is recorded and the recording is made available via the website.

## FINANCIAL GOALS

Gunnebo's financial goals have remained unchanged since 2005. Gunnebo shall earn a long-term return on capital employed of at least 15% and an operating margin of at least 7%. The Group shall achieve organic growth of at least 5% a year. 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 34%. Another of Gunnebo's aims is to achieve a return of at least 15% on capital employed.

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 December 31, 2015 amounted to MSEK 1,568 and ensures that financing is available on market terms until the end of February 2019.

## 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 profit after tax.

The proposed dividend for 2015 is SEK 1.00 per share.

## Analysts Following Gunnebo

### CARNEGIE INVESTMENT BANK AB

Kenneth Toll Johansson  
+46 8 676 88 00  
kenneth.toll-johansson@  
carnegie.se

### SEB EQUITY RESEARCH

Viktor Bellak  
+46 8 522 29 674  
viktor.bellak@seb.se

### SWEDBANK MARKETS

Mats Liss  
+46 8 585 900 00  
mats.liss@swedbank.se

## Financial Information and Reports 2016

April 12, 2016  
Annual General Meeting 2016

April 28, 2016  
Interim Report  
January–March 2016

July 19, 2016  
Interim Report  
January–June 2016

October 24, 2016  
Interim Report  
January–September 2016

February 2, 2017  
2016 Year-End Release

# 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 2015 Gunnebo had 11,015 shareholders. The percentage of foreign ownership amounted to 15.4%. 13.8% of the share capital was owned by Swedish natural persons, which means that 86.2% was owned by legal entities or foreign natural persons.

## SHARE CAPITAL AND VOTES

On December 31, 2015 Gunnebo had a share capital of MSEK 380.9 divided into 76,185,001 shares, each with a quota value of SEK 5. All shares have equal voting rights and share equally in the company's assets, liabilities, equity and earnings.

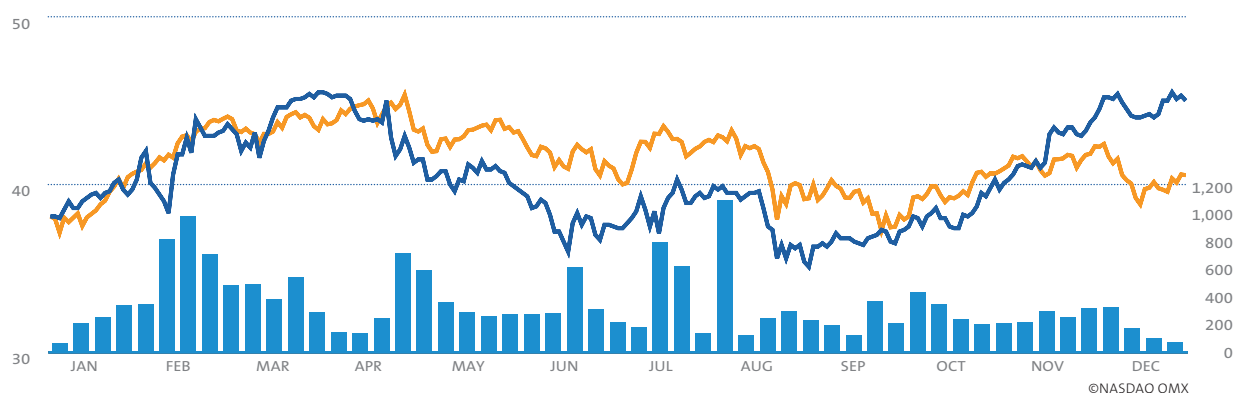
## SHARE PRICE

At the end of the year the Gunnebo share was trading at SEK 45.00, which is an increase during the year of 19%. During the same period, Stockholm Stock Exchange's OMX 30 index decreased by 1%. The lowest share price paid during the year was SEK 34.70 (August 24) and the highest was SEK 46.10 (March 31).

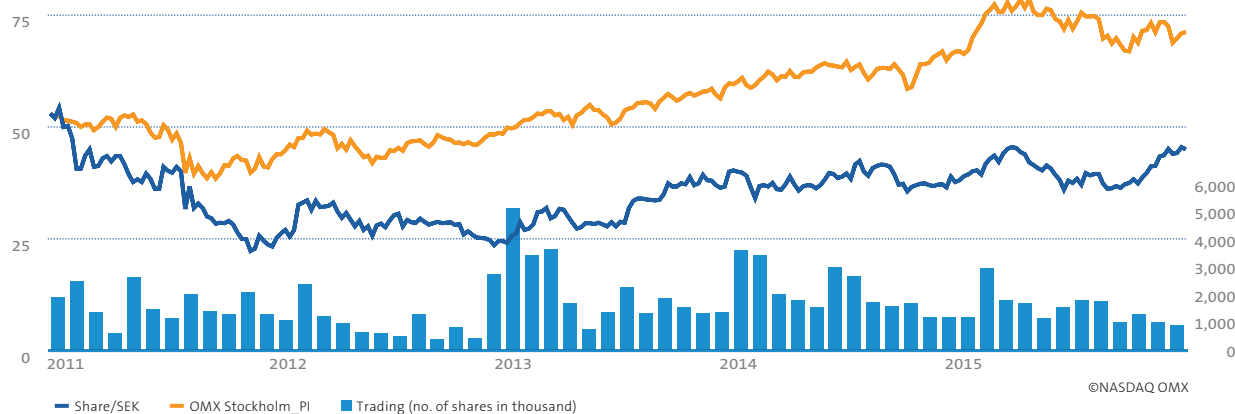
## TRADING AND MARKET VALUE

A total of 18,494,246 shares (25,822,152) were traded in 2015 at a value corresponding to MSEK 747 (988). The average volume traded each trading day was 73,682 shares (103,703), equating to TSEK 2,977 (3,966). The market value on December 30, 2015 was MSEK 3,428.

## THE GUNNEBO SHARE 2015



## THE GUNNEBO SHARE 2011–2015



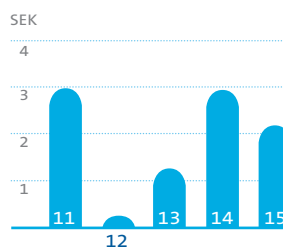


<b>Largest shareholders, grouped</b>	No. of shares	Proportion, %
Stena Adactum	19,852,329	26.1%
Vätterledens Invest, with associates	14,977,913	19.7%
IF Skadeförsäkringar	8,849,114	11.6%
NTC Various Fiduciary Capacit	2,517,170	3.3%
Didner & Gerge Funds	1,895,841	2.5%
DnB Carlson Funds	1,857,426	2.4%
Avanza Pension	1,548,592	2.0%
Norges bank	1,359,519	1.8%
JP Morgan Bank	829,268	1.1%
Skandia Funds	675,408	0.9%
DFA International Small Cap	675,353	0.9%
Muirfield Invest	650,000	0.8%
State Street Bank	617,290	0.8%
Swedbank Robur Funds	541,979	0.7%
Örgryte Industri AB	377,000	0.5%
Handelsbanken funds	356,617	0.5%
NordNet Pensionsförsäkring AB	301,878	0.4%
Other	18,302,304	24.0%
<b>Total</b>	<b>76,185,001</b>	<b>100.0%</b>

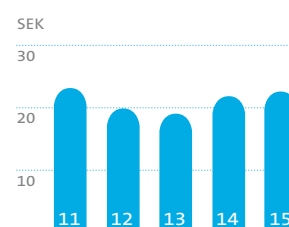
<b>Shareholders by size</b>	No. of shareholders	No. of shares	Holding and votes, %
1–500	7,000	1,252,744	1.6
501–1,000	1,821	1,507,853	2.0
1,001–5,000	1,726	3,967,507	5.2
5,001–10,000	226	1,709,507	2.2
10,001–50,000	162	3,466,502	4.6
50,001–	80	64,280,888	84.4
<b>Total</b>	<b>11,015</b>	<b>76,185,001</b>	<b>100.0</b>

<b>Changes in share capital, MSEK</b>	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

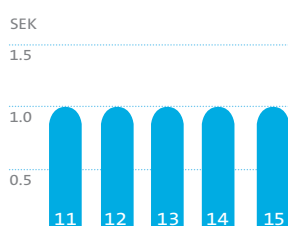
## EARNINGS PER SHARE AFTER DILUTION



## EQUITY PER SHARE

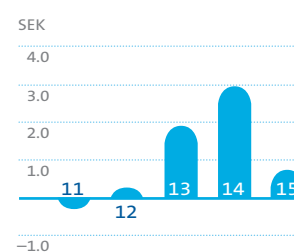


## DIVIDEND PER SHARE



\*) Board proposal

## FREE CASH FLOW PER SHARE



<b>No. of shares</b>	2015	2014	2013	2012	2011
Closing no. of shares, x 1,000	76,185	76,174	75,914	75,856	75,856
Average no. of shares, x 1,000	76,180	75,979	75,863	75,856	75,856

<b>Data per share</b>	2015	2014	2013	2012 <sup>1)</sup>	2011 <sup>1)</sup>
Earnings per share after dilution, SEK	2.18	2.98	1.29	0.26	3.00
Equity per share, SEK	22.65	21.93	19.06	20.02	23.24
Free cash flow per share, SEK	0.73	2.94	1.90	0.28	-0.31
Dividend, SEK <sup>2)</sup>	1.00	1.00	1.00	1.00	1.00

<b>Share price related share data</b>	2015	2014	2013	2012	2011
Share price at year-end (last price paid), SEK	45.00	37.70	40.00	24.50	24.00
Highest price during the year (price paid), SEK	46.10	43.70	40.90	39.40	54.75
Lowest price during the year (price paid), SEK	34.70	33.30	24.00	23.30	21.20
Market value at year-end, MSEK	3,428	2,872	3,037	1,858	1,821
P/E ratio, times	21	13	31	94	8
Dividend yield, % <sup>2)</sup>	2.2	2.7	2.5	4.1	4.2

1) The figures have not been recalculated as a result of the revised standard IAS 19 Employee Benefits.

2) The Board proposes a dividend of SEK 1.00 per share for the year 2015.

# Five-Year Review

	2015	2014	2013	2012 <sup>1)</sup>	2011 <sup>1)</sup>
<b>Income statement, MSEK</b>					
Net sales	6,052	5,557	5,271	5,236	5,137
Cost of goods sold	-4,278	-3,911	-3,689	-3,666	-3,572
<b>Gross profit</b>	<b>1,774</b>	<b>1,646</b>	<b>1,582</b>	<b>1,570</b>	<b>1,565</b>
Other operating expenses, net	-1,454	-1,294	-1,360	-1,391	-1,241
<b>Operating profit/loss<sup>2)</sup></b>	<b>320</b>	<b>352</b>	<b>222</b>	<b>179</b>	<b>324</b>
Net financial items	-43	-35	-75	-66	-27
<b>Profit/loss after financial items</b>	<b>277</b>	<b>317</b>	<b>147</b>	<b>113</b>	<b>297</b>
Taxes	-109	-90	-45	-89	-52
<b>Profit/loss for the year</b>	<b>168</b>	<b>227</b>	<b>102</b>	<b>24</b>	<b>245</b>
2) Of which items of a non-recurring nature	-77	-14	-84	-87	7
<b>Margins, excl. items of a non-recurring nature</b>					
Gross margin, %	29.7	30.2	30.6	30.3	30.8
Operating margin before depreciation, (EBITDA), %	8.4	8.2	7.4	6.9	7.7
Operating margin (EBIT), %	6.6	6.6	5.8	5.1	6.2
Profit margin (EBT), %	5.8	6.0	5.2	4.7	5.7
<b>Margins, incl. items of a non-recurring nature</b>					
Gross margin, %	29.3	29.6	30.0	30.0	30.5
Operating margin before depreciation, (EBITDA), %	7.1	7.9	5.9	5.2	7.9
Operating margin (EBIT), %	5.3	6.3	4.2	3.4	6.3
Profit margin (EBT), %	4.6	5.7	2.8	2.2	5.8
<b>Other information</b>					
Foreign sales ratio, %	96	97	97	97	96
Order intake, MSEK	6,191	5,433	5,514	5,250	5,091
Capital expenditure, MSEK	135	78	72	116	85
Depreciation, MSEK	108	88	84	87	81
Average number of employees	5,518	5,629	5,656	5,563	5,315

1) The figures have not been recalculated as a result of the revised standard IAS 19 Employee Benefits.

	2015	2014	2013	2012	2011 <sup>1)</sup>
<b>Statements of financial position, MSEK</b>					
Intangible assets	1,812	1,675	1,494	1,502	1,215
Property, plant and equipment	358	304	304	327	316
Financial assets	14	16	17	60	139
Deferred tax assets	304	339	307	263	253
Inventories	678	694	609	580	564
Current receivables	1,423	1,350	1,212	1,201	1,239
Liquid funds	496	447	392	350	239
<b>Total assets</b>	<b>5,085</b>	<b>4,825</b>	<b>4,335</b>	<b>4,283</b>	<b>3,965</b>
Equity	1,747	1,694	1,463	1,533	1,776
Long-term liabilities	1,594	1,449	1,274	1,428	800
Current liabilities	1,744	1,682	1,598	1,322	1,389
<b>Total equity and liabilities</b>	<b>5,085</b>	<b>4,825</b>	<b>4,335</b>	<b>4,283</b>	<b>3,965</b>
<b>Cash flow statement, MSEK</b>					
Cash flow from operating activities before changes in working capital	305	246	218	156	234
Cash flow from changes in working capital	-119	25	-7	-20	-169
<b>Cash flow from operating activities</b>	<b>186</b>	<b>271</b>	<b>211</b>	<b>136</b>	<b>65</b>
<b>Free cash flow, MSEK</b>					
Free cash flow	56	223	144	21	-23
<b>Returns, excl. items of a non-recurring nature</b>					
Return on capital employed, %	12.4	12.6	10.7	10.2	13.2
Return on equity, %	13.4	15.6	15.6	9.7	13.7
<b>Returns, incl. items of a non-recurring nature</b>					
Return on capital employed, %	10.1	12.1	7.9	7.0	13.5
Return on equity, %	8.9	14.7	6.9	1.5	14.1
<b>Other key ratios</b>					
Capital turnover rate, times	1.8	1.8	1.8	1.9	2.3
Equity ratio, %	34	35	34	36	45
Interest coverage ratio, times	7.8	9.6	5.3	5.4	18.0
Debt/equity ratio, times	0.7	0.6	0.7	0.7	0.3
<b>Share data</b>					
Earnings per share before dilution, SEK	2.18	2.98	1.29	0.26	3.00
Earnings per share after dilution, SEK	2.18	2.98	1.29	0.26	3.00
Equity per share, SEK	22.43	21.93	19.06	20.02	23.24
Free cash flow per share, SEK	0.73	2.94	1.90	0.28	-0.31
Dividend, SEK <sup>2)</sup>	1.00	1.00	1.00	1.00	1.00
<b>Other information</b>					
Capital employed, MSEK <sup>3)</sup>	3,462	3,186	2,950	2,958	2,617
Net debt, MSEK <sup>3)</sup>	1,212	1,039	1,088	1,026	498

1) The figures have not been recalculated as a result of the revised standard IAS 19 Employee Benefits.

2) The Board proposes a dividend of SEK 1.00 per share for the year 2015.

3) Closing balance.

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## Gunnebo Glossary

### ORGANISATION

#### Region EMEA

##### (Europe, Middle East & Africa)

The region for all business within the sales companies for Austria, Belgium, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Luxembourg, Middle East, 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, China, India, Indonesia, Malaysia, New Zealand, 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 32 countries.

#### Operations

Operations is responsible for Gunnebo's manufacturing units, purchasing, logistics, and research and development.

### PRODUCT GROUPS

#### 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.

#### 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, CIT 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.

#### 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.

#### CIT (Cash in Transit)

A company that transports money between different units in the cash management process, such as from a shop or a central bank to a counting centre.

#### Mass Transit

Public rail, bus and metro networks and airports, which transport large volumes of passengers.

#### Industrial & High-Risk Sites

Includes factories, logistics companies, power plants, stadia, ports, prisons and casinos.

#### Public & Commercial Buildings

Includes company and government offices, administrative centres and public buildings.

## 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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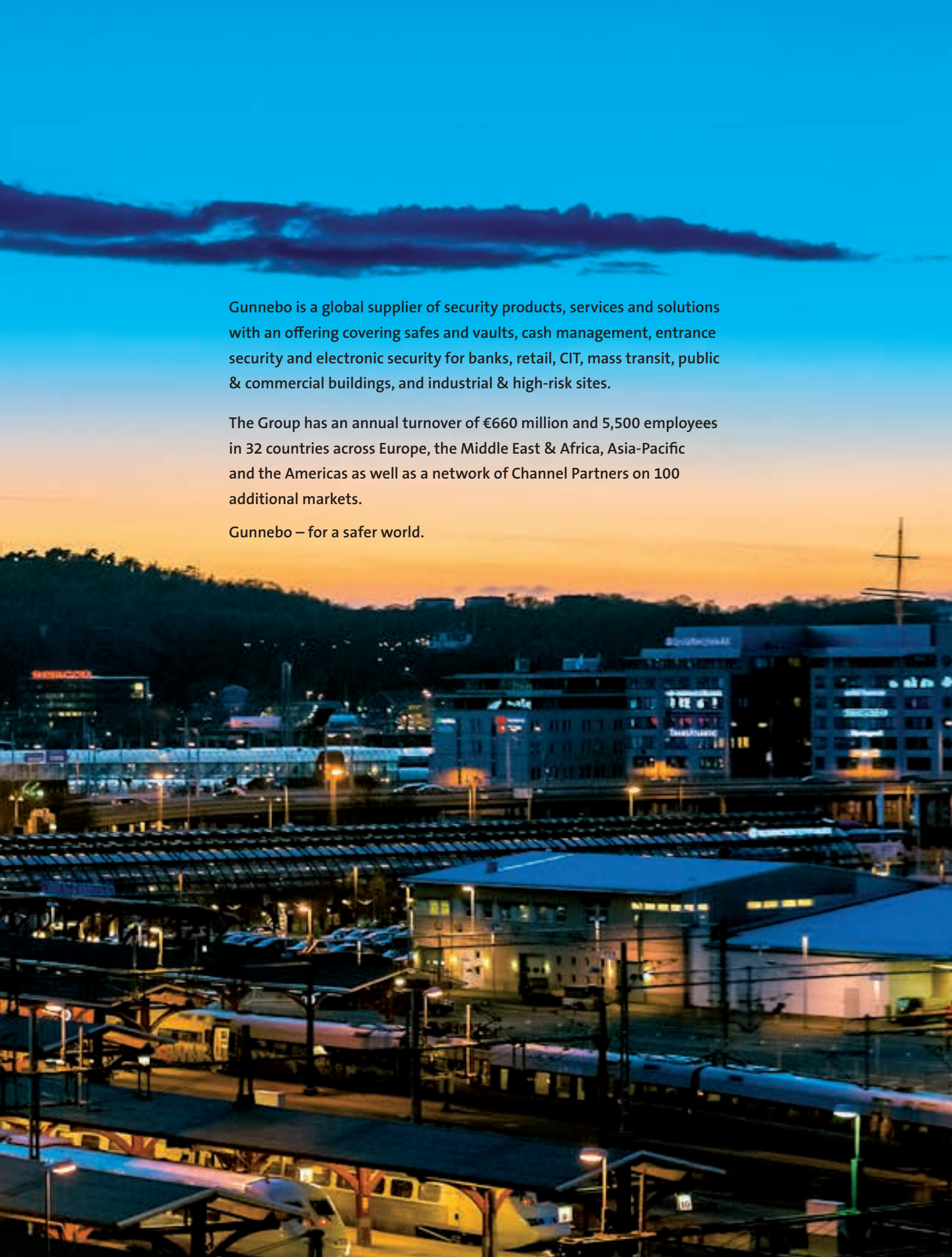
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Gunnebo is a global supplier of security products, services and solutions with an offering covering safes and vaults, cash management, entrance security and electronic security for banks, retail, CIT, mass transit, public & commercial buildings, and industrial & high-risk sites.

The Group has an annual turnover of €660 million and 5,500 employees in 32 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 – for a safer world.