

ANNUAL REPORT 2016

**GUNNEBO®**

An aerial night view of a city skyline, likely Shanghai, with the Oriental Pearl Tower prominently featured. The city is illuminated with warm yellow lights, and a river flows through the center. Overlaid on the image are several glowing blue arcs and points, resembling a global network or data connections, with one point specifically targeting the Oriental Pearl Tower. The sky is a deep blue with scattered stars or distant city lights.

# SMART SECURITY



# Smart Security

The growth of the connected world, machine to machine communication and the Internet of Things has created new opportunities for security companies. Businesses are becoming increasingly more digitalised and customers are looking for partners who can help them integrate across platforms. Security systems – from speed gates to closed cash management solutions – will be creating new types of value for clients as data is used to improve process efficiency. This will be the age of smart security.



## For a safer future

By providing high-quality security products, services and solutions, Gunnebo aims to create value and build a safer future for its customers around the world.

Creating value through **cash management** solutions which not only improve security, but also make the whole cash cycle more efficient.



Creating value through **entrance solutions** which balance customer throughput with the necessary security levels.



Creating value through independently **certified safes** which guarantee a specific level of resistance against burglary or fire.



Creating value through integrated and automated **electronic security** systems.



## Highlights for 2016

- Net sales amounted to MSEK 6,088 (6,052), organically it increased by 1%
- Operating profit excluding non-recurring items increased to MSEK 438 (397) and operating margin to 7.2% (6.6)
- Operating profit increased to MSEK 366 (320) and operating margin increased to 6.0% (5.3)
- Net profit for the year increased to MSEK 209 (168)
- Basic earnings per share increased to SEK 2.71 kronor (2.18)
- Free cash flow increased to MSEK 159 (56)
- The Board proposes a dividend of SEK 1.20 per share (1.00)

## Key Ratios

	2016	2015
Net sales, MSEK	6,088	6,052
EBITDA excl. non-recurring items, MSEK	561	505
EBITDA margin excl. non-recurring items, %	9.2	8.3
Operating profit excl. non-recurring items, MSEK	438	397
Operating margin excl. non-recurring items, %	7.2	6.6
Operating profit, MSEK	366	320
Operating margin, %	6.0	5.3
Net profit for the year, MSEK	209	168
Basic earnings per share, SEK	2.71	2.18
Free cash flow, MSEK	159	56

*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.*

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The part of this annual report which has been subject to auditing covers pages 47–80.

## COMMENTS BY THE CEO

## 2016 – Towards Profitable Growth

## DEAR SHAREHOLDER,

In 2016 we improved our results and achieved an operating margin excluding non-recurring items of 7.2%. We have thereby accomplished our financial goal of a 7% operating margin.

## STRATEGY FOR PROFITABLE GROWTH

In 2016, we began implementing Gunnebo's new Strategy for Profitable Growth. Strategic priorities were set with the emphasis on creating added value for our customers, optimising process efficiency and increasing employee engagement – all with the aim of improving the Group's financial results. The strategy has been broken down and each sales region and product area has clearly defined goals with quarterly follow-ups to ensure we succeed in implementing our strategy.

We have also strengthened the product organisation's structure to establish greater accountability and customer focus, which will guarantee the effective execution of our strategy.

## BUSINESS DEVELOPMENT

On our biggest market, Europe, organic sales were unchanged in 2016. Despite this, our operating margin improved for the second consecutive year, and now amounts to 4.4% excluding non-recurring items. Sales in the Nordics and Southern Europe developed well, and the integration of Sallén has strengthened our product portfolio with cash management solutions that are primarily sold via cash in transit companies.

In the Middle East we have enjoyed a record year in cash management and entrance security.

In Asia-Pacific, organic growth was positive in 2016, amounting to 5%. Our major order from OKI Pulp & Paper in 2015 continued to drive growth in Indonesia. In India sales of safes and vaults to the public bank sector were weak, although sales of ATM safes were strong. In China we have retained our position as a leading supplier of entrance security for mass transit systems, thanks to the delivery of automated ticket gates to many metro lines.

“ The operating margin for the year increased to 7.2%, which means that we have achieved our target of 7%.

In Region Americas, organic growth was slightly negative during the year. In North America we increased organic sales and focused on developing new business. In Brazil we retained our strong position in electronic article surveillance (EAS) systems for retail, but because of a downturn in the national economy, our sales fell there in 2016. In Mexico, where we offer electronic security services, we received a major service contract encompassing 1,500 branches of one of the country's largest banks.

## PRODUCT DEVELOPMENT

We have continued to extend our strong product portfolio in all the Group's product areas. In Safes & Vaults we launched the Viper range of compact safes for home use, and a new server cabinet that offers protection against signal interception and electromagnetic pulses.

In Cash Management we have upgraded our closed cash management system, SafePay, by increasing its capacity and improving the ergonomics of the deposit unit.

In the Entrance Security product area a new product series with full-height turnstiles was introduced, and we also strengthened our electronic platform, which has resulted in smarter, more effective entrance security products with a higher level of security.

We also launched the SoloTek detector which prevents tailgating by detecting the number of people who are passing to or from a secured area.

In addition, we have been developing an integrated business solution for retail which will be further developed in 2017. It connects Gunnebo's security products and other retail systems via a single platform to improve security and raise productivity.



## SUSTAINABILITY GOALS

In 2016, an internal work group set new group-wide goals for energy, climate, waste management, compliance with the Code of Conduct, and occupational health and safety, with clear, measurable objectives for 2020. Activities to ensure these goals are achieved are in place and are followed up on a quarterly basis. As a responsible employer and corporate citizen, it is important that we achieve the goals we have set.

## DEDICATED EMPLOYEES

Our improved results in 2016 would not have been possible without the hard work of the Group's dedicated employees. During the year we have worked on increasing employee empowerment in the Group by taking action based on the results of our first employee survey which was carried out in the fourth quarter of 2015.

## TOWARDS PROFITABLE GROWTH

In 2016 we have continued to build a firm foundation and improve the Group's growth and results. In 2017 we will continue to strengthen our ability to deliver effective solutions developed according to defined customer needs. We will also continue to optimise service delivery, create a more efficient value chain and improve working capital efficiency. With a clear strategy and structure, we are now equipped to continue the implementation of our Strategy for Profitable Growth.

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

Gothenburg, March 2017

Henrik Lange  
President & CEO



In 2015 Gunnebo received a historic order worth approximately MSEK 220 to deliver a fully integrated fire safety system to OKI Pulp & Paper Mills in Sumatra, Indonesia.

In 2016 Henrik Lange visited the construction site to meet the team working on making this large-scale project a success.

► Read more about the project on page 22.

# Business Model

Gunnebo's business model defines the underlying trends which generate opportunities for the Group, the strategy around which activities are focused and from which the customer offering is developed, and the value which is subsequently created for the Group's stakeholders.

## MARKET DRIVERS

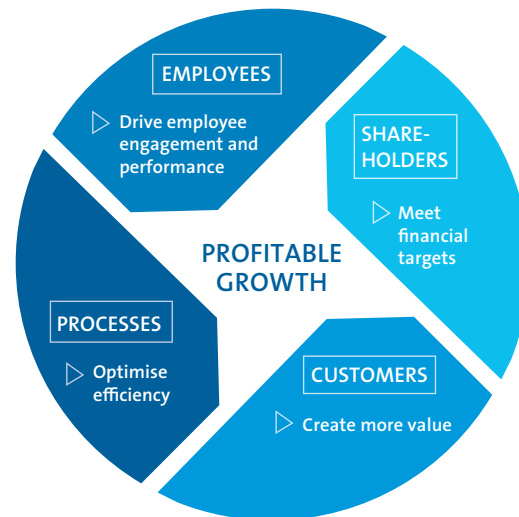
Market drivers provide input to the Group's strategy and offering. They help clarify where Gunnebo can create value and generate business opportunities.

The following underlying trends are favourable to continued long-term growth in the security industry:

- An increase in perceived threat levels and increased security awareness
- Urbanisation
- Increased financial wealth and a higher standard of living
- Technology-driven growth
- Development of physical and financial infrastructure
- Connectivity of security systems
- Compliance with legislation and regulations

## STRATEGY FOR PROFITABLE GROWTH

In 2016 the Group introduced its Strategy for Profitable Growth to be implemented by the end of 2020.



### STRATEGY ROADMAP

To support implementation, the Strategy Roadmap was introduced in 2016. It is designed as a scorecard focusing on four dimensions: Shareholders, Customers, Processes and Employees.

#### SHAREHOLDERS

All of the activities defined in the Strategy Roadmap aim to realise the Group's financial potential. By achieving profitable growth and meeting the business targets, the Group will create value for its shareholders.

▶ Read more on page 27

#### CUSTOMERS

Gunnebo focuses on building long-term relationships with customers founded on trust and the consistent delivery of value over time.

To create more value for customers, the Group will grow its product areas, expand the interconnectivity between products and software, strengthen key account management and optimise service delivery.

▶ Read more on pages 28–31

#### PROCESSES

By prioritising efficiency throughout the business, the Group will reduce costs, improve competitiveness and productivity as well as grow its profitability.

Strategic priorities include improving working capital efficiency, developing IT capabilities and creating a lean demand chain.

▶ Read more on page 32

#### EMPLOYEES

By improving talent development programmes, fostering cross-functional dialogue and developing its performance culture, Gunnebo will boost employee engagement across the Group.

▶ Read more on pages 33–34



## OFFERING

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

Cash Management



Entrance Security



Safes & Vaults



Electronic Security



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

► Read more on pages 8–11

Local knowledge in each market combined with a global presence allows Gunnebo to deliver to businesses of all sizes, helping them to create a safer world for their customers, their employees and society as a whole.

The Group has its own sales companies in 28 countries as well as a network of Channel Partners on a further 100 markets.

► Read more on pages 14–25

## STAKEHOLDERS

Below is an account of how Gunnebo shared the economic value it created during 2016 with the Group's most significant stakeholders.

### ■ Customers

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

Turnover: **MSEK 6,088**

### ■ Shareholders (10,400 shareholders)

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

Dividend: **MSEK 76**

### ■ Employees (5,600)

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

Remuneration and social security contributions to employees, subcontractors and consultants: **MSEK 2,367**

### ■ Suppliers

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

Cost of material, transport, vehicles and travel: **MSEK 3,252**

### ■ Creditors

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

Cost of credit facilities and interest: **MSEK 51**

### ■ Society

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

Income tax: **MSEK 99**

# Goals and Outcomes

Gunnebo's goals are those that the Board and the Group Executive Team deem to be most relevant to the business and the company's interests. The Group's financial goals are designed to drive profitable growth.

Gunnebo's financial goals aim to contribute to a good return for the company's shareholders. They focus on profitable growth. The Group's new strategy lays a good foundation for profitable growth in the years to come.

In 2016, Gunnebo also formulated sustainability goals up to 2020. The goals are related to the Group's sales. The prioritised areas Gunnebo has identified are energy and climate, waste management, environmental management, compliance with the Code of Conduct

in the supply chain, and health and safety. Along with the financial goals, Gunnebo's non-financial goals support sustainable, profitable growth. By taking a long-term approach to sustainability issues, with clearly defined goals, Gunnebo's 5,600 employees create a responsible, attractive offering for the company's customers. Proud, confident, dedicated employees are key components in the company's value creation.

## FINANCIAL GOALS

### ORGANIC GROWTH IN NET SALES

Gunnebo's goal is organic growth in net sales of 5%.

#### *Outcome in 2016*

For 2016 as a whole, the Group had organic growth of 1%.

### OPERATING MARGIN

Gunnebo's goal is an operating margin of 7%.

#### *Outcome in 2016*

For 2016 as a whole, the Group had an operating margin excluding non-recurring items of 7.2%.

### RETURN ON CAPITAL EMPLOYED

Gunnebo's goal is a return on capital employed of 15%.

#### *Outcome in 2016*

For 2016 as a whole, the Group had a return on capital employed excluding non-recurring items of 12.8%.

### EQUITY RATIO

Gunnebo's goal is an equity ratio of 30%.

#### *Outcome in 2016*

At the end of 2016, the Group had an equity ratio of 34%.



### GUNNEBO'S FINANCIAL GOALS







## NON-FINANCIAL GOALS

### ENVIRONMENT

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

#### Energy and Climate

- Reduce the use of electricity at manufacturing units and major sales units by 8% by 2020.
- Reduce CO<sub>2</sub> emissions from manufacturing units and sales units by 15% by 2020.
- Reduce CO<sub>2</sub> emissions from own fleet by 20% on average by 2020.

#### Outcome in 2016

In 2016, 1.58 tonnes of CO<sub>2</sub> were used per MSEK of sales.

#### Waste

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

#### Outcome in 2016

In 2016, 92.3% of all non-hazardous waste was recycled.

#### Environmental Management

- All manufacturing units ISO 14001 certified.

#### Outcome in 2016

At the end of 2016, 9 of the Group's 11 manufacturing units were ISO 14001 certified.

### SUPPLY CHAIN

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

#### Outcome in 2016

Gunnebo has a system for self-assessments to ensure compliance with the Code of Conduct. For suppliers, compliance with the Code is ensured through training activities and required self-assessments.

### OCCUPATIONAL HEALTH

#### Health and Safety Management Systems

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

#### Outcome in 2016

At the end of 2016, 70% of the Group's major manufacturing units were certified to OHSAS 18001.

# Offering

The Gunnebo Group is a global manufacturer and supplier of security solutions. The Group focuses its customer offering on four major product areas: Cash Management, Entrance Security, Safes & Vaults and Electronic Security.

## CASH MANAGEMENT

The Group's offering covers solutions for cash deposit, cash recycling and end-to-end closed cash handling which can be connected to Gunnebo's own cash monitoring services. These solutions are primarily targeted at retail with the bank segment as a niche market.

Gunnebo's cash management solutions are designed not only to improve security in those places where cash is being handled, but also to make the whole cash cycle more efficient. A more efficient cash cycle creates value for all parties involved, in particular retailers, whose share of the responsibility for cash handling has been growing over the years.

Specific benefits for retailers include lower administration and operational costs, reduced risk of robbery, a safer workplace for employees and an improved customer experience.



### CASH MANAGEMENT

**Share of Group Sales:** 17%

**Sales by Region:** EMEA 67%, Asia-Pacific 7%, Americas 26%

**Production:** Binefar (Spain)

**Brands:** Gunnebo, Sallén

## CUSTOMER SEGMENTS

Since Gunnebo's cash management offering focuses on making the cash cycle more secure and more efficient, its solutions benefit primarily retail, as well as other sites where cash is handled, such as banks, casinos, restaurants and taxi operators.

## ROUTES TO MARKET

Gunnebo sells both directly through its own sales companies and indirectly via partnerships with cash in transit companies, banks and Channel Partners.

## NEW PRODUCT DEVELOPMENT

During 2016, Gunnebo launched updates to its closed cash management system, SafePay, resulting in improved functionality. This included a more ergonomic front-office payment station with increased capacity as well a new heat seal bag for the back-office deposit unit. The heat seal bag system combines existing Gunnebo technology together with technology developed by Sallén, the cash management

company acquired by the Group in 2015. Gunnebo also released an upgraded version of CashControl, its software package for online management of cash handling processes, which delivered improved functionality for both cash in transit companies and end users.

## MARKET OUTLOOK

Despite media reports that a cashless society is approaching, statistics clearly show that in most parts of the world, cash is still king. The value of US and Eurozone banknotes in circulation is still increasing year after year, for example. In addition, the cost of managing cash is increasing, which is the biggest factor driving businesses with cash-intensive operations to find more efficient cash management solutions. Nevertheless, the market penetration for cash management solutions is still low – less than 5% of the total addressable market.

## MAIN COMPETITORS

Cashguard, CIMA, De La Rue, Diebold, Glory Global Solutions, Scancoin, Tidel, Wincor Nixdorf.





## ENTRANCE SECURITY

**Share of Group Sales:** 22%

**Sales by Region:** EMEA 64%, Asia-Pacific 19%, Americas 17%

**Production:** Lavis (Italy), Kunshan (China), Baldenheim (France)

**Brands:** Gunnebo, Gateway

## ENTRANCE SECURITY

Within Entrance Security, the Group provides a wide range of speed gates, turnstiles and interlocking doors designed to control the flow of people into, out of and around a site. This includes solutions specifically for mass transit networks – ticket-validation gates – and airports – automated boarding gates, anti-return gates, immigration gates and pre-security gates.

Through this offering, Gunnebo helps customers find the right balance between allowing a smooth flow of people and maintaining the necessary security levels. Customer sites benefit from reduced queues and accelerated passenger throughput as well as a solution with a small footprint which can be customised to complement the surrounding architecture.

Gunnebo also offers high-security doors, window and partitions certified to withstand blast and ballistic attacks.

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

## CUSTOMER SEGMENTS

Gunnebo addresses airports and mass transit networks with a specific offering for each of these two segments. For its broader entrance security offering, Gunnebo targets offices, public buildings and high-risk sites, such as power plants, prisons and industrial plants. Electronic article surveillance systems for loss prevention are used by retailers.

## ROUTES TO MARKET

Gunnebo sells both directly through its own sales companies and indirectly via systems integrators and distributors.

## NEW PRODUCT DEVELOPMENT

During 2016, Gunnebo launched the SoloTek detector which prevents piggybacking and tailgating by sensing the number of people entering or leaving a secure area. This is a smart and inconspicuous solution for banks and high-risk sites such as nuclear power plants, airports, refineries and cash centres.

The Group also introduced a more compact model of its popular SpeedStile FL, a new range of full-height turnstiles, a full upgrade to the software platform for its entrance control gates and an integrated metal detector for its acousto-magnetic range of EAS systems.

## MARKET OUTLOOK

The growth in the actual and perceived threat of terrorism, as well as a reduction in manned entrance points, are strong drivers in the market for entrance security systems.

Within the mass transit segment, increasing urbanisation is putting demands on public transport systems which is leading to more investment in security gates.

Other market drivers include an increased demand for facilitation of mobility and cross-border flows at airports, and national regulations.

Within electronic article surveillance, losses from shoplifting are increasing and retailers are seeking to invest in more sophisticated anti-theft solutions.

## MAIN COMPETITORS

Alvarado, Assa Abloy, Automatic Systems, Boon Edam, Checkpoint Systems, DormaKaba, FAAC, Salzer, Schuco, Sommer, Sensormatic.



## SAFES & VAULTS

**Share of Group Sales:** 35%

**Sales by Region:** EMEA 62%, Asia-Pacific 25%, Americas 13%

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

**Brands:** Chubb safes, Fichet-Bauché, Rosengrens, Hamilton, Steelage, Gunnebo

## SAFES & VAULTS

Under historic brands, such as Chubb safes, Fichet-Bauché, Hamilton and Steelage, the Group sells safes, fire safes, fireproof filing cabinets, deposit safes and vaults.

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

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

Gunnebo is also a major supplier of ATM safes.

## CUSTOMER SEGMENTS

Major customer segments for safes include offices, retail, banks and residential. Major customer segments for vaults include banks and warehouses storing high-value or high-risk goods, such as pharmaceuticals.

## ROUTES TO MARKET

Gunnebo sells both directly through its own sales companies and indirectly via a strong global network of Channel Partners.

## NEW PRODUCT DEVELOPMENT

During 2016, the Group launched an innovative server safe to combat the growing threat to digital security. The safe, which is designed to

house a server, not only offers the standard protection against physical attack, but also protects against signal interception and electromagnetic pulses (EMPs). In addition, the Viper series of compact home safes was also introduced to the market.

## MARKET OUTLOOK

There is growth in the safes and vaults market, especially within the segment for low to medium graded safes. Recently a market for high-end, luxury safes has also been established.

## MAIN COMPETITORS

AIPU, Diebold, Ferrimax, FireKing, Godrej, Kasa Safes, Robur, Sentry Safe, Sun Safe.



## OTHER

**Share of Group Sales:** 7%

### FIRE SECURITY

Full range of firefighting and fire suppression systems as well as fire protection products such as extinguishers, hydrants, hoses and detection devices. Sold predominantly in Indonesia and India.

### HIGH-SECURITY PERIMETER PROTECTION

Products such as road blockers, boom barriers and crash gates which protect the outer perimeter of high-risk sites. Sold predominantly in the Middle East.





## ELECTRONIC SECURITY

The Group's offering covers systems for access control, video surveillance, intrusion detection, high-security electronic locks and remote surveillance.

Gunnebo's approach is to design and market integrated and automated security systems. This allows customers to combine their security functions for interior and exterior site protection on one platform. As a result, threats and dangers are quickly detected, analysed and dealt with.



### ELECTRONIC SECURITY

**Share of Group Sales:** 19%

**Sales by Region:** EMEA 80%, Asia-Pacific 2%, Americas 18%

**Production:** Baldenheim (France)

**Brands:** Gunnebo

### CUSTOMER SEGMENTS

Major customer segments for electronic security include bank, retail, offices, public buildings and high-risk sites.

### ROUTES TO MARKET

Gunnebo sells both directly through its own sales companies and indirectly via systems integrators and distributors.

### MARKET OUTLOOK

The global market for electronic security is large and diverse. In the customer segments where Gunnebo operates, there is a growing

demand in areas such as video surveillance, fire alarm systems, access control and maintenance.

Key market drivers are increased demand from state-controlled high-risk sites, changes in national security regulations and a push for integrated systems which enable data analysis.

### MAIN COMPETITORS

Honeywell Security, Lenel, Nedap Security, Siemens Building Technologies, TYCO International.

# SMART SECURITY

## GUNNEBO BUSINESS SOLUTIONS

To create more value for its customers, during 2016 the Group has been developing the connectivity of its security products and systems. Under the Gunnebo Business Solutions umbrella, this has led to a pilot project for a Gunnebo Retail Solution (GRS).

GRS connects Gunnebo security products and other retail systems on one platform to give retailers actionable data on the shop floor. Retailers benefit from gains in efficiency through automation of daily processes and better resource management as well as

from more effective security through instant alarm intervention and proactive fraud notifications.

GRS will be developed further in 2017 through a number of pilot projects.

# Brands

The Gunnebo Group has a portfolio of strong brands several of which have a history stretching back hundreds of years. Over time, these brands have built up a reputation for delivering reliable, high-quality and well-designed products and solutions.

## GLOBAL MASTER BRAND

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



Cash management, entrance security and electronic security products and solutions are almost exclusively sold under the Gunnebo brand on most markets. Safes and vaults are the only part of the Group's offering which do not carry the Gunnebo brand.

However, all service, including that for safes and vaults, is carried out under the Gunnebo brand.

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

## BRAND ORIGINS

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

## THE BRAND IN ACTION

In February 2016, Gunnebo took part in the EuroCIS trade fair for retail technology in Germany. Gunnebo has a strong retail offering which includes automated cash management, surveillance systems and loss prevention solutions.

The Group's stand recreated two retail environments – a supermarket checkout and a coffee shop – as well as a back-office area where visitors could see Gunnebo's solutions in operation. Emphasis was placed on the value Gunnebo's cash management solutions create for the retailer, ranging from better staff productivity to reduced administration costs.

From a brand perspective, participating in such fairs helps Gunnebo to be seen as an innovative and customer-focused partner.



Participation at important industry trade fairs and events around the world increase visibility of the Gunnebo brand.

## GROUP HISTORY

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

## 1995–2005

### ACQUISITION

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

## SAFES & VAULTS BRANDS

Founded in England in 1818 and part of the brand portfolio since 2000. In the 1800s the Chubb brothers were famous for their bank safes and ingenious locking systems. Today the Chubb safes brand is trusted in markets across the world.



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



MARKET: India

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

Founded in France in 1825 and part of the brand portfolio since 1999. The Frenchmen, Fichet and Bauche, were both pioneers in their fields and made their names creating innovative locks and new fire-resistant materials for safes during the 1800s. Over the years, the Fichet-Bauche brand has built a reputation for high-quality design and craftsmanship.



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



MARKET: USA

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



MAJOR MARKETS: Growth markets

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

## OTHER BRANDS

Electronic article surveillance brand of anti-theft systems for retailers. Founded in Sweden in 1984 and part of the brand portfolio since 2004.



Brand of fire extinguishers and fire safety equipment. Founded in India in 1903 and part of the brand portfolio since 2000.



MAJOR MARKETS: Scandinavia, Brazil, Portugal, France

MARKET: India

Cash management brand of cash deposit systems for banks and retailers. Founded in Spain in 1988 and part of the brand portfolio since 2015.



Perimeter protection brand of fences and gates for industrial and high-risk sites. Founded in Germany in 1951 and part of the brand portfolio since 2004.



MAJOR MARKETS: France, Spain, India, Middle East

MAJOR MARKETS: Middle East

### 2006–2008

#### INTEGRATION

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

### 2009–2015

#### CORE BUSINESS

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

### 2016–2020


#### PROFITABLE GROWTH

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

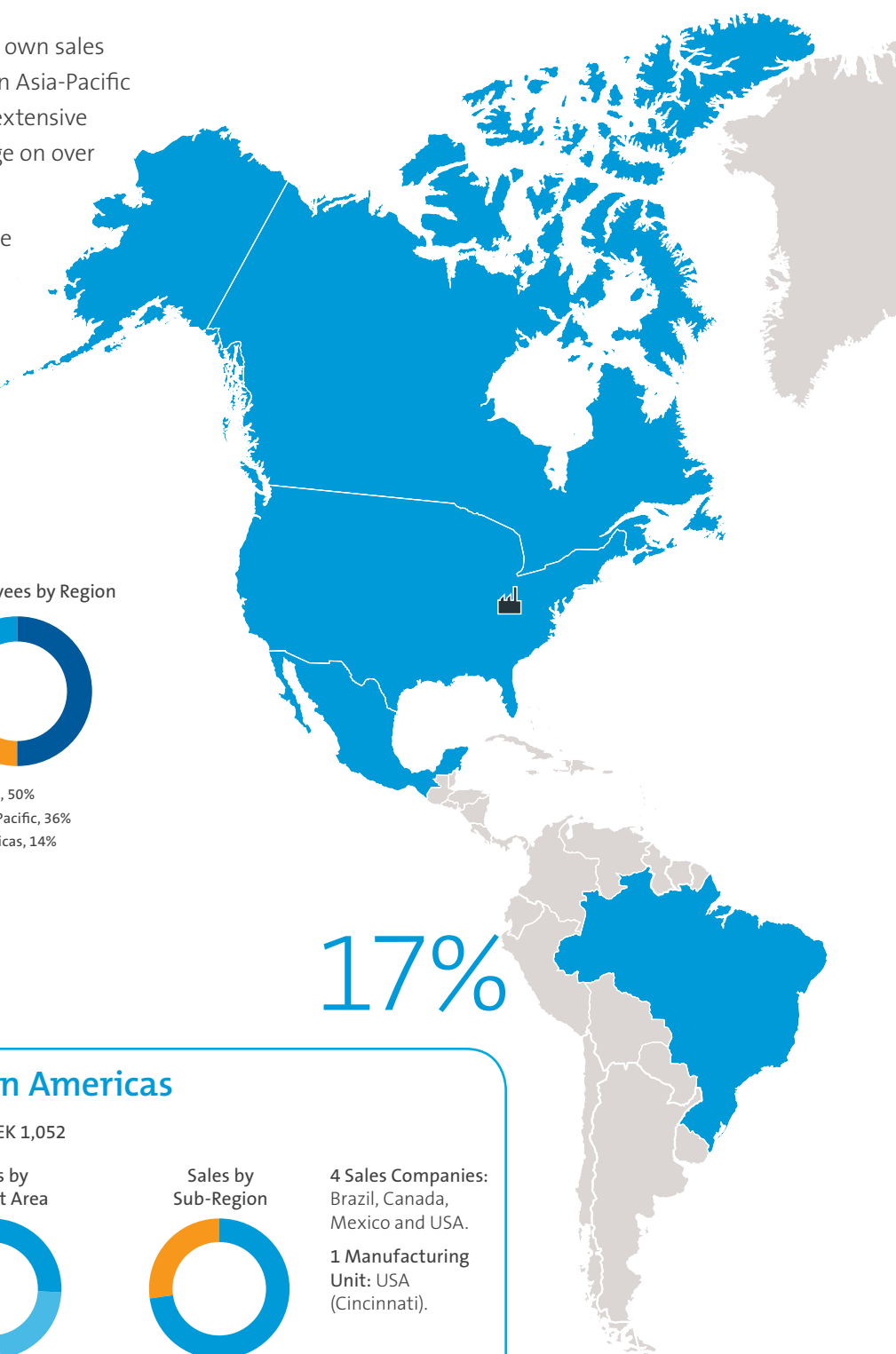


# Markets

Split across three regions, Gunnebo has its own sales companies in 28 countries: 17 in EMEA, 7 in Asia-Pacific and 4 in Americas. The Group also has an extensive Channel Partner network, giving it coverage on over 100 additional markets.

In terms of its manufacturing footprint, the Group has manufacturing units in all of its three regions (marked on the map as ).

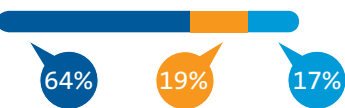
Having production and sales in proximity to the customer base reduces delivery times and helps meet market demand.



## Group

### Sales

Percentage of Group sales by region



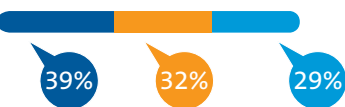
### Employees by Region



- EMEA, 50%
- Asia-Pacific, 36%
- Americas, 14%

### Results

Percentage of the Group's operating profit by region excluding non-recurring items



## Region Americas

Sales: MSEK 1,052

### Sales by Product Area



- Cash Management, 26%
- Entrance Security, 22%
- Safes & Vaults, 26%
- Electronic Security, 20%
- Other, 6%

### Sales by Sub-Region



- North America, 73%
- Latin America, 27%

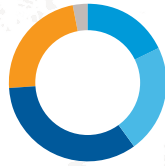
4 Sales Companies: Brazil, Canada, Mexico and USA.

1 Manufacturing Unit: USA (Cincinnati).

## Region EMEA

Sales: MSEK 3,907

Sales by Product Area



■ Cash Management, 18%  
■ Entrance Security, 22%  
■ Safes & Vaults, 34%  
■ Electronic Security, 23%  
■ Other, 3%

Sales by Sub-Region



■ France, 30%  
■ Central Europe, 26%  
■ Southern Europe, 13%  
■ Nordics, 12%  
■ UK/Ireland, 8%  
■ Middle East, 5%  
■ South Africa, 3%

### 17 Sales Companies:

Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, UK, UAE and South Africa.

### 7 Manufacturing Units:

France (Baldenheim and Bazancourt), Germany (Markersdorf), Italy (Lavis), Netherlands (Doetinchem), Spain (Binefar) and South Africa (Wadeville).

64%

## Region Asia-Pacific

Sales: MSEK 1,129

Sales by Product Area



■ Cash Management, 6%  
■ Entrance Security, 22%  
■ Safes & Vaults, 48%  
■ Electronic Security, 3%  
■ Other, 21%

Sales by Sub-Region



■ India, 39%  
■ South-East Asia, 34%  
■ Australia, 13%  
■ China, 14%

### 7 Sales Companies:

Australia and New Zealand, China, India, Indonesia, Malaysia, Singapore (with offices in Thailand, Vietnam and Myanmar) and South Korea.

### 3 Manufacturing Units:

China (Kunshan), India (Halol) and Indonesia (Jakarta).

19%

# Operating Segments

The Gunnebo Group reports about its business under the three sales regions Europe, Middle East & Africa (EMEA), Asia-Pacific and Americas.

## REGION EUROPE, MIDDLE EAST & AFRICA (EMEA)

Europe, Middle East & Africa (EMEA) is the Group's largest region, accounting for 64% (64) of the Group's sales in 2016. The region has 17 sales companies split into eight sub-regions: Nordic, Central Europe, South Europe, France, UK & Ireland, Middle East, Africa and Eastern Europe. The most important customer segments in the region are bank, retail, public and commercial buildings, and industrial and high-risk sites. The offering to these customers mainly comprises security solutions from Cash Management, Entrance Security, Safes & Vaults, and Electronic Security as well as related software and services.

### Gunnebo's Business in Region EMEA

The majority of Gunnebo's offering in Europe consists of integrated security solutions – a combination of products, software and services. These solutions are often developed in direct association with end customers or a strategic partner. The remainder of the Group's offering comprises product sales. Business in this area is primarily developed by launching new and updated products.

Business development is carried out in line with the Group's Strategy Roadmap and as a result of collaboration between the product areas and sales regions. Part of the Region's strategy roadmap is to carry on developing security solutions for well-defined market segments, often in combination with a key account management (KAM) philosophy. In

Europe, this part of the business accounts for an increasing proportion of sales. Here the Group is seeing a trend towards a higher number of larger agreements encompassing sales and delivery to several countries. Customers to whom Gunnebo delivers solutions in eight to ten different countries include Desigual, Shell and Watson Group.

In the Middle East, sales are mostly comprised of Entrance Security and Cash Management solutions as well as product sales in Safes & Vaults. Here the business is developed partly by Gunnebo assuming a broader role in project contracts by delivering complete systems for industrial and high-risk sites, and partly through stronger relationships with distributors and other business partners.

In Eastern Europe and Africa, business is mainly made up of product sales from Entrance Security and Safes & Vaults through distributors, business partners and systems integrators.

Business is developed by introducing selected parts of the Group's global offering, and by continuously expanding the network of Channel Partners, both geographically and in order to further strengthen the presence on selected markets.

The area of Gunnebo's offering that has the greatest growth potential in Region EMEA is Cash Management. During the year Gunnebo enjoyed great success in Europe with its proprietary system for closed cash management,

“Activities to reduce fixed costs together with improved productivity and an increase in sales contributed to a better operating profit for 2016.



Heinz Jacqui, SVP Region EMEA

# 4.4%

Operating margin excluding non-recurring items

### Region Europe, Middle East & Africa

MSEK	2016	2015
Net sales	3,907	3,860
Organic growth, %	0	0
Operating profit excl. non-recurring items	172	151
Operating margin excl. non-recurring items, %	4.4	3.9
Non-recurring items	–59	–67
Operating profit	113	84



SafePay. In the Middle East, and primarily in Dubai, Gunnebo and cash services company, Transguard, have successfully continued to roll out cash management solutions for retail.

Another area of the Group's offering with good growth potential is Entrance Security. Due to the actual and perceived increase in threat levels, the Group is seeing greater interest in security investments to protect employees and buildings, both in the private and public sectors, as well as at industrial and high-risk sites.

### Market Trends

The drivers behind the development of the security market in Europe are economic growth, a higher standard of living, urbanisation, and an actual and perceived increase in the threat of terrorism. The latter has, in a short time, led to greater security consciousness among large private companies, public authorities and high-risk sites.

In the Middle East, market development is primarily driven by a greater awareness of the need for security. There is a clear trend in the region towards higher demand for better protection of commercial and public buildings through the installation of entrance security.

In Eastern Europe, demand for security solutions has been bolstered by higher spending on construction in much of the region. Another driver is increased affluence, both among businesses and private individuals.

Sales of security equipment in Africa are mainly driven by increased urbanisation, economic growth, greater personal affluence and investment in physical and financial infrastructure. Apart from physical security, the security market in Africa is still immature. The estimated annual growth in Region EMEA for the section of the market where Gunnebo has a presence is 2–3%.

## HIGHLIGHTS 2016



## Results for 2016

Net sales in Region EMEA amounted to MSEK 3,907 (3,860). Organically net sales were unchanged.

Sales in Southern, Central and Eastern Europe and in the Middle East developed well during the year, while sales in France and the UK reported weaker development.

In terms of product area, sales in Entrance Security and Cash Management developed well. High-security solutions for outdoor perimeter security are an important part of the Group's offering in the Middle East. Sales of these solutions developed very positively in 2016. Sales within Safes & Vaults also increased somewhat during the year, primarily within ATM safes. Sales in

Electronic Security developed less well.

Operating profit excluding non-recurring items increased to MSEK 172 (151) and the operating margin continued to strengthen and amounted to 4.4% (3.9).

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

Non-recurring items totalled MSEK -59 (-67). The main activities behind these costs were chiefly the transition to an indirect sales model in Austria, Hungary and the Czech Republic, which was completed in the third quarter, the closure of the factory in Trier, and continued changes to structure and management in Europe.

## CUSTOMER REFERENCES

### BANK

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



### PUBLIC & COMMERCIAL BUILDINGS

European Commission, Hermès, Honeywell, SAS, Siemens, Swedavia



### RETAIL

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



### INDUSTRIAL & HIGH-RISK SITES

Besix, Bouygues, Nestlé



Swedish Authorities | SWEDEN, Safes & Vaults

## INNOVATIVE SAFE PROTECTS AGAINST DIGITAL ESPIONAGE

To combat the growing threat to digital security, Gunnebo has developed a server safe offering protection against physical attack, signal interception and electromagnetic pulse radiation.

Based on requirements specified by the Swedish Defence Material Administration, Gunnebo became a preferred supplier of this state-of-the-art server safe in 2016 via the Swedish Legal, Financial and Administrative Services Agency.

The agency works on behalf of the Swedish government and its tasks include setting up framework agreements with suppliers from whom a whole range of Swedish authorities place orders.

During 2016 for example, Gunnebo secured orders for the server safe worth €1.2 million from the Swedish Armed Forces alone.

"Safes which protect servers against cybercrime and premeditated attack are a necessity in the digital age," states Mark Brookes, Product Manager for Safes & Vaults at Gunnebo. "Skilled operatives can now steal the information they want via a form of digital espionage known as 'signals intelligence'. Here the signals emitted by servers and other electronic equipment are remotely intercepted and the information contained decoded."

Gunnebo's new range of protective safes prevents hackers from accessing these signals and also shields servers from the damage an electro-magnetic pulse (EMP) causes. EMPs can occur naturally as a result of solar flares or magnetic storms but can also be created by pulse-generating weapons or a high-altitude nuclear detonation.



"The server safe has established itself in Sweden during 2016 and it is the right time to take it to the international market, especially given the way digital espionage and warfare is developing," explains Mark Brookes. "There currently seems to be no other safe like it, so the product has huge potential for Gunnebo."

Vomar | NETHERLANDS, Closed Cash Management

## IMPROVED SECURITY AND CASH MANAGEMENT EFFICIENCY

Dutch supermarket chain, Vomar, has 64 stores in the Netherlands which serve over 750,000 customers a week.

In 2015, Vomar began using Gunnebo's SafePay system at several of its locations.

SafePay is a fully closed cash management solution for the secure and efficient handling of cash from the checkout to the point of collection. It combines payment stations, back-office transfer units and monitoring software to reduce the overall cost of cash for retailers.

At the initial stores where SafePay was installed, Vomar saw the improvement of security levels and the elimination of cash counting errors.

Based on the value this created for Vomar's business, in 2016 the retailer decided to increase its investment in SafePay by agreeing to roll out the system across all of its stores.

"Due to the efficient service and maintenance of the existing installed base, we felt confident in making this big new investment," explains Chris Jansen, ICT Manager at Vomar. "We already had SafePay in 10% of our locations, and Gunnebo earned our trust over time, convincing us to expand SafePay into all of our stores."

The expansion covers the installation of 300 checkout payment stations and 50 back-office deposit units all of which are monitored from Gunnebo's data centre in Amsterdam to ensure maximum uptime.

"Centrally we have transparency of our cash levels in real time, helping us to continuously increase cash management efficiency – which is exactly what we wanted," adds Chris.





## REGION ASIA-PACIFIC

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

The most important customer segments in the region are bank, industrial and high-risk sites, and public and commercial buildings. The core offering to these customers comprises security solutions within Entrance Security and Safes & Vaults, as well as major fire security project contracts, and project management, installation and service.

### Gunnebo's Business in Region Asia-Pacific

Traditionally, business in this region has mainly comprised the sale of safes and vaults to banks, mainly through a network of Channel Partners. In recent years, however, the region's business model has gradually evolved, with sales to customers in industrial and high-risk sites and public and commercial buildings showing good growth. These sales can be direct to the end customer and take the form of large project contracts where Gunnebo has total responsibility for project delivery from planning to installation and service.

The business is developed as a result of collaboration between the product areas and sales regions. An important part of the Group's strategic agenda in the region is to continue to grow outside of the bank customer segment. Major project contracts in entrance and fire security to public and commercial buildings, as well as industrial and high-risk sites, are an important driver. Another important strategy for developing the business is to continuously evaluate and expand the network of Channel Partners, both on markets where Gunnebo already has a presence and on those without representation. During 2016, Gunnebo has successfully launched a programme for

Channel Partners in the region which aims to raise marketing activity and increase sales.

Entrance Security is the part of the business which has developed best during the year, driven largely by sales to metro lines in China and to industrial and high-risk sites in South Korea. The region has also seen a breakthrough in sales of the automated safe deposit locker system, SafeStore Auto, in both India and Australia.

During the year Gunnebo has also continued to introduce cash management solutions onto several markets in the region. Since most of the markets in the region are relatively immature for these types of solutions, it is expected to be another few years before business is firmly established there.

### Market Trends

Growth on the security market in Region Asia-Pacific has increased more quickly than the global average over the past two decades. Even so, the Group has seen negative market growth on several important markets in 2016. Trends in India affected Gunnebo's business most markedly, namely the underfunded state banks and major changes in the monetary policy towards the end of the year.

China remains one of the world's largest and fastest growing security markets. The Chinese government is investing large sums in infrastructure projects and public security programmes. Furthermore, urbanisation is also increasing, making airports and mass transit the focus for large-scale installations of security equipment, such as electronic and entrance security.

Development on several of the markets in South-East Asia is mainly driven by urbanisation, greater affluence and government investments in infrastructure.

The estimated annual growth for the section of the market where Gunnebo has a presence is 5–7%.

“During 2016 a good sales mix and improved productivity strengthened the operating margin.”



Sacha de La Noë, SVP Region Asia-Pacific

# 12.2%

Operating margin  
excluding non-recurring items

### Region Asia-Pacific

MSEK	2016	2015
Net sales	1,129	1,085
Organic growth, %	5	–8
Operating profit excl. non-recurring items	138	115
Operating margin excl. non-recurring items, %	12.2	10.6
Non-recurring items	–5	–7
Operating profit	133	108

## Results for 2016

During the year several of the region's key countries for Gunnebo have experienced generally weak macroeconomic market development. In India the state-owned banks have had trouble with underfunding and the demonetisation programme, which was launched in the autumn, resulted in a further weakening of the bank segment. The region has also been affected by the slow-down in the South Korean economy.

Despite the macroeconomic situation, Gunnebo's business in Asia-Pacific has grown. Net sales increased to MSEK 1,129 (1,085) during the year and organically net sales increased by 5%. Growth can mainly be attributed to the Group's fire security business in the region. Sales of fire protection products and projects alike developed well in India and Indonesia during the year.

In terms of product area, sales within Safes & Vaults reported positive development, primarily within the ATM safes product segment in India. Sales within Entrance Security were on a par with the previous year. Electronic Security and Cash Management both reported weaker sales development during the year.

In summary, sales in Indonesia, Singapore, India and China developed well during the year, while sales in South Korea, Malaysia and Australia developed more weakly.

Operating profit excluding non-recurring items increased to MSEK 138 (115), which equates to an operating margin of 12.2% (10.6). Non-recurring items totalled MSEK -5 (-7). The improved operating profit can be explained by strong sales combined with tight cost control.

## CUSTOMER REFERENCES

### BANK



Bank of China, China Construction Bank (China), Axis Bank, Canara Bank, Fidelity Investments, HDFC Bank, IDBI Bank, State Bank of India, ICICI Bank (India), Bank Rakyat Indonesia, BCA (Indonesia)

### PUBLIC & COMMERCIAL BUILDINGS



E2 Power Sdn Bhd, G7 Safety Lockers, Measat Network Broadcasting Systems, Taylor's University (Malaysia), Honeywell, Hyundai Information Technology, Samsung S1, SK C & C (South Korea), Shenzhen Pingan Plaza, Microsoft Suzhou, Swire Group (China)

### RETAIL



Reliance Retail (India), Coles, Woolworths, Hungry Jacks, Z Energy (Australia/New Zealand), Richemont

### MASS TRANSIT



Beijing Metro, Guangzhou Metro, Wuhan Metro, Shanghai Hongqiao Airport, Hangzhou Airport (China), AREX Metro (South Korea)

### INDUSTRIAL & HIGH-RISK SITES



OKI Pulp & Paper, Cargill, Doosan Heavy Industry, Jotun (Indonesia), Nuclear Security Center of Excellence Beijing (China)

## HIGHLIGHTS 2016





OKI Pulp & Paper | INDONESIA, Fire Security

## EXPERIENCE AND EXPERTISE KEYS TO SUCCESS

In 2016, OKI Pulp & Paper Mills, part of Asia Pulp & Paper Group (APP), started production at a new site based in South Sumatra, Indonesia. The mill is part of an expansion plan which will significantly increase APP's output by an estimated 2.8 million tons of paper a year.

In 2015, Gunnebo was asked to supply the complete fire protection systems for the new mill. Fire protection is part of the Group's core offering in Indonesia and it was Gunnebo's experience in this field which appealed to the customer.

"We chose Gunnebo because of their strong reputation in Indonesia for providing fire safety and security solutions," comments a representative from OKI. "It was also a big advantage for us to be able to get this in one package from one supplier. It eliminated the need for us to engage with multiple contractors and sub-contractors for fire-fighting solutions."

The chosen package included outdoor and indoor hydrant systems, sprinklers, water sprays, fire pumps and fire alarms. The bulk of this large-scale integrated fire security system was installed during 2016 and Gunnebo took care of the entire project from the design up.

It was not just the scale of the installation which presented a challenge but also the mill's location which was only accessible by a two-hour speedboat ride from South Sumatra's capital city of Palembang.

"Despite the problems posed by natural disaster and delays to construction, Gunnebo made sure there was always clear communication so that all aspects of the project remained coordinated and under control, with minimal impact on the planned cost and resource allocation," says a representative from OKI.



Gunnebo's President & CEO, Henrik Lange, visits OKI Pulp & Paper with senior managers from Asia-Pacific.



## REGION AMERICAS

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

The main customer segments are bank, retail, public and commercial buildings, and government authorities. The core offering to these customers comprises security solutions in Cash Management, Entrance Security, Safes & Vaults and Electronic Security with related software and services.

### Gunnebo's Business in Region Americas

The Group's business model in Region Americas is adapted to conditions on the four principal markets of USA, Brazil, Mexico and Canada. This means that operations differ in the various territories and are optimised to create the most value for the Group's customers and best meet their needs.

On the North American market, Gunnebo is known as a manufacturer under the Hamilton brand. Business takes place primarily through a well-developed network of agents and Channel Partners. In addition the Group works with key account management to ensure a strong relationship between Gunnebo, the Channel Partner and the end customer. Customers can traditionally be found in the bank and public administration sectors. Retail and commercial buildings are growing customer groups.

Business on the North American market is developing towards providing customers with smart security solutions to help them transition from physical security to more intelligent security solutions that are connected and interconnected.

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

In Brazil, Gunnebo is known as a provider of complete solutions that increase security and reduce shrinkage within retail. In recent years, the Brazilian sales company has successfully extended its core offering. Where it previously focused on electronic article surveillance (EAS) systems, it now offers a complete range from the Electronic Security, Cash Management and Entrance Security product areas, together with related software so that the end customer can analyse consumer data.

### Market Trends

The demand for security equipment in North America is largely driven by companies' strategies to move to physical security solutions with embedded technology and connection capabilities. Another driver is a generally higher awareness of the need for security.

In Latin and South America, development on the security market is primarily driven by a rising awareness of the need for security and continued investments by multinational and regional companies setting up in the region.

The estimated annual growth for the section of the market where Gunnebo has a presence is 2–4%.

“During the year we have strengthened our profitability by working with cost control and continuous improvements to productivity.



Daniel Schroeder, SVP Region Americas

# 12.2%

Operating margin excluding non-recurring items

### Region Americas

MSEK	2016	2015
Net sales	1,052	1,107
Organic growth, %	–2	8
Operating profit excl. non-recurring items	128	131
Operating margin excl. non-recurring items, %	12.2	11.8
Non-recurring items	–8	–3
Operating profit	120	128

## Results for 2016

Net sales in Region Americas amounted to MSEK 1,052 (1,107). Organically, net sales decreased by 2%.

Sales in the USA and Brazil developed positively, while Canada and Mexico had lower sales than in the previous year.

In terms of product area, sales in Safes & Vaults developed positively during the year with increased sales to banks in the USA and Canada. Sales within Cash Management

also increased, predominantly in terms of airtube systems to bank customers in the USA. The Entrance Security product area had sales on a par with the previous year, while Electronic Security reported weaker development for 2016 as a whole but finished the year with a strong fourth quarter.

Operating profit excluding non-recurring items amounted to MSEK 128 (131) and the operating margin to 12.2% (11.8). Non-recurring items totalled MSEK -8 (-3).

## CUSTOMER REFERENCES

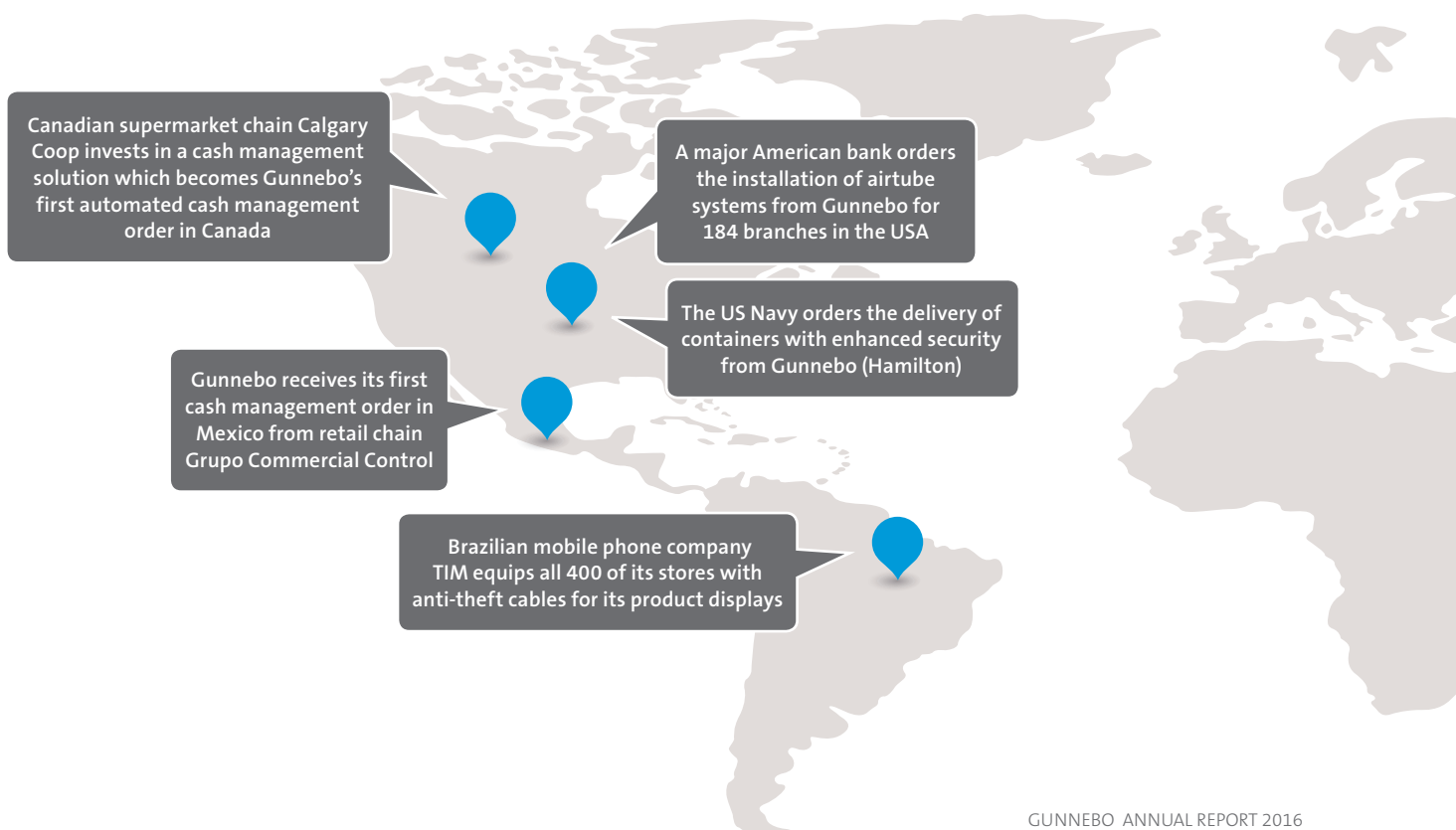
### BANK

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

### RETAIL

C&A, Carrefour, Cencosud, FNAC, Raia Drogasil, Riachuelo, TIM, Walmart (Brazil), McDonalds, Súper City (Mexico), Autozone (Brazil, Mexico), Telus, Wow Mobile, Target, The Body Shop (Canada)

## HIGHLIGHTS 2016



## LOSS PREVENTION SOLUTION SUPPORTS RETAILER'S BUSINESS STRATEGY

Department store chain, Magazine Luiza, is one of the Brazil's largest retailers with a total of 740 stores and nine distribution centres spread across 16 states.

Despite the national economic downturn of recent years, Magazine Luiza was determined to find growth opportunities and adopted a strategy mapping the gains in market share it could make by store, region and product category.

To achieve this, loss prevention in physical stores was fundamental, particularly when it came to high-value items, such as mobile phones and tablets.

By the end of 2016, Magazine Luiza had installed Gunnebo's security displays in 240 of its 740 stores. It was a partnership that began in the second half of 2015 and the results were almost immediate. A 5.5% improvement in the performance of physical stores in the first half of 2016

– the first growth since the beginning of the economic crisis – was attributed to the most profitable product categories, such as telephony and technology.

As a result, according to Sandra Costa, a purchaser at Magazine Luiza, the company has a growing curve of stores that will receive the security displays in the coming months.

"By the end of 2017, we will further increase the number of stores using Gunnebo's security displays. The product has already been carefully analysed and tested so that it meets our internal approval criteria," she explains.

"We have worked together, transformed the purchase into partnership, and developed practical methods of delivery and installation, ensuring excellence in service and providing significant improvements in the shopping experience of customers in

our stores," Sandra says.

These improvements include being able to keep all smart devices charged so that they are always ready for customers to test, and alarming items separately, which reduces maintenance costs and does not restrict how phones and tablets are displayed.

"Certainly, the loss prevention actions developed in partnership with Gunnebo have helped in the sustainability of our financial results," Sandra concludes. "We have seen a significant drop in the loss ratio, which generated more profit and allows us to continue using Gunnebo's solutions, as well as expand them to other sectors. For instance, we are currently looking at running feasibility studies to use the security displays to protect personal care items throughout our stores."



Sandra Costa, a purchaser at Magazine Luiza



# Strategy for Profitable Growth

After joining Gunnebo in the summer of 2015, President and CEO Henrik Lange summarised his objective for the Group in two words: profitable growth.

Once Gunnebo's strategic goals had been defined, the Group's Management Team began to analyse what had blocked profitable growth in the past and what changes were required to remove those obstacles in the future.

The result was the Strategy for Profitable Growth 2016–2020 and a Strategy Roadmap for execution.

In February 2016, the Strategy Roadmap was communicated internally to 80 of Gunnebo's senior managers at a conference in Paris. The delegates were then made responsible for informing employees in their part of the organisation about the strategy. In March, the strategy was also presented externally at the Group's Capital Market Day in Stockholm.

► For material from the Capital Market Day 2016, please visit [www.gunnebogroup.com](http://www.gunnebogroup.com).

## THE STRATEGY ROADMAP

As of the first quarter 2016, the Strategy Roadmap has been a core tool in the Group's strategy governance model. It is used for defining key priorities, actions, KPIs and timeframes as well as for securing alignment across the organisation through quarterly business board meetings.

The Strategy Roadmap is designed as a balanced scorecard and defines the Group's strategic priorities in four dimensions: Shareholders, Customers, Processes and Employees.

Each dimension has one or more strategic activities connected with it, all with the objective of creating maximum value within that area and contributing to the overall strategic goals.

## Shareholders

When the Group achieves its goals within the Employee, Process and Customer dimensions of the Strategy Roadmap, it will then deliver sustainable profitable growth. By developing the Group's employees, ensuring process efficiency, and putting customers first in all aspects of what it does, Gunnebo will create value for its shareholders.

## Customers

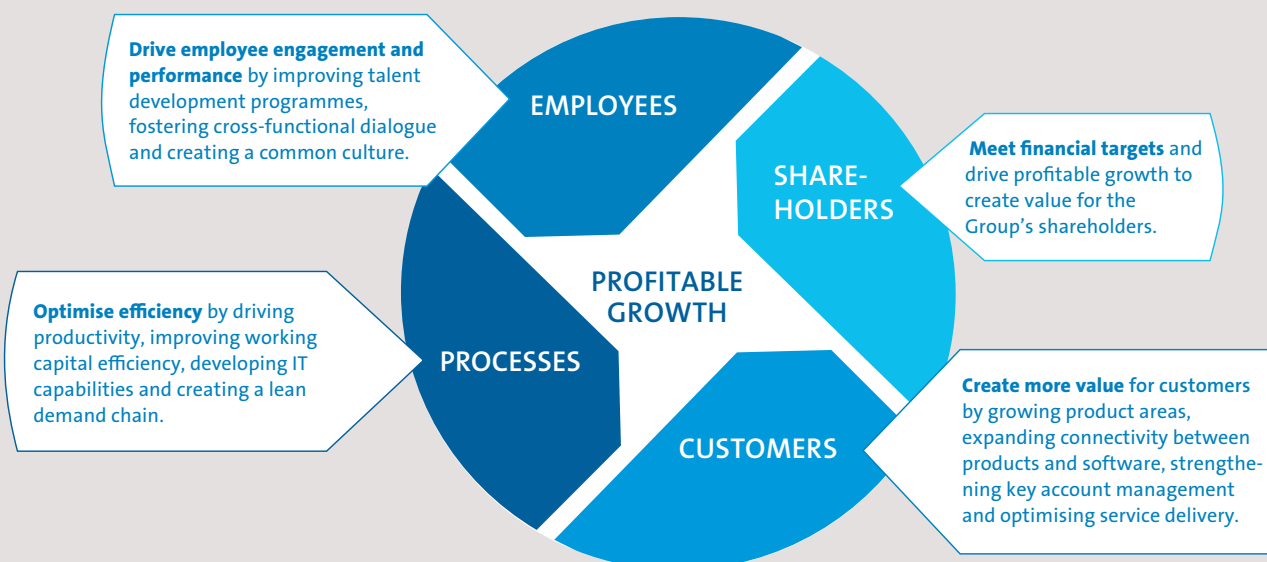
To improve customer satisfaction, Gunnebo focuses on developing an offering which meets market demands and delivering service in an efficient way.

## Processes

Building bridges between the islands within the Group and implementing group-wide standardised ways of working connects the various parts of the business efficiently and thereby contributes to sustainable profitable growth.

## Employees

Each employee has a responsibility to follow the strategy and contribute to its execution. Having defined individual priorities is therefore key. This is supported by individual development plans, structured feedback from line managers and the Group's Performance Cornerstones. Together these provide a robust foundation for the growth of a common corporate culture and the business as a whole.



# Shareholders

**Meet financial targets** and drive profitable growth to create value for the Group's shareholders.

As part of its Strategy for Profitable Growth, Gunnebo aims to create value for its shareholders by meeting its business targets. All activities in the Strategy Roadmap aim to realise the Group's potential in terms of financial performance.

Gunnebo AB has been a listed company on the Stockholm Stock Exchange since 1993. The Gunnebo share (GUNN) is listed on NASDAQ Stockholm under the Mid Cap and Industrials segments.

Long-standing customer relationships, global coverage and a unique competence base are among seven of the key reasons to invest in Gunnebo:

## A VISION TO CREATE A SAFER FUTURE

Gunnebo and the businesses it has acquired throughout the years have all had a common denominator: security. The Group's vision is to be a leading global provider of a safer future. To achieve this vision Gunnebo provides solutions which create safer environments for its clients which protect their customers, employees, business partners and assets. An investment in Gunnebo means believing in a safer future.

## A HISTORY OF ACQUISITIONS

Through its history of acquisitions, Gunnebo has created a unique portfolio of products, services and software. As customer demand for greater connectivity between security products and systems increases, this portfolio presents interesting opportunities for shaping future offerings.

## STRONG MARKET COVERAGE

The Group has a strong global footprint with its 28 sales companies and representation on a further 100 markets through partners. This spread also makes the Group less vulnerable to regional and local economic instability.

## LONG-STANDING CUSTOMER RELATIONSHIPS

Gunnebo's presence on some of its markets stretches back over 100 years and during this time, it has established strong, long-lasting customer relationships. These relationships are the foundation of Gunnebo's business.

## ENGAGED AND EXPERIENCED EMPLOYEES

Many of the Group's employees have been in the security business for over ten years and a good number for more than 30. As a result Gunnebo has a workforce with a deep understanding of security and customer needs.

## CONTINUOUS IMPROVEMENTS

By fostering an organisation with a lean mindset, the Group ensures that operational costs are optimised.

## A STABLE DIVIDEND

Gunnebo aims to generate shareholder value by continuously focusing on improving its financial performance. An important value creator for the shareholders is the Group's dividend policy, stating that the long-term dividend shall amount to 30–40% of net profit.

Henrik Lange, President & CEO

## WE NEED TO CHANGE

“ For me, it is very clear that Gunnebo is a company with great potential. Many of the prerequisites that are hard to achieve in the short term are already built into the company's DNA, such as a deep understanding of our customers' businesses, long-term client partnerships and a passionate, engaged workforce. However, to realise our full potential in terms of financial performance, we need to change. Not completely, but we do need to do things in a different way.



# Customers

Satisfied customers, who recognise Gunnebo as a valuable business partner, contribute to the Group delivering on its financial targets and creating shareholder value. The needs of the Group's customers also provide valuable input for the priority of activities in the Process and Employee dimensions of the Strategy Roadmap.

**Create more value** for customers by growing product areas, expanding connectivity between products and software, strengthening key account management and optimising service delivery.

Gunnebo's goal is to create value for its customers by helping them create secure workplaces for their employees, customers and partners, as well as by improving the profitability of their businesses through enabling better process efficiency.

## STRATEGIC PRIORITIES

The Strategy Roadmap supports this goal by focusing on the following four activities: grow product areas, expand solution software, strengthen key account management and improve service delivery.

### Grow Product Areas

Gunnebo's customer offering centres around products, software and services from four product areas: Cash Management, Entrance Security, Safes & Vaults and Electronic Security.

Each product area is responsible for defining its product development roadmap and for strategic decisions in alignment with the Group's overall Strategy for Profitable Growth.

When it comes to new product development, Gunnebo listens to the needs of the market to ensure its offering generates the maximum amount of value for its customers. While the product areas drive this process, all product advancements are carried out in close collaboration with the end customer and the Group's sales organisation.

During 2016, the Group simplified aspects of its internal structure. The Operations organisation was dissolved and responsibility for manufacturing and research & development was adopted by each product area. The objective of this transition was to accelerate new product development and ensure quick market response times. Furthermore, it creates clear accountability, reduces organisational complexity and is a prerequisite for driving growth from the product areas.

## CUSTOMER SEGMENTS

Gunnebo is present on over 100 markets worldwide through its 28 sales companies and network of Channel Partners. The Group's offering focuses on delivering security solutions and creating value for customers in the following segments: Bank, Retail, Mass Transit, Public & Commercial Buildings and Industrial & High-Risk Sites.

### BANK

Solutions for secure and efficient cash management, the storage of valuables and entrance security.



### RETAIL

Solutions for secure and efficient cash management, loss prevention, the storage of valuables and entrance security.



### MASS TRANSIT

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.



### PUBLIC & COMMERCIAL BUILDINGS

Solutions for access control and the storage of valuables. On certain markets in Asia, fire security is also offered.



### INDUSTRIAL & HIGH-RISK SITES

Solutions for access control and the storage of valuables. On certain markets in Asia, fire security is also offered.



## Activities by Product Area

The security market is diverse in terms of market maturity, customer demands and geographical spread. In this light, each product area has developed its own strategic priorities and activities required to deliver profitable growth and customer value.

## Cash Management

Since the global market for cash management solutions is diverse, the Group has focused on making the right offering available in each market. To ensure optimal value creation, Gunnebo has also been working to identify the appropriate route to market, by market, for full system integration with banks, cash-in-transit companies and end customers.

### "We make cash processes more efficient"

SVP Business Development,  
Tomas Wängberg

#### What makes you passionate about cash management?

The solutions we provide enable our customers and partners to make the cash process more efficient, safe and transparent. This in turn adds value to their business by driving improved productivity.

#### How will the strategy roadmap for Cash Management create added value for the end customer?

The roadmap ensures that we provide robust, reliable hardware together with optimised software that allows all the parties involved in the cash cycle to be connected, resulting in a more efficient overall cash process.

#### What is the biggest opportunity for growth within Cash Management?

Globally, the penetration of cash management solutions is still low so the market potential is huge. For Gunnebo, the most important decision is therefore which markets to focus on.

#### What are the main challenges you are facing?

To be successful, we need to have all the pieces in place for full optimisation of the cash cycle, including the right cash in transit partners and customers who are willing to work in a new way.



## Entrance Security

Gunnebo's entrance security solutions are often sold through systems integrators or Channel Partners. To secure growth, the geographical footprint has therefore been reviewed and an agenda to identify and appoint new business partners has been established.

### "Urbanisation is driving growth"

SVP Entrance Control,  
Robert Hermans

#### What makes you passionate about entrance security?

First of all, we are in a growing sector of the market where increased urbanisation around the world is leading to the expansion of infrastructure, such as metro systems and airports. I also like the fact that our solutions are used publicly on a daily basis and many of them are installed at landmarks such as the world's tallest building.

#### What is the key to capturing growth?

We need to be close to our customers and have an attractive, competitive offering in each market segment.

#### How will the strategy roadmap for Entrance Security create added value for the end customer?

We aim to develop products and solutions which are driven predominantly by customer segment. In this way we will have an offering tailored to the needs of each market. We will also continue to improve the basic performance of our products and solutions, and package the information they gather (such as statistics on fraud, capacity or staffing) in a way which will support the end user's processes.

#### What are the main challenges you are facing?

We need to have people on the ground who understand the business and the stakeholders in the indirect sales process. We also need to be at the forefront of innovation and drive down costs in order to remain competitive and profitable despite increasing market pressure.





## Safes & Vaults

Gunnebo's brands within Safes & Vaults are some of the oldest and best known in their field and as such are a strong asset. During 2016, a great deal of focus has therefore been placed on activating these brands to ensure maximum value creation for end customers as well as the Group's shareholders.

**"This product area is filled with passion, competence and heritage"**

SVP Safes & Vaults,  
Rolf Kjällgren

### What makes you passionate about the Safes & Vaults business?

This is the biggest and the most globally spread business in Gunnebo where we have a long and proud heritage stretching back centuries. I am proud to be part of managing this heritage.

### Where do you see the biggest growth potential for Safes & Vaults?

The overall business is growing by around 5% per year. The main growth is coming in the mid to lower segment and from ATM safes.

### Gunnebo has some of the best known safes and vaults brands in its portfolio. How can these be leveraged better?

Our strong brands are key assets and are a competitive advantage for us. We are strengthening our efforts here to clarify brand values in order to strengthen our offering. This is being done jointly on a global level with allowances made for local markets.

### What are the main challenges you are facing?

The market is changing so we have to adapt. We need to protect the business in existing core segments like bank and at the same time capture more growth in other segments like retail and ATMs. This means we must innovate more, strengthen our Channel Partner presence and leverage our brands. Finally, since the market is more competitive we also need to improve our productivity.



A key activity has been to position and differentiate the different brands from one another, as well as to kick-start the process of revitalising the product range. This has been carried out in close collaboration with the sales companies and end customers.

The route to market for Safes & Vaults products is a mixture of direct sales from the Group's sales companies and sales through channel partners and distributors. An important factor for safes customers is availability. To generate maximum customer value, it is therefore important for the Group to review and increase the number of channel partners and distributors representing one or several of the Group's brands. During 2016, the Group therefore allocated dedicated resources to driving this initiative with positive results.

## Electronic Security

Gunnebo's business within the Electronic Security product area has traditionally been strong in France and Southern Europe. Looking at the needs of the Group's customers from a global perspective, it is however clear that to maximise value creation through the delivery of an integrated security solution, applications within electronic security are a prerequisite. Historically, the Group has sourced these solutions from third parties on many markets.

To grow the Group's business and leverage on in-house expertise, it has become a strategic focus to bring Gunnebo's Electronic Security portfolio onto an international platform ready for integration into solutions anywhere in the world.

In addition, the Group has upgraded its access control solution by integrating a secured application module to better manage security levels at high-risk sites.

## Smart Security

As within most other businesses, Gunnebo's customers have also been starting to consider how connectivity can add value for them. The definition of added value is broad, and customer expectations include leaner integration of multiple systems, more efficient administration, improved productivity, increased security, the ability to analyse large data volumes, improvement of profitability and performance, and greater customer satisfaction.

In 2016, Gunnebo launched two major initiatives aimed at meeting these expectations. The first initiative is to create a common software methodology and interface for all software developed by the Group's product areas.

Gunnebo has built up a strong competence base within software development over the years as many of its products and solutions are integrated on the Group's own software platforms. During the year, a standardised methodology was agreed by all employees working with software development. This will allow the smooth integration of hardware and software from the different product areas as well as from third parties.

The second initiative is called Gunnebo Business Solutions. Under this umbrella, Gunnebo will develop connected platforms for its customers through which they can monitor and access information from both their security and business systems.

Initially, this initiative will focus on the retail segment. Retail is digitising faster than most sectors and managers are looking to software to improve their business and optimise retail processes. However

the wealth of software systems is only adding complexity to the business. Valuable data is either hidden or usually only accessible via the computer in the back office.

To tackle this, Gunnebo has developed a solution that makes security easier and store operations more efficient by connecting retail systems on one platform accessible anywhere in the store. The solution, called the Gunnebo Retail Solution, brings real-time information from store-wide systems to the shop floor and adds intelligence to that information to give retail managers actionable data to help them improve overall store security and profitability.

Gunnebo has years of experience supporting retailers with store security, loss prevention and cash management. Through this understanding, Gunnebo will guide retailers and show them how to get the most out of their systems by connecting them.

### Key Account Management

Gunnebo has been using the key account management philosophy for its major customers for many years.

Today, many of the Group's customers are initiating or are in the middle of an expansion strategy to grow their business presence across multiple countries or continents.

The Gunnebo Group is one of the few security providers with the capacity to deliver and provide service for the same solution across many geographies, with its own sales companies on 28 markets and partners on a further 100.

During 2016 Gunnebo prioritised the establishment of an international support and delivery structure for its accounts covering multiple territories. These activities have started within Region EMEA, focusing on Europe.

### Service Delivery

Approximately 20% of the Group's turnover comes from service sales. When reported financially, it is consolidated first by sales region and then by product area.

Since the majority of service sales takes place in Europe, improving service delivery has been a key strategic activity for Region EMEA.

Activities to improve service delivery will increase the value delivered to the Group's customers through better service-level agreements and greater connectivity. To achieve this, Gunnebo has started to harmonise its service processes and implement group-wide service tools. By improving service delivery efficiency, the Group will increase its sales and margins.

## "Key account management and service are the basis for growth in Europe"

SVP Region EMEA, Heinz Jacqui

### What is the most important factor to put a successful, multinational key account business in place?

A global well-coordinated organisation for key account management will allow us to offer the best solutions and services to our customers wherever they require our support.

### How important is the service business for Gunnebo in Europe?

Service is extremely important to support our customers, as well as to maintain and grow these relationships.

### What effect will an improved service business have on profitability in EMEA?

Since service requirements are constantly changing we need to adapt in order to provide high-quality services based on solid results. If we do this, it will have a positive impact on profitability.

### Is it possible to grow Gunnebo's service business in Europe?

Yes, but to do this we have to optimise the offering and our way of working. The challenge will be to understand the different service requirements of each customer segment, from bank and retail to governmental organisations and global corporations.



# Processes

**Optimise efficiency** by driving productivity, improving working capital efficiency, developing IT capabilities and creating a lean demand chain.

Gunnebo's journey towards profitable growth means making the transition from a holding company to an operating company. By introducing standardised systems and processes, strategic activities in this area will help bring the Group's various businesses closer together.

To support implementation of the Strategy for Profitable Growth, a number of critical activities within the Process dimension of the Strategy Roadmap have been identified.

## STRATEGIC PRIORITIES

### Drive Productivity

Activities to drive productivity within the Group include the standardisation of processes, the full implementation of a common way of working for purchasing and logistics, and the implementation of a standardised service delivery model.

### Cash for Growth

The Cash for Growth programme aims to address working capital efficiency by continuously reducing accounts receivables across the organisation and creating a standardised way of working from order to collection within the Group. The overall gain from this activity will

be lower internal costs, reduced risk to the business, better customer service and released cash for further expansion and growth.

### Development of IT Capabilities

Due to the many acquisitions Gunnebo has made, the Group does not have globally harmonised IT system. Key activities in this area include the continued implementation of a group-wide ERP system as well as ensuring a fast and effective infrastructure. This will enable the creation of common processes across the Group's finance community.

### Lean Demand Chain

By building an efficient distribution, logistics and purchasing structure lead times will be reduced. At the same time Gunnebo will increase its purchasing power by taking advantage of its size. Together, these activities will lead to improved customer service, reduced working capital and cost savings.

## "We Release Cash to Enable Growth"

Chief Financial Officer,  
Susanne Larsson

### One of the strategic priorities for 2016 was Cash for Growth. Can you explain what this is?

As well as driving growth and profitability, it is critical to ensure that Gunnebo is also focused on its working capital. The Cash for Growth programme is about sales and finance employees working together to make every step in the order-to-cash process more efficient. As a result we will be able to turn around our accounts receivables more quickly so that we can invest in future growth.

### What progress has been made during 2016?

During the year the Cash for Growth programme has been deployed in all of the European sales

companies. Both upskilling and implementation have been carried out and we are already seeing examples of efficiency improvements.

### What is the next step?

In 2017 we will establish best practices to release more cash for Europe, and we will also deploy the programme in the Asia-Pacific and Americas regions.

### What are the keys to success?

One will be making sure we stick to this new way of working. Another will be the continued managerial focus on this programme – both at local and Group level.



# Employees

**Drive employee engagement and performance** by improving talent development programmes, fostering cross-functional dialogue and creating a common culture.

As part of its Strategy for Profitable Growth, Gunnebo needs to have an engaged workforce that supports the Group in delivering profitable growth.

Motivated employees lay the foundations for achieving the Group's strategic goals. Gunnebo works actively to build employee engagement with a performance culture as the base.

### EMPLOYEE ENGAGEMENT

At the end of 2015, Group Human Resources conducted the Your Voice survey to measure employee satisfaction. During 2016 the results of the survey were analysed and actions carried out based on those results. One of the major findings was the need for frequent and transparent communication in all parts of the organisation, not only within each department, but also across functions.

### PERFORMANCE CULTURE

Growing a performance culture in a global company like Gunnebo means empowering managers at all levels and providing them with the tools necessary for the development their staff.

These tools include the Group's Performance Cornerstones, the Performance Development Review process, guidelines for recruitment, a standardised procedure for succession planning and an active diversity agenda.

An important activity during 2016 has been to train lower and middle management on communication skills, both within their own teams and across functions.

Gunnebo has a large organisation with many teams made up of employees located in different parts of the world. Managing a global team requires a special skill set, so these managers receive extra support on how to run effective meetings and manage remotely.

Another important activity has been to highlight the importance of diversity. Gunnebo's business is spread across the world, thus diversity and inclusiveness is another important cornerstone in the Group's culture.

## "Diversity Adds Value to the Business"

Gunnebo's sales office in the Middle East is the Group's most diverse. The business is managed from a regional office in Dubai, with 17 nationalities represented among a staff of 27, seven of whom are women.

Since Gunnebo set up a sales company in Dubai in 2000, the business has grown tenfold. Gunnebo Middle East, which manages businesses in 15 markets, is run by Regional Manager, Jacob Touma, and reported record revenues in 2016.

"The business climate in the Arabian peninsula in general is a melting pot of different cultures," says Jacob. "For me, the mix of competences, cultures and languages in the team is one of the keys to

our business success. The team has to be able to adjust to the customer – creating a supportive work environment for our clients, distributors and strategic partners."

The cultural diversity of Gunnebo Middle East is a strength so the management style is built on embracing diversity as an asset.

"Even though this level of diversity can make managing the business more complex, I am convinced that this is a working environment which allows everyone to grow. We have created a platform to nurture talents from all over the world, making us even more international day by day."

**Jacob Touma,**  
Regional Manager Middle East





## TALENT DEVELOPMENT

The Group's ambition is that all employees should have their own individual development plan. This ensures that all employees are working towards the Group's strategic goals. To make sure that each employee gets a personal development plan, Gunnebo has a range of centrally-driven talent development programmes supported by local initiatives. These include training packages for executives, young potentials, middle management and sales professionals. The introduction of a training programme for middle management was a direct result of the feedback received from the Your Voice employee satisfaction survey.

Gunnebo also runs an e-learning platform, the Gunnebo Training Center, which offers over 60 online courses, often available in several languages. In 2016, 15,500 courses were completed by 3,500 individual Gunnebo employees.

Within the product areas, the Cash Management team has focused on training sales representatives and service technicians. This is essential to ensure that Gunnebo continues to meet and exceed customer expectations and maintains a high standard of quality in all of its interactions with the client.

In addition, Entrance Security ran both internal and external roadshows during 2016. The goal of the roadshows was to raise the level of knowledge about the product area's offering and share the latest developments in security standards.

The Group has also made it a priority to increase the level of internal recruitment and reduce the number of high potentials leaving the company.

## A CLEARLY DEFINED AND COMMUNICATED STRATEGY

In February 2016, the Strategy for Profitable Growth and Strategy Roadmap were communicated to over 80 senior managers at a summit meeting. Directly after this conference, the senior managers began sharing the strategy within their sections of the organisation. This type of coordinated approach was critical to achieving a clear and coherent understanding of the Group's strategic direction across the breadth of the company.

Within Gunnebo, it is each manager's responsibility to communicate, discuss and drive implementation of the strategy. This ensures that each employee has the prerequisites to be able to deliver on the strategy and lays the foundations for a common culture with shared goals.

## STRENGTHENED AND SIMPLIFIED ORGANISATION

To create good prerequisites for profitable growth, the organisation was simplified and the Group Executive Team strengthened during 2016. The organisation now has a clear focus on the sales regions and product areas, supported by Group functions within finance, HR & sustainability and business development as well as within marketing, brand strategy and communication.

## "Training and engagement drive profitable growth"

SVP Human Resources & Sustainability,  
Christian Carlsson

### What does the Strategy Roadmap mean for the Group's employees?

It is essential that all employees feel that they are part of the Group's overall value creation and understand what it means to create value for our customers.

It is also important that all employees recognise that being part of Gunnebo means being given the opportunity to develop and that we have a structured process for employee development.

Employees also want to feel that they work for a company that takes business ethics and social responsibility seriously. We have set out clear guidelines as to how we should work with suppliers, our customers and society as a whole, and how we should conduct ourselves as representatives of Gunnebo.

### How will the Employee dimension of the Strategy Roadmap contribute to improving the Group's financial performance?

There is a direct correlation between employee competence development and profitability, as well as between employee engagement and performance. Highly engaged employees contribute a lot more to the business and are less likely to leave the company.

### What are the challenges ahead?

Implementing the activities from the Strategy Roadmap across the whole organisation. Some sites are quite small, some much larger. The main challenge is making the strategy work everywhere. To do this we must make sure we adapt models, tools and structures to local cultures and each local Gunnebo business – and ultimately ensure that they reach each individual employee.





## SUSTAINABILITY MANAGEMENT

# Security – a Long-Term, Sustainable Business

Gunnebo aims to create a long-term sustainable and profitable business. This goal also meets client requirements for sustainable security solutions that create safer environments for their employees, customers and partners.

In 2016, Gunnebo established seven sustainability goals, with 2016 as the base year. The focus is on energy and climate, waste management, environmental management, compliance with the Code of Conduct in the supply chain, and health and safety.

The Gunnebo Group's work with sustainability is based on its Code of Conduct. The Code's ethical guidelines are complemented by clear leadership, which aims to provide the Group's employees with the tools they need to manage the broad spectrum of challenges faced by a global business.

Sustainability work is followed up against seven sustainability goals, which were established in 2016. The goals are formulated based on where Gunnebo has the greatest impact on society, the environment and employees, and what has the greatest influence on Gunnebo's results. The goals focus on energy and climate, waste management, environmental management, compliance with the Code of Conduct in the supply chain, and health and safety.

### STAKEHOLDER DIALOGUE

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

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

The results of the employee survey conducted in late 2015 have brought about activities for employees that have led to improvements in local workplaces.

Relationships with the Group's suppliers are

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

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

### CODE OF CONDUCT

Through Gunnebo's Code of Conduct, employees are given clear guidelines defining how they should act in an ethical manner in every aspect of their jobs. The Code provides employees with clear guidelines on how to act professionally in their interactions with all of the Group's stakeholders. Gunnebo's Code of Conduct is based on:

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

All employees in the Group take interactive training on the Code of Conduct, where they also learn to manage risks related to corruption and anti-competitive practices. The training activities are part of the introduction programme for new employees, and help to assure an understanding of Gunnebo's corporate culture.

During 2016, measures have been taken to ensure that the Group's employees have taken these training sessions. At the end of 2016, 99% of all employees had taken the training. The Code of Conduct can be found in its entirety at [www.gunnebogroup.com](http://www.gunnebogroup.com).

The Code of Conduct also applies to

Gunnebo's suppliers. The company strives to ensure that all major suppliers adhere to the Code of Conduct, and uses the principles therein among the criteria for selecting new business partners. Compliance is secured with training activities and required self-assessments.

### Reporting a Violation

All Gunnebo employees are informed about how to report any conduct that they believe to be a violation of law or of the Gunnebo Code of Conduct to their immediate manager. If that manager is in any way involved in the situation being reported or has any other form of conflicting interests, the employee reports the situation to the manager's immediate superior.

If, for any reason, neither of these reporting channels can be used, the alleged violation may be reported in accordance with Gunnebo's "whistle-blowing" procedure.

### HUMAN RIGHTS

As a global organisation, it is Gunnebo's ambition to comply with human rights principles in controllable aspects of its business. Working with human rights with regard to suppliers involves training activities and required self-assessments for compliance with the Code of Conduct.

In addition to social issues in purchasing and production, Gunnebo works to strengthen the local communities where the Group operates. Its local companies are encouraged to support politically and religiously unaffiliated grass roots projects in their vicinity which lead to greater equality, and a higher level of education and general standard of living.

### SOCIAL RESPONSIBILITY

By offering safe, healthy working environments, the Group strives to create workplaces where employees can develop. It is the Group's aim for all major manufacturing units to structure health and safety work in line with OHSAS 18001. At the end of 2016, the proportion of manufacturing units having done so was 70%.

Efforts to prevent accidents in the workplace are conducted locally based on local labour law, and on Gunnebo's guidelines and

policies for accidents at work. Occupational health is also adapted to local and national norms and conditions. All activities are based on and governed from the Group's overriding Health & Safety Policy. Minimum wages, the right to union involvement and equal treatment are regulated in Gunnebo's Code of Conduct.

## SUSTAINABILITY MANAGEMENT

In 2016, Gunnebo established seven sustainability goals, with 2016 as the base year. The focus is on energy and climate, waste management, environmental management, compliance with the Code of Conduct in the supply chain, and health and safety.

The Group's work on sustainability and sustainability management has been extended during the year, and a governance model based on previous environmental governance has been implemented. Sustainability reporting now runs parallel with other reporting, and includes manufacturing units and major sales units alike.

Energy consumption and waste recycling are among the parameters reported on a

## Sustainability Goals

### ENVIRONMENTAL GOALS

#### ENERGY & CLIMATE

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

**Outcome in 2016:** In 2016, 1.58 tonnes of CO<sub>2</sub> per MSEK of sales.

#### WASTE

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

**Outcome in 2016:** In 2016, 92.3% of all non-hazardous waste was recycled.

### ENVIRONMENTAL MANAGEMENT SYSTEMS

5. All manufacturing units ISO 14001 certified.

**Outcome in 2016:** At the end of 2016, nine out of eleven sites had been certified, i.e. 82%.

### 6. SUPPLY CHAIN GOALS

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

**Outcome in 2016:** Gunnebo has a system for self-assessments to ensure compliance with the Code of Conduct. For suppliers, compliance with the Code is ensured through training activities and required self-assessments.

### 7. HEALTH AND SAFETY GOALS

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

**Outcome in 2016:** At the end of 2016, 70% of the Group's major manufacturing units were certified to OHSAS 18001.

quarterly basis. The new reporting procedures enable transparent, trustworthy documentation of Gunnebo's environmental impact and form the basis of target follow-up.

### Environmental Responsibility

Gunnebo contributes to sustainable development. The activities of the Group should always be carried out with consideration for

## Gunnebo's Sustainability Management



### Gunnebo's Board

As the Group develops towards a centralised structure, it has become increasingly important to establish uniform control of its sustainability work and to prepare accurate, transparent reports. Accordingly, the Board has charged the Group Executive Team with establishing group-wide objectives and reporting structures for the Group's sustainability work, which are evaluated once a year.



### Gunnebo's Group Executive Team

Based on the company's strategy and a mapping of the Group's current status in environmental impact, supply chain and health and safety, Gunnebo's Group Executive Team has decided on the areas to be included in the long-term sustainability goals. The reporting structure was integrated with the Group's other reporting in 2016.



### Gunnebo's Sustainability Team

Gunnebo's Sustainability Team was established in 2015. The team has formulated special group-wide sustainability goals. The Sustainability Team is led by the Senior Vice President HR & Sustainability, who is also a member of the Group Executive Team.



### Gunnebo's Manufacturing and Sales Units

Gunnebo's manufacturing units and major sales units prepare and implement sustainability plans based on the group-wide sustainability goals, the specific conditions for each area, national legislation and a review of key local sustainability issues.





the environment. Environmental impact is to be minimised in the day-to-day operation, and resources are to be used sparingly and efficiently. Responsibilities for environmental care are shared throughout the Group – every employee is responsible for thinking of the world around them and has an important role to play in the Group’s environmental work.

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

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

*Energy use, carbon dioxide emissions and waste management*

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

*Environmental management systems*

Nine of Gunnebo’s eleven manufacturing units (82%), have implemented environmental management systems compliant with the ISO 14001 standard. This ensures an active, business-oriented approach to environmental issues. The management systems identify and update environmental aspects on a regular basis. Within the management systems, programmes are established in order to meet targets on both Group and local level. The systems also include procedures for internal audits and the handling of non-conformities. External inspections are performed regularly by the certification bodies.

Manufacturing Units

At the end of 2016, the Group had 11 manufacturing units in 10 countries worldwide. Where Gunnebo’s customer base grows, so too does production. Of these, 92% were certified to ISO 9001, 82% to ISO 14001 and 50% to OHSAS 18001.

<b>BALDENHEIM*, France</b> Factory employees: 78 Production: Entrance Security, Electronic Security Certification: ISO 14001, ISO 9001, OHSAS 18001	<b>WADEVILLE, South Africa</b> Factory employees: 87 Production: Safes & Vaults, Entrance Security Certification: ISO 9001
<b>BAZANCOURT*, France</b> Factory employees: 129 Production: Safes & Vaults Certification: ISO 14001, ISO 9001, OHSAS 18001	<b>HALOL*, India</b> Factory employees: 768 Production: Safes & Vaults, ATM safes Certification: ISO 14001, ISO 9001
<b>DOETINCHEM*, Netherlands</b> Factory employees: 274 Production: ATM safes Certification: ISO 14001, ISO 9001, OHSAS 18001	<b>JAKARTA*, Indonesia</b> Factory employees: 328 Production: Safes, Cash Management Certification: ISO 14001, ISO 9001, OHSAS 18001
<b>LAVIS, Italy</b> Factory employees: 74 Production: Entrance Security Certification: ISO 14001, ISO 9001	<b>KUNSHAN, China</b> Factory employees: 52 Production: Safes & Vaults, Entrance Security Certification: ISO 14001, ISO 9001
<b>MARKERSDORF*, Germany</b> Factory employees: 53 Production: Safes & Vaults Certification: ISO 14001, ISO 9001, OHSAS 18001	<b>CINCINNATI*, USA</b> Factory employees: 199 Production: Safes & Vaults, Entrance Security, Cash Management Certification: ISO 14001
<b>BINEFAR, Spain</b> Factory employees: 63 Production: Cash Management Certification: ISO 9001	

\*Defined as a major manufacturing unit

The general structure for sustainability management and reporting is described on page 37.

Supply Chain

Gunnebo’s suppliers can be found worldwide, and the conditions for their employees and operations vary widely. Gunnebo encourages its suppliers to adhere to the Code of Conduct and uses the principles therein among the criteria for selecting new business partners. The Group’s largest suppliers are obliged to submit a declaration of compliance with the Code of Conduct.

Occupational Health and Safety

Gunnebo attaches great importance to maintaining and improving the conditions for

employee health and safety at its major manufacturing units. Key parameters are measured in order to achieve Gunnebo’s level of ambition in this area, and these parameters are defined in OHSAS 18001.

*Health and safety management systems*

Gunnebo’s aim is that all major manufacturing units should be certified to the OHSAS 18001 management system for health and safety.

70% of the major manufacturing units have OHSAS 18001 certification for Occupation Health and Safety Assessment.

## TRAINING THE ORGANISATION TO FIGHT CORRUPTION

From 2016 it was made compulsory for all employees to participate in two courses: one covering Gunnebo's Code of Conduct and the other dealing with corruption.

To ensure coverage across the whole Group, courses are available as both online and in-class training. The option to offer physical classes is important as a sizeable number of Gunnebo's employees are factory-based and do not have access to the Internet.

In either case, employees are tested at the end of the course and require an 80% pass rate for certification.

"Both courses are critical as they inform us about the way we should conduct ourselves as employees of Gunnebo and rep-

resentatives of the Gunnebo brand," says Hunur Nagaraj, Vice President Human Resources for Region Asia-Pacific. "Making these courses available group-wide helps us to create consistency in the way we do business globally and to establish Gunnebo as an ethical company."

The Code and Conduct and anti-corruption courses have also been integrated into the Group's introduction process for new recruits and play an important role in communicating a key facet of what it means to work for Gunnebo.

The Gunnebo Training Centre (GTC) is an online e-learning platform which facilitates the dissemination of knowledge across the company.



## SETTING ETHICAL STANDARDS FOR GROUP SUPPLIERS

As a socially responsible company, the Gunnebo Group encourages its suppliers to follow a code of ethics. Gunnebo's Standards for Responsible External Supply are designed to ensure that all its suppliers meet the highest standards with regard to business conduct, human rights, labour and employment practices, health and safety, the environment, and internal transparency.

"If just one of our contacts raises a suspicion that a supplier is out of line, we have to step in and make an assessment," says Pino Mancuso, Category Manager for

Electronics who is leading Gunnebo's CSR initiatives within procurement.

"We cannot use any supplier which we suspect does not meet our standards, even if we have no conclusive proof. The core values in our Code of Conduct are now written into our purchasing policies."

In 2016, Gunnebo carried out checks on many of its major suppliers. In this context, major suppliers are defined as the 20% which generate 80% of the Group's spend. The CSR checks also encompassed a selection of smaller suppliers who were deemed to be critical to the business.

Through a team of internal CSR Officers, the Group visited a series of companies in 2016 who gave Gunnebo access to documentation on working hours, overtime, remuneration, and reference to minimum wage laws.

If a face-to-face meeting was not possible, suppliers were asked to sign a letter of self-certification. In addition, any contracts signed with new suppliers include a section highlighting the ethical and business standards the Group expects them to uphold.

PEOPLE AND LEADERSHIP

# Dedicated Employees Drive the Business

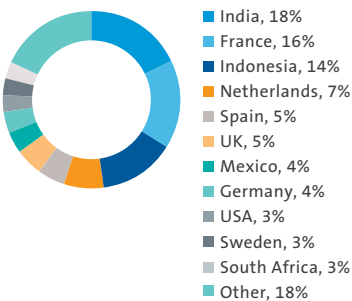
Gunnebo is working purposefully to create a common culture, with dedicated employees who take responsibility, work together and have an inclusive approach. Gunnebo has customers, suppliers and employees who work in a wide range of cultures on a daily basis. To conduct business successfully, it is important that the Group's 5,556 (5,482) employees reflect the diversity of its customers and society as a whole.

The Gunnebo Group's overriding goal is to be an employer that offers equal opportunities for all employees, and fosters differences and potential in an endeavour to meet customers' needs and build a long-term profitable business. This goal is put into practice through a number of activities in diversity and equality, and various development programmes.

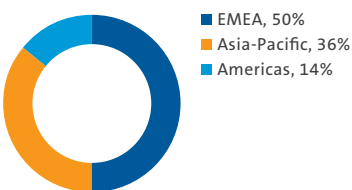
DIVERSITY

One of Gunnebo's strategic goals is to increase insight into and harness the benefits of the Group's diversity. For a global player, having an understanding of local market conditions, culture and employee needs is pivotal to develop the business.

Employees by Country



Employees by Region



An organisation characterised by equality and diversity contributes to creativity, which breeds new ideas, which in turn are a prerequisite for success. Gunnebo continuously has several global projects under way to ensure that the company fosters the Group's diversity and develops equal workplaces.

EQUALITY

Equality is an important element of the Group's work with diversity. 20% of the Group Executive Team is made up of women and among the staff and company management that proportion is 26%. Gunnebo's aim is to ensure that women and men are treated equally and provided with the same conditions to develop. With the aim of improving the balance between the number of male and female employees, the Group has special activities for motivating female employees, through nomination to various development programmes and in processes for succession planning. Since the Group's pay structure is based on a global system, it assures the goal of equal pay for equal work, where any

differences in pay levels are driven by local conditions.

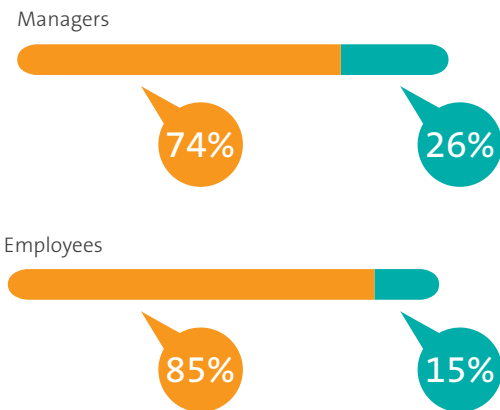
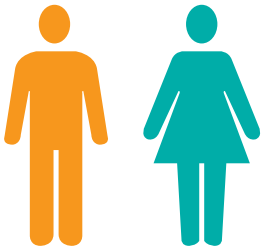
DEVELOPMENT OF LEADERS

Collaboration and capitalising on internal strengths and resources are prioritised areas in the leader development programmes launched in 2015. The aim is that all managers who report to a member of the Group Executive Team should complete one of the development programmes before 2018.

The Group's programme for employees in senior positions who usually report to a member of the Group Executive Team is called Challenger. In this programme, the focus is on developing personal leadership qualities, and gaining an in-depth insight into Gunnebo's overriding strategy and strategic agenda. Forty employees have completed the programme since the beginning in 2015.

In 2016, a second development programme primarily aimed at line managers was rolled out in the organisation. The programme is called ACE – Action, Communication, Engagement. To reach as many people as possible, the programme is based on a train-the-trainer concept. The aim of ACE is to ensure that all middle managers in the Group have the right conditions to be a good manager, with focus on communication and building effective teams. The goal is for all middle managers in the Group to have completed the programme by 2018. In 2016, 144 people became certified ACE managers.

Gender Distribution





## E-PLATFORM FOR TRAINING

To facilitate the dissemination of knowledge and increase accessibility to training, the Group uses the interactive Gunnebo Training Center (GTC). GTC covers a range of topics from strategy and product functionality to maintenance procedures and certification methodology. During 2016, the platform had 3,472 active users who jointly completed 12,204 hours of training. Taking courses online also contributes to reducing the costs and environmental impact associated with travelling.

One activity on the Group's sustainability agenda in 2016 was to ensure that all employees took training in the Group's Code of Conduct and Anti-Corruption Policy. The Code of Conduct provides employees with clear guidelines on how to act professionally and ethically in their interactions with customers, business partners, suppliers, colleagues and society at large. The Anti-Corruption Policy provides clear rules on how Gunnebo does business. The activity was successful, and by the end of the year 99% of all employees had taken these training sessions.

## PERSONAL DEVELOPMENT

Gunnebo's focus is to plan for its employees' development, so that it goes hand in hand with the Group's business goals. The aim is to give all employees opportunities to develop to their full potential, and to know what is expected of them in the short and long term. Structured personal development reviews are therefore conducted every year with all employees in the Group. The aim of these reviews is to set individual goals and formalise the assessment of personal progress. They are also an important tool in ensuring that all employees work towards the same goals, i.e. full implementation of the Group's strategy. Read more about the strategy on pages 26–34.

## EMPLOYEE SURVEY

Employee surveys are important tools for 'taking the pulse' of the organisation and understanding what is working well and where further efforts are needed. During 2016, Gunnebo has been working on the results of the global employee survey conducted in late 2015. The aim of the survey was to gauge how committed Gunnebo's employees are to



The diversity of the Group makes Gunnebo a dynamic, creative workplace.

their own personal development, as well as to the development of their team and company.

In 2016, Gunnebo has compiled and analysed the results and internal work groups have drawn up action plans for the areas that require development. The part of the Group's strategic agenda that relates to employees is largely a result of the employee survey: to

increase employee engagement, to promote a performance culture, and to improve opportunities for personal development.



# Risk and Sensitivity Analysis

Exposure to risk and uncertainty with regard to future developments 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 and manage the risks to which the business is exposed and to carefully monitor the development of factors that influence the main risks that have been identified.

Gunnebo is an international group with a broad geographical spread. The Group currently has operations in 28 countries and manufacturing units in 10 countries. The Group is therefore exposed to various kinds of strategic, operational and financial risks. Strategic and operational risks include 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 governance and control and aims to identify, evaluate and manage risks and, thereby, mitigate potential negative effects.

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

## STRATEGIC AND OPERATIONAL RISKS

### Market Risks

The Gunnebo Group's business and results are exposed to market risks such as the impact of the business cycle on demand for the Group's products and services and changes in 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 restricting the effect of a change in demand limited to a particular customer, industry, region or country.

Gunnebo's geographical distribution means 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 offset cost increases through price rises, even though the Group endeavours to enter sales agreements which allow 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 coordinating and controlling procurement through a central purchasing function. During the year, this function has been given a more dominant role in negotiating prices on a global level and ensuring alternate suppliers are available for critical raw materials and components.

### Production Risks

Production takes place in 11 manufacturing units and comprises of 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 manufacturing units 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, 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 suppliers, among other things from a risk perspective.

### Environmental Risks

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 is aiming to have all of its manufacturing units certified in accordance with ISO 14001. Risk analyses are

carried out in connection with such certification and through chemical analyses during, for example, REACH work (Registration, Evaluation, Authorisation and restriction of Chemicals). These risk analyses provide good information about the various risks at the manufacturing units and relevant action programmes can then be implemented.

### Acquisition of New Businesses

The Gunnebo Group has a growth goal. Growth should be both organic and through acquisitions. Integration of acquisitions can be challenging and lead to far higher costs for the acquisition than anticipated and/or that the synergies take longer than planned to realise.

Acquisitions that do not develop as planned may also lead to high impairment 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 the 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. This includes stock exchange related issues, competition law issues, issues related to the Group's intellectual property rights as well as corporate governance and compliance.

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. In addition to the above, there are also procedures for approving agreements. These are included in the Group authorisation policy.

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 business interruption insurance, general and product liability, transport insurance, business travel, crime insurance, as well as directors' and officers' liability and employment practices liability. Linked to the insurance programme is a programme for identifying and evaluating risks at the Group's manufacturing units and related financial consequences. The programme includes both self-assessments and regular factory inspections. The results of these reviews

are summarised in a points system for risk exposure at each plant, enabling management to control the risks and to assess the need for risk-reduction measures and establish priorities.

## FINANCIAL RISKS

The objective of Gunnebo's financial activities is to minimise the Group's long-term financing cost and to 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 which is the Group internal bank and responsible for Group currency and interest rate risk management, liquidity management, external and internal borrowing, as well as assisting the subsidiaries with financial advice regarding matters such as investments, currency considerations in customer and supplier contracts and end-customer financing solutions. Gunnebo Treasury is also responsible for activities aimed at reducing net debt and working capital, the Group insurance programme as well as the Group internal netting system.

Through the centralisation of treasury-related activities, the Group is able to benefit from economies of scale and synergies within the financial area.

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 outstanding borrowings are rendered more difficult or more expensive. In order to limit the financing risk, the Group's finance policy stipulates that the total outstanding volume of borrowing must be covered by long-term credit facilities of at least 12 months at any given time.
- **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 duration may not exceed 36 months.
- **Liquidity risk** Liquidity risk refers to the risk of not having access to cash and cash equivalents or undrawn lines of credit in order to fulfil payment obligations. Available cash and cash equivalents and undrawn creditlines 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 held at designated banks. Gunnebo has centralised its liquidity management in cash pools where local regulations allow.
- **Currency risk** The Group has businesses 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. The local subsidiaries should, to the extent possible, use their home currency in all external dealings.

■ **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 through receivables from banks which arise via derivative instruments. Gunnebo's finance policy includes a list of permitted counterparties and maximum credit exposure against each approved counterparty. Gunnebo has also entered into general agreements regarding netting (ISDAs) with its counterparties for transac-

tions in derivative instruments. Financial credit risk is also reduced in that cash and cash equivalents primarily shall be used to reduce outstanding liabilities, which limits the volume of outstanding surplus liquidity.

■ **Customer credit risk** Gunnebo has established a "Quotation to Cash" manual regulating the management of customer credit within the Group. Each subsidiary is responsible for checking and controlling their customer credit risk. The rules applicable for issuing credit locally shall be documented in a local credit policy regulating credit limits, payment terms and collection procedures. Lease agreements and customer financing packages shall be approved by Gunnebo Treasury.

## 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% increase in the selling price ...	...would positively affect income and operating profit by approximately MSEK 61.
<b>Labour Costs</b>	A 1% increase in labour costs, including social security charges...	...would negatively affect operating profit by approximately MSEK 20.
<b>Steel Prices</b>	A general increase in steel prices of 10%...	...would negatively affect profit by around MSEK 29 for the subsequent 12 months.
<b>Currencies</b>	A 10% depreciation of the value of the SEK...	...would positively affect operating profit by approximately MSEK 38 in total. Of this, MSEK 28 would be netted transaction exposure, without taking the Group's forward cover into account. The remaining MSEK 10 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 increase in all of Gunnebo's borrowing currencies...	...would negatively 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 2016
Market Risk	Changes in the economy and demand, customers' investment plans and production levels.	Monthly reports, good distribution of risk relating to products, customers and market coverage.	There has been a stabilisation on the European market. The Group has continued to move 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 coordinated by a central purchasing function, people are assigned responsibility for categories in particularly important areas of purchasing.	The price of steel has been rising during the latter part of 2016.
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 2016.
Acquisition of New Operations	Problems with integration, increased costs, impairment of goodwill.	Group-wide function for acquisitions, instructions and guidelines for the acquisition process (evaluation, implementation, integration).	The Group's acquisitions are reported in the Board of Directors' report and in note 3, Acquisitions.
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 2016, there were not deemed to be any disputes that could lead to 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 manufacturing units.	The Group's insurance coverage is deemed sufficient to run the business.
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 2016.
Customer Credit Risk	The risk a customer cannot, or will not, fulfil its payment obligations towards Gunnebo.	New policy implemented with rules on credit assessments, risk segmentation of customers and approved payment terms for different segments. A global credit assessment system is being procured and integrated in ERP and sales systems.	Low degree of bad debts and credit losses. Increased focus on credit management through the "Cash for Growth" programme.
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, both from transactions and equity.	The geographical spread of the business helps to balance currency exposure.





**GUNNEBO®**  
For a safer world

# 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 2016 financial year.

Gunnebo is an international security group with an annual turnover of approximately MSEK 6,100 and around 5,600 employees. The Group is a global supplier of security products, services and solutions with an offering covering Cash Management, Entrance Security, Safes & Vaults and Electronic Security for banks, retail, public & commercial buildings and industrial & high-risk sites.

## FINANCIAL RESULTS

The Group's net sales amounted to MSEK 6,088 (6,052) representing a 1% increase. Organic growth was 1%, with EMEA at 0%, Asia-Pacific at 5% and Americas at -2%. The currency effect was -1% and structure was 1% related to the acquired business Sallén in the second part of 2015.

The gross profit margin excluding non-recurring items was 29.5% compared to 29.7% last year. Selling and administrative expenses in percent of net sales excluding non-recurring items were 22.5% compared to 23.1% last year.

Operating profit was MSEK 366 (320), equalling an operating margin of 6.0% (5.3). Excluding non-recurring items, it amounted to MSEK 438 (397), equalling an operating margin of 7.2% (6.6). EBITDA excluding non-recurring items reached MSEK 561 (505) equalling 9.2% (8.3) of net sales. Depreciation was MSEK 68 (61) and amortisation MSEK 55 (47) of which MSEK 24 (14) derived from acquisition related intangibles.

Non-recurring items impacted the result by MSEK -72 (-77). The main items were the change into an indirect sales model in Austria, Hungary and Czech Republic which was finalised during quarter three, the closure of Trier manufacturing facility and continued structural and management changes in Europe.

Net financial items totalled MSEK -53 (-43) where the currency development on loans impacted negatively. Tax expense was MSEK -104 (-109) resulting in an effective tax rate of 33% (39), reflecting the Group's continued focus on income taxes in addition to positive effects of previously unrecognised tax losses.

## PRODUCT DEVELOPMENT

Research and development expenses were MSEK 101 (87), representing 1.7% (1.4) of net sales, an increase reflective of the Group's strategy to strengthen the product development roadmap for all product areas.

## CASH FLOW

Free cash flow was MSEK 159 (56), due to a strong operating profit, a lower rate of investments in property, plant and equipment as well as higher sales of property, plant and equipment mainly in the UK. Cash flow from financing activities totalled MSEK -115 (176) including both repayments of credit facilities and loan amortisations as well as new loans. In 2015 additional loans were taken related to the financing of the acquisition of Grupo Sallén.

The Group's net debt amounted to MSEK 1,297 at the end of 2016 (1,212). Excluding post-employment benefits, net debt was MSEK 813 compared to MSEK 850 after an improvement in the fourth quarter.

## EQUITY

Equity was impacted positively by currency translations of MSEK 100 (-82) and negatively by actuarial losses of MSEK -99 (42) on the Group's pension provisions, net of tax. The actuarial losses are primarily caused by a decrease in the discount rate in the pension plan in the UK.

In addition to this, Gunnebo AB issued a total of 135,000 new shares during the year in line with the incentive programme adopted in 2012, which increased equity by MSEK 4. This incentive programme is now fully settled.

In line with the long-term incentive programme (LTIP 2015), Gunnebo AB issued 730,847 new shares of series C in March at a nominal value of SEK 5 per share, increasing the share capital by MSEK 3. All of these shares were then repurchased by Gunnebo AB at the same value. The shares will be held by Gunnebo AB until the closure of LTIP in 2018, when they may be converted to shares of ordinary shares in line with the LTIP programme.

## SHARE CAPITAL

At the end of the year, Gunnebo AB's share capital amounted to MSEK 385, comprised of 76,320,001 ordinary shares and 730,847 C shares, both having a quota value of SEK 5. Each ordinary share has one vote and each C share has 1/10th of a vote. The C share have no dividend rights.

## PROPOSED DIVIDEND

The Board proposes a dividend of SEK 1.20 (1.00) per share for the financial year 2016, which represents an increase of 20%.

## EMPLOYEES

The number of employees at the end of the period was 5,556 (5,482). The number of employees outside of Sweden at the end of the period was 5,390 (5,318).

## REMUNERATION TO GROUP KEY MANAGEMENT

The Board proposes that the 2017 AGM approve that the principles for remuneration and other employment conditions for Gunnebo's Group Executive Team shall include long-term incentive programmes in the maximum variable salary. Otherwise the principles are unchanged. 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 personnel for Group Executive Team. The overall principles for salary and other remuneration to key management 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, variable salary 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 variable salary. The variable salary is dependent on the achievement of predetermined, quantitative financial targets and may not exceed 50% of the fixed salary (proposed to be maximum 70% of the fixed salary whereof 20% maximum from long-term incentive programmes). 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 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 2017 AGM comes under these guidelines except that SVP Americas has an agreement to receive an additional 25% variable salary due to local market standards. 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 variable salary 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 2016 AGM.

#### 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, environment and communication. Net revenue for 2016 amounted to MSEK 236 (265) representing services invoiced to subsidiaries. Net profit amounted to MSEK 110 (111). Group contributions had a positive impact on net profit of MSEK 113 (75).

#### 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 license under Swedish environmental law.

#### 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 pages 42–45.

#### CORPORATE GOVERNANCE REPORT

The Corporate Governance Report, which is on pages 83–87, 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 improvements in order to achieve profitable growth.

# Definitions

In the Annual Report, Gunnebo presents certain financial figures that are not defined according to IFRS. The Group believes that these figures provide investors and the management with valuable supplementary disclosures, since they enable a valuation of the company's financial results and position. Since not all companies calculate financials in the same way, these are not always comparable with figures used by other companies. These financials should not, therefore, be considered a substitute for figures defined according to IFRS.

## BASIC EARNINGS PER SHARE

Net profit attributable to the Parent Company's shareholders divided by the weighted average number of shares excluding C shares as these have no dividend rights.

## CAPITAL EMPLOYED

Total assets less non-interest-bearing provisions and liabilities.

## CAPITAL EMPLOYED TURNOVER RATE

Net sales in relation to average capital employed.

## DEBT/EQUITY RATIO

Net debt in relation to equity.

## DILUTED EARNINGS PER SHARE

Net profit attributable to the Parent Company's shareholders divided by the weighted average number of shares excluding C shares as these have no dividend rights, after dilution.

## DIVIDEND YIELD

Dividend in relation to listed price on December 31.

## EBITDA

Operating profit before depreciation/amortisation and impairment of intangible assets and property, plant and equipment.

## 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 weighted average number of shares excluding C shares as these have no dividend rights.

## GROSS MARGIN

Gross profit as a percentage of net sales.

## INTEREST COVERAGE RATIO

Profit before taxes plus interest expenses, divided by interest expenses.

## NET DEBT

Interest-bearing provisions and liabilities less cash and cash equivalents and interest-bearing receivables.

## OPERATING MARGIN

Operating profit as a percentage of net sales.

## ORGANIC GROWTH

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

## P/E RATIO

Listed price on December 31 divided by diluted earnings per share.

## PROFIT MARGIN

Profit before taxes as a percentage of net sales.

## RETURN ON EQUITY

Net profit 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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# Consolidated Income Statements

MSEK	Note	2016	2015
Net sales	2	6,088	6,052
Cost of goods sold	2, 4	-4,319	-4,278
<b>Gross profit</b>		<b>1,769</b>	<b>1,774</b>
Selling expenses	2, 4	-737	-777
Administrative expenses	2, 4	-680	-675
Other operating income and expenses, net	7	14	-2
<b>Operating profit</b>		<b>366</b>	<b>320</b>
Financial income and expenses, net	8	-53	-43
<b>Profit before taxes</b>		<b>313</b>	<b>277</b>
Income tax	9	-104	-109
<b>Net profit</b>		<b>209</b>	<b>168</b>
<b>Net profit attributable to:</b>			
Shareholders of the Parent Company		206	166
Non-controlling interests		3	2
		<b>209</b>	<b>168</b>
Basic earnings per share, SEK	14	2.71	2.18
Diluted earnings per share, SEK	14	2.70	2.18

# Consolidated Statements of Comprehensive Income

MSEK	Note	2016	2015
<b>Net profit</b>		<b>209</b>	<b>168</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to the income statement</b>			
Remeasurements (actuarial gains and losses)	15	-133	54
Income tax	9	34	-12
<b>Subtotal</b>		<b>-99</b>	<b>42</b>
<b>Items that may be reclassified to the income statement</b>			
Translation differences in foreign operations		95	-82
Hedging of net investments		5	-3
Cash flow hedges		3	1
Income tax	9	-1	0
<b>Subtotal</b>		<b>102</b>	<b>-84</b>
<b>Other comprehensive income</b>		<b>3</b>	<b>-42</b>
<b>Total comprehensive income</b>		<b>212</b>	<b>126</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Parent Company		205	129
Non-controlling interests		7	-3
		<b>212</b>	<b>126</b>

# Comments on the Consolidated Income Statements

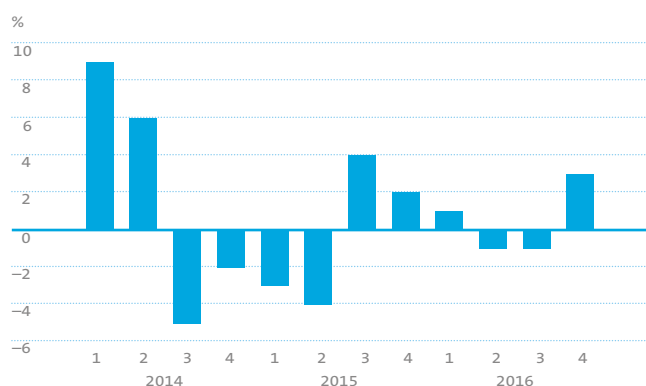
## General

The Group's income statement for 2016 includes a full year result from the latest acquisition, the Sallén business. Sallén was acquired in July, 2015 and accordingly the Group's results for 2015 included the Sallén results for the period August to December 2015.

## Sales

The Group's net sales amounted to MSEK 6,088 (6,052) representing a 1% increase. Organic growth was 1%, with EMEA at 0%, Asia-Pacific at 5% and Americas at -2%. The currency effect was -1% and structure was 1% related to the acquisition of Sallén in the second part of 2015. Organic sales growth per quarter was 1%, -1%, -1% and 3% respectively in 2016.

## ORGANIC GROWTH BY QUARTER



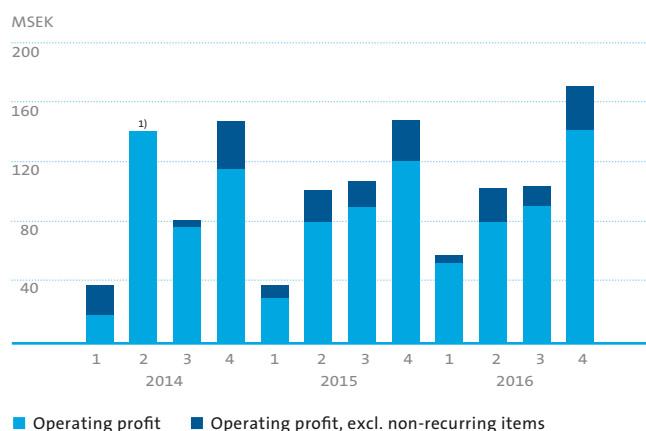
## Operating Expenses

The gross profit margin was 29.1% (29.3) and excluding non-recurring items it was 29.5% (29.7). Selling and administrative expenses in percent of net sales was 23.3% (24.0) and excluding non-recurring items it was 22.5% (23.1). Of the total operating expenses of MSEK 5,736 (5,730), 37% (37) referred to direct materials, 41% (41) referred to employee related costs, 2% (2) referred to depreciation and amortisation and other costs were 20% (20).

## Operating Profit

Operating profit was MSEK 366 (320), equalling an operating margin of 6.0% (5.3). Excluding non-recurring items, it amounted to MSEK 438 (397), equalling an operating margin of 7.2% (6.6) which means the Group's financial target of 7% operating margin has been reached. Operating profit per quarter in 2016 was MSEK 53, MSEK 80, MSEK 91, MSEK 142 respectively.

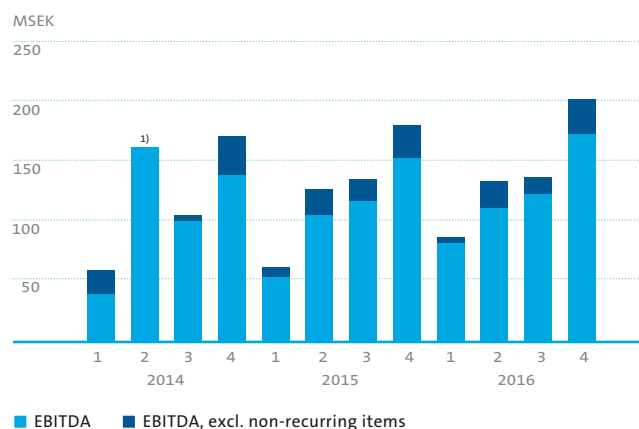
## OPERATING PROFIT BY QUARTER



<sup>1)</sup> Operating result excl. non-recurring items amounted to MSEK 98 in quarter 2 2014.

EBITDA excluding non-recurring items reached MSEK 561 (505) equalling 9.2% (8.3) of net sales. Depreciation was MSEK 68 (61) and amortisation was MSEK 55 (47), of which MSEK 24 (14) come from acquisition-related intangible assets. EBITDA excluding non-recurring items per quarter was MSEK 87, MSEK 134, MSEK 137, MSEK 203 respectively in 2016.

## EBITDA PER QUARTER



<sup>1)</sup> EBITDA excl. non-recurring items amounted to MSEK 119 in quarter 2 2014.

Non-recurring items for the year totalled MSEK -72 (-77) whereof MSEK -25 (-26) were included in cost of goods sold, MSEK -13 (-12) were included as selling expenses and MSEK -34 (-39) were included as administrative expenses. The main items were continued restructuring in Europe, such as the change into an indirect sales model in Austria, Hungary and Czech Republic which was finalized during quarter three, the closure of Trier manufacturing and Group management changes.

The bridge of the operating profit for 2016 over 2015 was:

MSEK	Jan-Dec
<b>Operating profit 2015</b>	<b>320</b>
Organic	8
Structure	50
Currency	16
Other	-28
<b>Operating profit 2016</b>	<b>366</b>

- The 1% organic sales growth improved the result with MSEK 8.
- Structural effects were MSEK 50 including changes in non-recurring items, savings realised from previous restructuring initiatives and the effects from the Sallén acquisition.
- Currency effects totalled MSEK 16, including transaction effects of MSEK 18 and translation effects of MSEK -2.
- Other includes a strategically important software development initiative, general cost increases and inflation, as well as increased expenses for research and development.

Research and development expenses were MSEK 101 (87), representing 1.7% (1.4) of net sales, an increase reflective of the Group's strategy to strengthen the product and solution development roadmap for all product areas.

## Financial Income and Expenses, net

Net financial items totalled MSEK -53 (-43) where interest costs and currency development on loans impacted negatively.

## Taxes

Tax expense was MSEK -104 (-109) resulting in an effective tax rate of 33% (39) reflecting the Group's continued focus on income taxes, in addition to positive effects of previously unrecognised tax losses.

# Consolidated Balance Sheets

MSEK	Note	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10	1,628	1,517
Other intangible assets	10	294	295
Property, plant and equipment	11	347	358
Deferred tax assets	9	332	304
Other long-term assets		14	14
<b>Total non-current assets</b>		<b>2,615</b>	<b>2,488</b>
<b>Current assets</b>			
Inventories	12	726	678
Accounts receivable	13	1,317	1,150
Current tax receivables		111	75
Other short-term assets	17	201	198
Cash and cash equivalents		581	496
<b>Total current assets</b>		<b>2,936</b>	<b>2,597</b>
<b>TOTAL ASSETS</b>		<b>5,551</b>	<b>5,085</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of Parent Company		1,862	1,726
Equity attributable to non-controlling interests		28	21
<b>Total equity</b>		<b>1,890</b>	<b>1,747</b>
<b>Non-current liabilities</b>			
Long-term financial liabilities		1,152	1,139
Provisions for post-employment benefits	15	484	362
Deferred tax liabilities	9	90	93
<b>Total non-current liabilities</b>		<b>1,726</b>	<b>1,594</b>
<b>Current liabilities</b>			
Accounts payable		739	635
Current tax liabilities		72	36
Short-term provisions	16	82	87
Short-term financial liabilities		251	214
Other short-term liabilities	17	791	772
<b>Total current liabilities</b>		<b>1,935</b>	<b>1,744</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,551</b>	<b>5,085</b>

# Comments on the Consolidated Balance Sheets

## Intangible Assets and Property, Plant and Equipment

Intangible assets and property, plant and equipment changed by MSEK 110 (137) and MSEK -11 (54) respectively during the year, of which MSEK 123 (-60) and MSEK 19 (-15) respectively, were caused by currency. Amortisation was MSEK 55 (47) of which MSEK 24 (14) comes from acquisition-related intangible assets. Depreciation was MSEK 68 (61). Capital expenditures on assets were MSEK 39 (33) and were MSEK 67 (102) on property, plant and equipment, being related both to productivity increases for example in the Halol facilities, as well as numerous replacement investments.

## Net Operating Working Capital Development

Net operating working capital increased to MSEK 632 (532). Net operating working capital represented 9.5% (8.1) of net sales calculated on an average basis.

Net operating working capital	2016	Avg as % sales	2015	Avg as % sales
Inventories	726	11.5%	678	11.3%
Accounts receivable	1,317	20.3%	1,150	18.8%
Accounts payable	-739	11.3%	-635	10.7%
Other operating assets/liabilities	-672	11.0%	-661	11.4%
<b>Total</b>	<b>632</b>	<b>9.5%</b>	<b>532</b>	<b>8.1%</b>

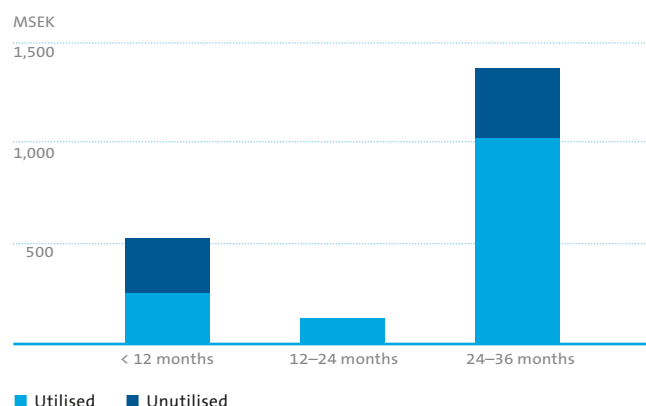
The increase in accounts receivable together with currency fluctuations were the largest causes of the net operating working capital increase. Strong sales development in the latter part of the fourth quarter caused a large part of the increase in the accounts receivable, while currency fluctuations accounted for some MSEK 60. The Group's focus on "Cash for Growth", covering the full process from order to payment has begun to show some effect with declines noted in all aging categories, except for the "not yet due" category which showed an increase due to timing of sales at the end of the fourth quarter. The Cash for Growth programme was deployed to Europe during 2016 and Asia-Pacific is starting in February 2017.

Inventories increased by MSEK 48, where currencies accounted for the majority of the increase. Accounts payable increased by MSEK 96, of which some MSEK 30 is attributable to currencies.

## Long- and Short-term Financial Liabilities

The Group's long- and short-term financial liabilities amounted to MSEK 1,403 (1,352) whereof MSEK 54 (30) related to bank overdraft facilities and remainder to borrowings from financial institutions. During the year the Group had a net reduction in total financial liabilities of MSEK -43. Total credit facilities amounted to MSEK 2,025 of which MSEK 622 remained unused at the end of 2016.

## CREDIT FACILITIES AND UTILISED



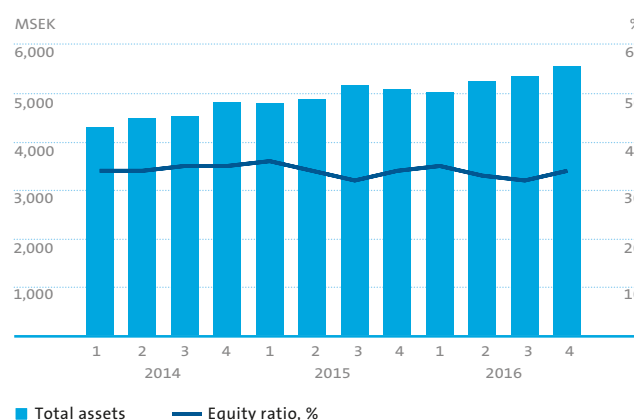
## Post-employment Benefits

The Group's provisions for post-employment benefits were MSEK 484 (362) representing an increase of MSEK 122. The majority of this increase related to actuarial losses of MSEK 133 (actuarial gains of 54), which were caused primarily by decreases in the discount rates in all of the Group's plans, with the largest decrease coming from the Group's UK pension plan.

## Equity

Equity increased to MSEK 1,890 (1,747) at year end representing a change of MSEK 143. Net profit increased to MSEK 209 (168). Currency translation adjustments contributed positively with MSEK 100 (negatively with 85), including the effects of hedging on net investments. Actuarial losses, gross of MSEK -133 (+54) together with their related tax effect of MSEK 34 (-12), caused a net decrease in equity. Dividends paid amounted to MSEK -76 and were unchanged from the previous year.

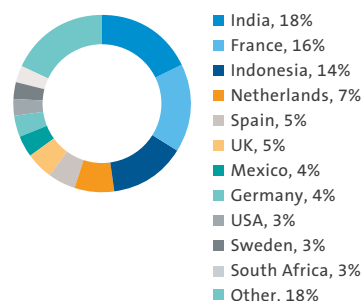
## EQUITY RATIO



## Employees

At the end of 2016, the number of employees was 5,556 (5,482) where a decline was seen in Europe offset by increases in ATM manufacturing and some other minor changes. Most increases related to temporary workers.

## AVERAGE NO. OF EMPLOYEES PER COUNTRY





# Consolidated Statements of Cash Flow

MSEK	Note	2016	2015
<b>OPERATING ACTIVITIES</b>			
Operating profit		366	320
Adjustment for:			
Depreciation and amortisation		123	108
Other non-cash items		55	59
Post-employment benefit payments		-44	-41
Taxes paid		-99	-95
Interest and other financial items		-45	-46
Changes in working capital:			
Inventories		-17	2
Accounts receivable		-138	-42
Accounts payable		69	13
Other operating assets and liabilities, net		-36	-92
<b>Net cash flow from operating activities</b>		<b>234</b>	<b>186</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure for intangible assets	10	-39	-33
Capital expenditure for property, plant and equipment	11	-67	-102
Sales of property, plant and equipment		31	4
Acquisition of operations, net of cash and cash equivalents	3	—	-160
<b>Net cash flow from investing activities</b>		<b>-75</b>	<b>-291</b>
<b>Net cash flow after investments before financing</b>		<b>159</b>	<b>-105</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		199	401
Repayments of loans		-243	-144
Change in short-term loans		24	28
Other financing items		-23	-33
New share issue		4	—
Dividends		-76	-76
<b>Net cash flow from financing activities</b>		<b>-115</b>	<b>176</b>
<b>Net cash flow</b>		<b>44</b>	<b>71</b>
Cash and cash equivalents at the beginning of the year		496	447
Net cash flow		44	71
Translation differences		41	-22
<b>Cash and cash equivalents at the end of the year</b>		<b>581</b>	<b>496</b>

## CHANGE IN NET DEBT

MSEK	Closing balance 2016	Cash changes	Non-cash changes	Currency	Opening balance 2016
Loans, long- and short-term	1,403	-43	—	93	1,353
Interest-bearing assets	-9	-2	—	—	-7
Cash and cash equivalents	-581	-44	—	-41	-496
<b>Net debt before post-employment benefits</b>	<b>813</b>	<b>-89</b>	<b>—</b>	<b>52</b>	<b>850</b>
Post-employment benefits, net	484	-44	164	2	362
<b>Net debt</b>	<b>1,297</b>	<b>-133</b>	<b>164</b>	<b>54</b>	<b>1,212</b>

# Comments on the Consolidated Statements of Cash Flow

## General

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

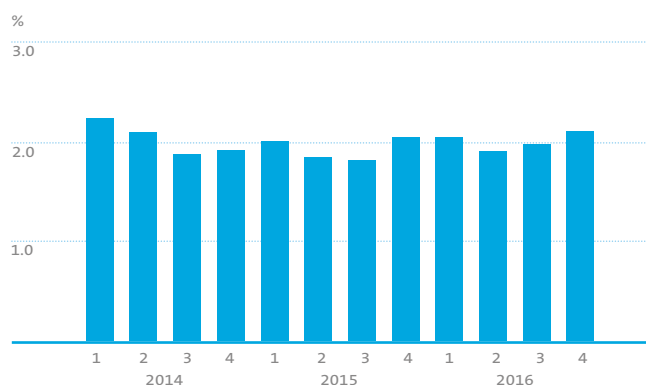
## Cash Flows from Operating Activities

Operating cash flow was MSEK 234 in 2016 compared to MSEK 186 in 2015, where the change comes from the operating profit improvement between the years.

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

Interest and other financial items included interest received of MSEK 15 (12) and interest paid of MSEK -37 (-27). A slight increase in the average interest paid was noted in 2016, but in general the Group's interest rate has been on a stable level.

## AVERAGE INTEREST PAID BY QUARTER



Changes in working capital in total (which represents the changes in local currency) were on the same level 2016 as 2015. The major variations were noted in accounts payable and other assets and liabilities, and the previously mentioned build of receivables caused by sales increase late in the fourth quarter.

## Cash Flows from Investing Activities

Capital expenditures on intangible assets totalled MSEK 39 (33) of which the majority related to product and software development. Capital expenditures on property, plant and equipment were MSEK 67 (102) where from 2015 related to specific investments for capacity in Europe. The Group sold property, plant and equipment for MSEK 31 (4) mainly coming from the UK.

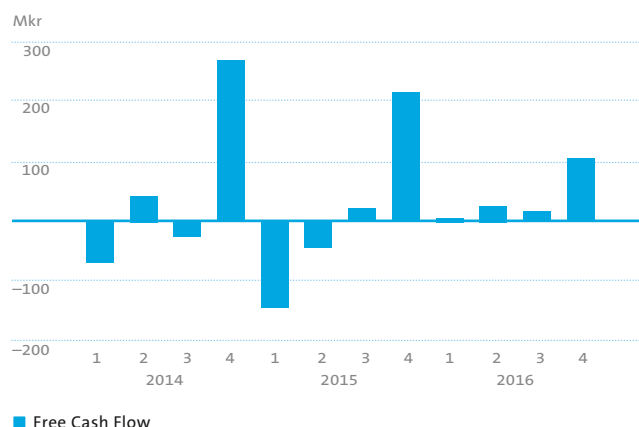
## Free Cash Flow

Free cash flow is shown in the following table:

MSEK	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2016	2015
Operating profit	53	80	91	142	366	320
Depreciation	16	15	20	17	68	61
Amortisation – acquisition-related intangible assets	6	6	6	6	24	14
Amortisation – other intangible assets	7	8	8	8	31	33
Other	-51	-12	-27	-43	-133	-123
Change in working capital	-22	-47	-60	7	-122	-119
<b>Operating cash flow</b>	<b>9</b>	<b>50</b>	<b>38</b>	<b>137</b>	<b>234</b>	<b>186</b>
Investing cash flow excluding acquisitions	-2	-23	-20	-30	-75	-131
<b>Free cash flow</b>	<b>7</b>	<b>27</b>	<b>18</b>	<b>107</b>	<b>159</b>	<b>56</b>

Free cash flow for the year 2016 was MSEK 159 as compared to MSEK 56 in 2015 representing an increase of some MSEK 100. The free cash flow per quarter is MSEK 7, MSEK 18, MSEK 27, MSEK 107 respectively during 2016.

## FREE CASH FLOW BY QUARTER

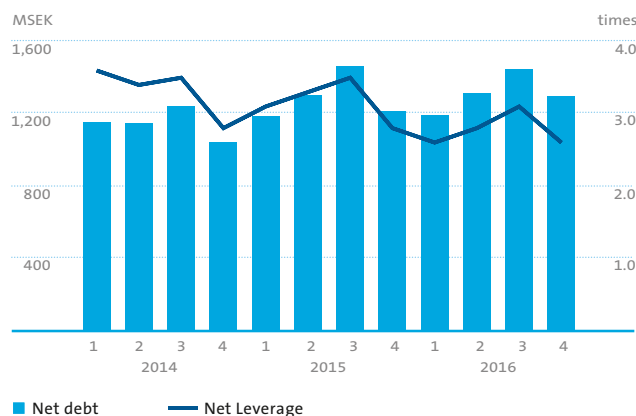


## Net Debt

Net debt amounted to MSEK 1,297 (1,212) at the end of 2016. Excluding the provisions for post-employment benefits, the net debt declined to MSEK 813 in 2016 from MSEK 850 in 2015. The decrease comes from reductions in long- and short-term borrowings. Loan amortisations were made on USD and EUR borrowings, while some increases were seen in bank overdrafts.

Net debt/EBITDA ratio (net leverage) decreased from 2.83 at the end of 2015 to 2.64 at the end of 2016.

## NET DEBT AND NET LEVERAGE



## Dividends

Dividends paid in 2016 were SEK 1.00 per share and were unchanged from the previous years. For the year 2016, the Board of Directors have proposed a dividend of SEK 1.20 per share subject to approval at the Annual General Meeting in April 2017.

## Cash and Cash Equivalents

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

Free cash flow per share 2016 was SEK 2.09 compared to SEK 0.73 for 2015.

# Consolidated Statements of Changes in Equity

MSEK	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total
	Share capital	Other contributed capital	Hedging reserves	Translation reserves	Retained earnings	Subtotal		
Opening balance January 1, 2016	381	988	-10	-239	606	1,726	21	1,747
Net profit	—	—	—	—	206	206	3	209
Other comprehensive income								
Translation differences	—	—	—	91	—	91	4	95
Hedging of net investments	—	—	—	5	—	5	—	5
Cash flow hedges	—	—	3	—	—	3	—	3
Actuarial gains and losses	—	—	—	—	-133	-133	—	-133
Income tax	—	—	-1	—	34	33	—	33
Subtotal	0	0	2	96	-99	-1	4	3
Transactions with shareholders								
New share issue <sup>1)</sup>	4	—	—	—	3	7	—	7
Repurchase of C shares	—	—	—	—	-3	-3	—	-3
Share-based remuneration	—	—	—	—	3	3	—	3
Dividends	—	—	—	—	-76	-76	—	-76
Subtotal	4	0	0	0	-73	-69	0	-69
Closing balance December 31, 2016	385	988	-8	-143	640	1,862	28	1,890

MSEK	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total
	Share capital	Other contributed capital	Hedging reserves	Translation reserves	Retained earnings	Subtotal		
Opening balance January 1, 2015	381	988	-11	-159	471	1,670	24	1,694
Net profit	—	—	—	—	166	166	2	168
Other comprehensive income								
Translation differences	—	—	—	-77	—	-77	-5	-82
Hedging of net investments	—	—	—	-3	—	-3	—	-3
Cash flow hedges	—	—	1	—	—	1	—	1
Actuarial gains and losses	—	—	—	—	54	54	—	54
Income tax	—	—	—	—	-12	-12	—	-12
Subtotal	0	0	1	-80	42	-37	-5	-42
Transactions with shareholders								
Share-based remuneration	—	—	—	—	2	2	—	2
Acquisitions through non-cash issue <sup>2)</sup>	—	—	—	—	1	1	0	1
Dividends	—	—	—	—	-76	-76	—	-76
Subtotal	0	0	0	0	-73	-73	0	-73
Closing balance December 31, 2015	381	988	-10	-239	606	1,726	21	1,747

<sup>1)</sup> Includes new C share issue and ordinary shares issued through the exercise of warrants, see note 14 of the Group.

<sup>2)</sup> A portion of the purchase price of the acquisition of Diseños Inteligentes de Seguridad S.A. de C.V. was paid using newly issued shares in Gunnebo México S.A. de C.V.

# Notes – Consolidated Financial Statements

MSEK unless otherwise stated

## NOTE 1 CRITICAL ACCOUNTING POLICIES

### Basis of Presentation (IAS 1)

Gunnebo AB (publ) is a Swedish public limited company registered with the Swedish Companies Registration Office under the company registration number 556438-2629. The Board has its registered office in Gothenburg in Sweden. The Company's shares are listed on NASDAQ, Stockholm, MidCap. The Group's main activities are described in the Board of Directors' Report and in the notes to this Annual Report.

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

The Annual Report of the Parent Company, Gunnebo AB, has been signed by the Board of Directors on March 2, 2017. The income statement and balance sheet, and the consolidated income statement and consolidated balance sheet are subject to adoption at the Annual General Meeting on April 5, 2017.

### Basis of Consolidation (IFRS 10)

The consolidated financial statements include the Parent company, Gunnebo AB, and those companies in which it directly or indirectly exercises control, and hereafter is referred to as "the Group" or "the Gunnebo Group". Control exists when the Group has the right to direct the relevant activities of a company, is exposed to variable returns and can use those rights to affect those returns. For the majority of the Group's subsidiaries, control exists via 100% ownership. There are also a very limited number of subsidiaries controlled by Gunnebo where ownership is between 50-100%, none of which are significant for the Group. For the subsidiaries where less than 100% is owned, the non-controlling interests are shown separately within equity. A list of Group companies is provided in the Parent Company's notes.

### Business Combinations and Goodwill (IFRS 3)

All business combinations are accounted for in accordance with the purchase method. At the date of acquisition, the acquired assets, assumed liabilities and contingent liabilities (net identifiable assets) are measured at fair value, which requires the use of estimates. The most significant acquired net assets are intangibles, such as product development, customer lists, and brand name. The fair values of these were derived with the assistance of external valuation experts using generally accepted valuation techniques based on forecasted future cash flows. Other acquired net assets include, to a lesser degree property, plant and equipment, inventories, financial assets and liabilities which have been valued using reference to available market information. Any excess of the cost of acquisition over fair values of net identifiable assets of the acquired business is recognised as goodwill.

### Segment Information (IFRS 8)

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

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

### Translation of Foreign Financial Statements (IAS 21)

Gunnebo AB's functional currency is the Swedish krona (SEK), which is also the Group's reporting currency. All foreign subsidiaries report in their functional currency being the currency of the primary economic environment in which the subsidiary operates, in almost all cases this is the country of operation. Upon

consolidation, all balance sheet items are translated to the Swedish krona based on the year-end closing rates. Income statement items are translated at average exchange rates for the year. The accumulated exchange differences arising from these translations are recognised via other comprehensive income to the translation reserve in equity. Such translation differences are reclassified into the income statement upon the disposal of the foreign operation.

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

The major currency rates were:

Country	Unit	Currency	Average rates		Closing rates	
			2016	2015	2016	2015
Australia	1	AUD	6.36	6.35	6.57	6.09
China	1	CNY	1.29	1.34	1.31	1.29
EU	1	EUR	9.47	9.36	9.57	9.14
India	100	INR	12.74	13.16	13.40	12.58
Indonesia	1,000	IDR	0.64	0.63	0.68	0.61
UK	1	GBP	11.58	12.89	11.18	12.38
USA	1	USD	8.56	8.43	9.10	8.35

### Revenue (IAS 18)

Revenue from the sale of goods and services is recognised when an agreement has been reached with a customer, 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 discounts and returns. Revenue for major projects of long duration 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.

### Intangible Assets (IAS 38)

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

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

### Internally developed intangibles

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

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



## NOTE 1 CONT.

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

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

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

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

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

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

**Intangible assets with indefinite useful lives**

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

**Calculation of recoverable amount**

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

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

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

**Inventories (IAS 2)**

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

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

**Income Taxes (IAS 12)**

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

**Current taxes**

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

**Deferred taxes**

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

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

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

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

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

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

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

**Post-employment Benefits (IAS 19)**

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

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

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

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

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

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

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

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

### **Critical Accounting Estimates and Judgements (IAS 1)**

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

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

- Estimates and key assumptions used in impairment testing of intangibles (note 10 of the Group)
- Judgement on the realisability of deferred tax assets (note 9 of the Group)
- Important assumptions when calculating post-employment benefit obligations (note 15 of the Group)

### **New or Amended IFRS Standards and New Interpretations in 2016**

New or amended standards and new interpretations have not had any material effect on the Group's financial statements in 2016.

### **New or Amended IFRS Standards and New Interpretations not yet Effective**

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

IFRS 15 Revenues from contracts with customers replaces IAS 18 Revenues and is to be applied starting 2018, and establishes a comprehensive framework for determine whether, how much and when revenues are to be recognised. The Groups revenues consists, to the largest degree, of sales of products where no change is expected under the new standard. The Group has also contracts with long duration where revenue is recognised under the percentage of completion method, as well as contracts with a combination of products and services. During 2017, the Group will continue with the evaluation of the effect of IFRS 15, however at this point, nothing has been identified that indicates any material change in amount or timing for revenue recognition.

IFRS 9 Financial Instruments is effective 2018 and includes a model for the classification and valuation, a forward-looking impairment model based on expected customer losses and a reformed approach to hedge accounting. The Group does not expect any significant effect from the new standard, as the use of hedge accounting is very limited and credit losses from customers has historically not been significant.

IFRS 16 Leasing replaces IAS 17 Leasing and is effective as from 2019. The new standard requires that all leases are recognised in the balance sheet. There are some exceptions for short-term leasing and rental of property with low value. The Group discloses its leasing obligations in note 20 and will continue to evaluate the effect of the new standard.

## NOTE 2 REPORTING BY SEGMENT

The Group operates primarily through three regions; region Europe, Middle East & Africa, region Asia-Pacific and region Americas. The regions offer different products and services to different customer groups. For more information regarding the regions and product areas, see pages 10-25.

	Net sales <sup>1)</sup>		Contribution to profit before tax	
	2016	2015	2016	2015
Region Europe, Middle East & Africa	3,907	3,860	113	84
Region Asia-Pacific	1,129	1,085	133	108
Region Americas	1,052	1,107	120	128
<b>Subtotal operating segments</b>	<b>6,088</b>	<b>6,052</b>	<b>366</b>	<b>320</b>
Financial income and expenses, net	—	—	—53	—43
<b>Total</b>	<b>6,088</b>	<b>6,052</b>	<b>313</b>	<b>277</b>

<sup>1)</sup> Intra-group sales are not material and therefore not disclosed.

	Depreciation and amortisation		Capital expenditure	
	2016	2015	2016	2015
Region Europe, Middle East & Africa	83	65	72	80
Region Asia-Pacific	20	23	18	37
Region Americas	20	20	16	18
<b>Total</b>	<b>123</b>	<b>108</b>	<b>106</b>	<b>135</b>

	Assets		Liabilities	
	2016	2015	2016	2015
Region Europe, Middle East & Africa	2,869	2,785	1,115	1,300
Region Asia-Pacific	762	666	332	116
Region Americas	880	745	164	78
<b>Subtotal operating segments</b>	<b>4,511</b>	<b>4,196</b>	<b>1,611</b>	<b>1,494</b>
Financial and tax items	1,040	889	2,050	1,844
<b>Total</b>	<b>5,551</b>	<b>5,085</b>	<b>3,661</b>	<b>3,338</b>

Geographical disclosure	Net sales by market		Non-current assets	
	2016	2015	2016	2015
France	1,122	1,052	286	273
USA	597	572	511	474
India	441	426	68	60
UK	333	391	65	85
Spain	292	254	216	221
Indonesia	267	222	31	31
Germany	225	237	234	222
Belgium	203	188	21	21
Sweden	191	199	89	98
Other	2,417	2,511	748	685
<b>Total</b>	<b>6,088</b>	<b>6,052</b>	<b>2,269</b>	<b>2,170</b>

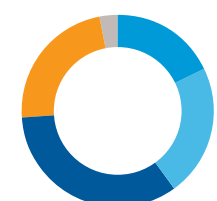
Segment assets are comprised of goodwill, other intangible assets, property, plant and equipment, inventories, accounts receivable, other receivables as well as prepaid expenses and accrued income. Segment liabilities include accounts payable, other liabilities, short-term provisions as well as accrued expenses and deferred income. Previously published amounts regarding assets and liabilities have been changed to reflect this. Capital expenditure includes intangible assets and property, plant and equipment. The geographical net sales by market is based on the geographical location of the customer. Non-current assets consist of goodwill, other intangible assets and property, plant and equipment and are disclosed based on their geographical location.

## Sales per product area 2016

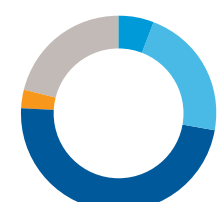
### Group



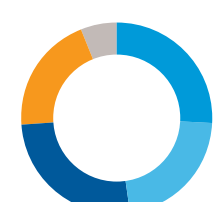
### EMEA



### Asia-Pacific



### Americas



### NOTE 3 ACQUISITIONS

Assets and liabilities of acquired operations	2016	2015
Intangible assets	—	126
Property, plant and equipment	—	33
Other assets	—	69
Current liabilities	—	—89
<b>Identifiable net assets</b>	<b>—</b>	<b>139</b>
Goodwill	—	85
Consolidated value of the share of associated companies at the acquisition date	—	—2
<b>Total purchase price</b>	<b>—</b>	<b>222</b>
Less:		
Unpaid purchase price	—	—48
Acquisition of own shares	—	0
Acquired cash	—	—14
<b>Cash outflow</b>	<b>—</b>	<b>160</b>

#### Acquisitions 2016

There have been no acquisitions made during 2016.

#### Acquisitions 2015

##### Acquisition of Grupo Sallén Tech S.L.

On July 30, 2015, 100% of the shares in the Spanish Grupo Sallén Tech S.L. were acquired. Sallén is a leading producer and supplier of solutions in cash handling. The purchase price amounted to MSEK 200, of which approximately MSEK 48 is estimated earn-outs. According to the purchase price analysis, the consolidated surplus value arising from the acquisition, is mainly related to acquired product development and customer relationships. The acquisition costs charged to the income statement amounted to MSEK 2.

Grupo Sallén Tech S.L.	Values
Intangible assets	116
Property, plant and equipment	33
Other assets	64
Current liabilities	—86
<b>Identifiable net assets</b>	<b>127</b>
Goodwill	74
<b>Total purchase price</b>	<b>201</b>
Deduct:	
Unpaid purchase price	—48
Acquired cash	—13
<b>Cash outflow</b>	<b>140</b>

#### Acquisition of remaining shares in K/H Enterprises Inc

In 2015, the remaining 69% of shares in Kaaa/Hamilton Enterprise, Inc were acquired for a purchase price of MSEK 21 after which the company merged with Hamilton Safe Inc.

### NOTE 4 EXPENSES BY NATURE

	2016	2015
Material costs	2,092	2,097
Change in inventories	—6	21
Remuneration to employees	2,040	2,015
Temporary personnel and subcontractors	327	374
Transport costs	146	137
Vehicle and travel costs	220	222
Depreciation and amortisation	123	108
Other costs	794	756
<b>Total operating expenses<sup>1)</sup></b>	<b>5,736</b>	<b>5,730</b>

<sup>1)</sup> Relates to cost of goods sold, selling expenses and administrative expenses.

### NOTE 5 REMUNERATION TO GROUP KEY MANAGEMENT

#### Remuneration Paid to the Board of Directors of Gunnebo AB

During the year remuneration paid to the Board of the Parent Company amounted to TSEK 2,195 (2,045), of which TSEK 195 (170) comprises remuneration for committee work. Board fees of TSEK 525 (500) was paid to Chairman of the Board, Martin Svalstedt. Board fees paid were TSEK 310 (310) to Mikael Jönsson, TSEK 275 (300) to Bo Dankis, TSEK 280 (280) to Göran Bille, TSEK 290 (280) to Tore Bertilsson, TSEK 250 (250) to Charlotte Brogren, and TSEK 265 (125) to Eva Elmstedt.

#### Remuneration to Members of the Gunnebo Group Executive Team (GET)

TSEK	Salary	Bonus <sup>1)</sup>	Other benefits <sup>2)</sup>	Pension cost	Term benefits <sup>3)</sup>	Total
Henrik Lange, CEO	6,253	861	67	2,180	—	9,361
Former CEO	—	—	—	—	99	99
Other members in GET (8) <sup>4)</sup>	20,761	2,311	3,039	4,907	8,602	39,620
<b>Total</b>	<b>27,014</b>	<b>3,172</b>	<b>3,106</b>	<b>7,087</b>	<b>8,701</b>	<b>49,080</b>

<sup>1)</sup> Includes only cash-based short-term variable salary expensed for the bonus year 2016.

<sup>2)</sup> Other benefits include housing allowances and car.

<sup>3)</sup> Term benefits refer to severance pay in accordance with the terms of contract.

<sup>4)</sup> Includes only remuneration for the portion of the year being a member of GET.

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

Variable salary for the President and other members of GET is dependent on the achievement of predetermined, quantitative financial targets and may not exceed 50% of the fixed salary.



## NOTE 5 CONT.

**Incentive Programmes****Incentive programme 2012**

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

**Long-term incentive programme LTIP 2015**

The 2015 AGM decided on a long-term share-based incentive programme for a maximum of 20 employees including the President, members of GET and other key personnel within the Group. The programme requires that the participant invests in Gunnebo shares within LTIP 2015 ("Savings shares"). The Savings shares must be kept for a three-year earning period from June 1, 2015 to June 1, 2018. Providing that the participant still owns the shares and is still employed within the Group at the end of the earning period, the participant is entitled to receive one Gunnebo share free of charge for each Savings share he/she has invested in ("Matching shares"). Furthermore, the company's President is entitled to receive a maximum of four Gunnebo shares per Savings share, and the other participants are entitled to receive up to three Gunnebo shares if certain performance goals have been met ("Performance Shares"). 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 intends to present the defined performance goals in the 2017 Annual report.

The cost of the LTIP 2015 is based on the share price at grant date times the expected number of shares to be issued and is spread over the vesting period from June 1, 2015 – May 31, 2018. The share price at grant date was determined to be SEK 37.80 and excludes the present value of expected dividends during the period up until the shares are distributed, in accordance with the terms of the programme.

Amounts expensed in 2016 amounted to MSEK 3.6 (2.8) including social charges of which MSEK 2.3 related to GET members. The provision in the balance sheet amounted to MSEK 6.4 (2.8) including social charges.

**NOTE 6 AUDITORS' REMUNERATION**

	2016	2015
<b>Remuneration to Deloitte</b>		
Auditing	6.9	6.9
Other audit work	0.3	0.1
Tax advice	0.3	0.7
Other services	0.3	0.3
<b>Total remuneration to Deloitte</b>	<b>7.8</b>	<b>8.0</b>
Audit remuneration to other auditing firms	1.0	1.0
<b>Total auditors' remuneration</b>	<b>8.8</b>	<b>9.0</b>

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

**NOTE 7 OTHER OPERATING INCOME AND EXPENSES, NET**

	2016	2015
Gains on sale of property	5	1
Exchange rate gains	7	3
Exchange rate losses	-5	-16
Other	7	10
<b>Total</b>	<b>14</b>	<b>-2</b>

**NOTE 8 FINANCIAL INCOME AND EXPENSES, NET**

	2016	2015
<b>Financial income</b>		
Interest income	15	12
Exchange rate gains and other income	4	7
<b>Total</b>	<b>19</b>	<b>19</b>
<b>Financial expenses</b>		
Interest expense	-37	-27
Net financial cost on pensions	-12	-13
Exchange rate losses	-6	-9
Bank charges and guarantee costs	-14	-11
Other	-3	-2
<b>Total</b>	<b>-72</b>	<b>-62</b>
<b>Financial income and expenses, net</b>	<b>-53</b>	<b>-43</b>

## NOTE 9 TAXES

	2016	2015
Current tax expense	-99	-88
Deferred tax expense	-5	-21
<b>Total</b>	<b>-104</b>	<b>-109</b>

Taxes charged to other comprehensive income includes MSEK -34 (12) related to remeasurements of post-employment benefits and MSEK 1 (0) related to cash flow hedges.

### Reconciliation of Swedish tax rate with effective tax rate

	2016	2015
Profit before taxes	313	277
Tax using the Swedish tax rate 22%	-69	-61
Effect of tax rates in foreign jurisdictions	-34	-20
Non-deductible expenses/Tax-exempt income	-6	-7
Current year losses not recognised	-13	-8
Recognition of previously unrecognised losses	16	0
Changes in estimates related to prior years	4	-13
Other	-2	0
<b>Total</b>	<b>-104</b>	<b>-109</b>
<i>Effective tax rate in %</i>	<i>33%</i>	<i>39%</i>

In December 2016, a new corporate tax law was enacted in France, where the corporate income tax rate will be progressively reduced from the current 33.33% to 28% over the period 2017 to 2020. This change resulted in an expense of MSEK 7 (0) related to the remeasurement of deferred tax assets.

	2016	
Deferred tax balances, net	Deferred tax assets	Deferred tax liabilities
Non-current assets	—	76
Current assets	7	1
Provisions for post-employment benefits	82	—
Short-term provisions	20	—
Other	18	13
Tax loss carry-forwards	194	—
<b>Closing balance</b>	<b>332</b>	<b>90</b>

	2015	
Deferred tax balances, net	Deferred tax assets	Deferred tax liabilities
Non-current assets	—	86
Current assets	—	—
Provisions for post-employment benefits	62	—
Short-term provisions	24	—
Other	19	7
Tax loss carry-forwards	199	—
<b>Closing balance</b>	<b>304</b>	<b>93</b>

Change of net deferred tax	2016	2015
Opening balance, net	211	273
Recognised in net profit	-5	-21
Tax recognised in other comprehensive income	33	-12
Acquisitions	—	-28
Translation differences	3	-1
<b>Closing balance, net</b>	<b>242</b>	<b>211</b>

### Tax Loss Carry-forwards

At December 31, 2016, the Group had total tax loss carry-forwards of MSEK 2,107 (2,068). There is no expiration date for the utilisation of approximately 97% of the tax losses carry-forwards. Deferred tax assets of MSEK 194 (199) related to tax loss carry-forwards of MSEK 807 (867), have been recognised in the balance sheet. These deferred tax assets include an amount of MSEK 80 related to subsidiaries which have incurred taxable losses during the current period. Deferred tax assets regarding tax loss carry-forwards are recognised to the extent that realisation of the related tax benefit through taxable profits is probable when considering the period during which these can be utilised as described in not 1 of the Group.

## NOTE 10 INTANGIBLE ASSETS

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

2015	Goodwill	Other intangible assets
Acquisition costs		
Opening balance	1,490	490
Capital expenditure	—	33
Acquisitions	93	214
Disposals	—	-6
Reclassifications	-8	8
Translation differences	-58	-15
<b>Closing balance</b>	<b>1,517</b>	<b>724</b>
Accumulated amortisation and impairment		
Opening balance	—	305
Amortisation	—	47
Acquisitions	—	95
Disposals	—	-5
Impairment	—	0
Translation differences	—	-13
<b>Closing balance</b>	<b>—</b>	<b>429</b>
<b>Net book value</b>	<b>1,517</b>	<b>295</b>

## NOTE 10 CONT.

Other intangible assets includes acquisition-related brand name and customer relations with carrying amounts totalling MSEK 81 (75) and MSEK 95 (114) respectively. Additionally, it includes internally generated capitalised product development and software developed for internal use with carrying amounts totalling MSEK 86 (76) and MSEK 33 (31) respectively. During the year, capital expenditure on product development projects totalled MSEK 33 (22).

Amortisation is included in cost of goods sold with MSEK -48 (-41), selling expenses with MSEK -1 (-1) and administrative expenses with MSEK -6 (-5), in the consolidated income statement.

## Impairment Testing

The table below shows the total carrying amount of goodwill and brand name (indefinite life) allocated per CGU for the purposes of impairment testing. The brand name amounted to MSEK 81 (75) and was included within the CGU Safes & Vaults, whereas goodwill was allocated across multiple CGUs (the product areas).

CGUs	2016	2015
Cash Management	478	446
Entrance Security	495	461
Safes & Vaults	561	522
Electronic Security	175	163
<b>Closing balance</b>	<b>1,709</b>	<b>1,592</b>

During 2016, Gunnebo changed the CGU's for impairment testing to be product areas, to align with the change in performance management concept. Previously, the CGU's were business areas. The figures for 2015 in the table above are restated to be comparable with CGU structure in 2016.

The recoverable amount of the CGU's was based on value in use, as described in note 1 of the Group, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The recoverable amount of the CGUs was determined to be higher than its carrying amount and therefore no impairment has been recognised during 2016.

Value in use is calculated using the pre-tax discount rate of 9.5% (11.0) which equates of the Group's weighted average cost of capital, WACC. A sensitivity test was performed based on a 1.5 percentage point increase, as a reasonably possible adverse change, which did not result in an impairment situation.

In addition, the average growth rate used to extrapolate the future operating cash flows, results in growth at a constant margin development over the forecast period. A sensitivity test was performed based on a reduction of the operating margin by 10%, as a reasonably possible, yet aggressive adverse change. This would not result in any impairment.

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

## NOTE 11 PROPERTY, PLANT AND EQUIPMENT

2016	Buildings and land <sup>1)</sup>	Machinery	Equipment	Construction in progress	Total
Acquisition costs					
Opening balance	406	476	321	28	1,231
Capital expenditure	2	21	24	20	67
Disposals	-43	-22	-22	—	-87
Reclassifications	3	10	4	-20	-3
Translation differences	16	36	16	-1	67
<b>Closing balance</b>	<b>384</b>	<b>521</b>	<b>343</b>	<b>27</b>	<b>1,275</b>
Accumulated depreciation and impairment					
Opening balance	266	346	261	—	873
Depreciation	11	30	27	—	68
Disposals	-18	-21	-22	—	-61
Reclassifications	0	1	-1	—	0
Translation differences	11	22	15	—	48
<b>Closing balance</b>	<b>270</b>	<b>378</b>	<b>280</b>	<b>—</b>	<b>928</b>
<b>Net book value</b>	<b>114</b>	<b>143</b>	<b>63</b>	<b>27</b>	<b>347</b>

2015	Buildings and land <sup>1)</sup>	Machinery	Equipment	Construction in progress	Total
Acquisition costs					
Opening balance	379	425	316	16	1,136
Capital expenditure	2	40	16	44	102
Acquisitions	28	28	10	0	66
Disposals	-3	-9	-8	0	-20
Reclassifications	13	15	2	-31	-1
Translation differences	-13	-23	-15	-1	-52
<b>Closing balance</b>	<b>406</b>	<b>476</b>	<b>321</b>	<b>28</b>	<b>1,231</b>
Accumulated depreciation and impairment					
Opening balance	260	325	247	—	832
Depreciation	10	26	25	—	61
Acquisitions	6	18	9	—	33
Disposals	-1	-8	-7	—	-16
Translation differences	-9	-15	-13	—	-37
<b>Closing balance</b>	<b>266</b>	<b>346</b>	<b>261</b>	<b>—</b>	<b>873</b>
<b>Net book value</b>	<b>140</b>	<b>130</b>	<b>60</b>	<b>28</b>	<b>358</b>

<sup>1)</sup> Including land improvements.

Depreciation is included in cost of goods sold with MSEK -46 (-36), selling expenses with MSEK -6 (-7) and administrative expenses with MSEK -16 (-18) in the consolidated income statement.

## NOTE 12 INVENTORIES

	2016	2015
Raw materials	211	202
Work in progress	37	37
Finished goods	469	436
Installation work in progress	108	102
Less advance payments from customers	-99	-99
<b>Total</b>	<b>726</b>	<b>678</b>

Of the inventories, MSEK 690 (639) is measured at cost and MSEK 36 (39) at net selling price. At December 31, 2016, the Group's obsolescence amounted to MSEK 75 (74).

## NOTE 13 ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable, not yet due	1,025	847
Overdue, 1–30 days	183	206
Overdue, 31–60 days	60	61
Overdue, 61–90 days	36	25
Overdue, over 90 days	57	56
<b>Total</b>	<b>1,361</b>	<b>1,195</b>

Allowance for doubtful receivables	2016	2015
Opening balance	-45	-51
Expenses for anticipated losses	-12	-19
Confirmed losses	6	9
Reversals	11	18
Acquisitions	—	-3
Translation differences	-4	1
<b>Closing balance</b>	<b>-44</b>	<b>-45</b>
<b>Net book value</b>	<b>1,317</b>	<b>1,150</b>

## NOTE 14 SHARE CAPITAL AND EARNINGS PER SHARE

	Number of shares issued			Share capital, MSEK
	Ordinary shares	C-shares	Total	
Opening balance	76,185,001	—	76,185,001	381
Issue of C shares	—	730,847	730,847	3
Issue of ordinary shares	135,000	—	135,000	1
<b>Closing balance</b>	<b>76,320,001</b>	<b>730,847</b>	<b>77,050,848</b>	<b>385</b>

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

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

During June and November, the number of shares increased by 135,000 through the exercise of warrants issued under incentive programme 2012/2016, which is now closed.

### Dividend Policy

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

### Dividend Payments

Dividends paid in 2016 were MSEK 76 and have for the past five years been SEK 1.00 per share. The Board has decided to propose an increase of the dividend per share to SEK 1.20 (1.00) for the year 2016. The total proposed dividend to be paid is MSEK 92 (76).

Earnings per share	2016	2015
Net profit attributable to shareholders of the Parent Company, MSEK	206	166
Weighted average no. of shares outstanding	76,243,567	76,180,114
Weighted average no. of shares outstanding with dilution	76,283,982	76,182,164
<b>Basic earnings per share, SEK</b>	<b>2.71</b>	<b>2.18</b>
<b>Diluted earnings per share, SEK</b>	<b>2.70</b>	<b>2.18</b>

Basic earnings per share are calculated by dividing net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding with dilution. Gunnebo's long-term share-based incentive programme (LTIP2015) causes the dilutive effect.



**NOTE 15 POST-EMPLOYMENT BENEFITS****2016**

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

**2015**

Amounts recognised in the consolidated balance sheet	UK	Canada	Sweden	France	Germany	Other	Total
Defined benefit obligations	620	102	94	90	40	81	1,027
Plan assets	-542	-103	—	-5	—	-15	-665
<b>Total provisions for post-employment benefits</b>	<b>78</b>	<b>-1</b>	<b>94</b>	<b>85</b>	<b>40</b>	<b>66</b>	<b>362</b>

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

**UK**

In the UK, pension commitments are mainly secured through payments into a funded defined benefit pension plan. The plan is a final salary pension plan and is closed to new employees who instead are entitled to defined contribution pension solutions. To meet legal requirements, the plan comprises an independent foundation. The foundation's assets are managed by a board comprising of representatives for the Group and the employees who are members of the plan. The assets are managed in accordance with national legislation and in collaboration with professional advisors and fund managers. The weighted average remaining term of the defined benefit obligation is 20 years.

**Canada**

Canada has pensions plans offering benefits based on career average earnings for both salaried employees and certain union employees. Both plans are funded and include contributions by members. Additionally there is a funded Supplemental Retirement Plan (SERP), as well as a post-retirement benefit plan which is unfunded, providing medical benefits to retirees and their spouses, and to a closed group of active members upon their retirement. The weighted average remaining term of the defined benefit obligation is 15 years.

**Sweden**

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

The disability- and survivors' pension part of the ITP-plan is secured through an insurance solution with the company Alecta and is classified as a multi-employer defined benefit plan. However, as Alecta has not been able to provide sufficient information to enable the ITP-plan to be reported as a defined benefit plan, it is reported as a defined contribution plan. Alecta's collective funding ratio was 149% (153) as of December 31, 2016. The collective funding ratio reflects the fair value of Alecta's plan assets as a percentage of plan commitments, measured in accordance with Alecta's actuarial assumptions, which are not consistent with IAS 19. Expected contributions in 2017 for ITP 2 covered by Alecta are MSEK 3.

**France**

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

**Germany**

The main pension plans in Germany are unfunded plans. The majority of entitlement conditions are determined in accordance with the governmental pensions act. There are no regulatory funding requirements. The weighted average remaining term of the defined benefit obligation is 15 years.

**Other Countries**

The most significant plans include the unfunded pension plans in Indonesia. Additionally, there are termination indemnity plans in Italy, where lump sum payments are made upon termination. The weighted average remaining term of the defined benefit obligation is 7 years.

Specification of changes in the net defined benefit obligation	2016			2015		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance	1,027	–665	362	1,083	–658	425
<i>Expenses:</i>						
Current service cost	17	—	17	20	—	20
Past service cost	–2	—	–2	–2	—	–2
Interest expense (+)/income (–)	36	–24	12	39	–26	13
Other	0	3	3	0	5	5
	51	–21	30	57	–21	36
<i>Remeasurements:</i>						
Return on plan assets excluding amounts included in interest income	—	–53	–53	—	10	10
Actuarial gains (–) and losses (+) arising from changes in demographic assumptions	5	—	5	–11	—	–11
Actuarial gains (–) and losses (+) arising from changes in financial assumptions	215	—	215	–31	—	–31
Experience-based gains (–) and losses (+)	–35	—	–35	–22	—	–22
Other	1	—	1	—	—	—
	186	–53	133	–64	10	–54
<i>Cash flow:</i>						
Employee contributions to the plan	—	–2	–2	—	–1	–1
Employer contributions to the plan	2	–25	–23	2	–31	–29
Payment of pension benefits	–69	50	–19	–47	36	–11
	–67	23	–44	–45	4	–41
<i>Other:</i>						
Translation differences	–37	40	3	–4	0	–4
<b>Closing balance</b>	<b>1,160</b>	<b>–676</b>	<b>484</b>	<b>1,027</b>	<b>–665</b>	<b>362</b>

Of the present value of the defined benefit plan, MSEK 850 (821) relates to funded pensions and other plans, and MSEK 310 (216) to non-funded pensions and other plans. The total benefit expense for defined benefit plans amounted to MSEK 30 (36), whereof MSEK 18 (22) has been charged to operating expenses and MSEK 12 (14) to financial expenses. Expenses related to defined contribution plans amounted to MSEK 68 (59). The Group expects to pay MSEK 39 (44) in contributions to its defined benefit plans in 2017.

#### Specification of plan assets

2016	UK	Canada	Sweden	France	Germany	Other	Total
Government bonds	145	20	—	—	—	9	174
Commercial papers	166	18	—	—	—	—	184
Shares	214	81	—	4	—	—	299
Cash and cash equivalents	5	3	—	—	1	10	19
<b>Total</b>	<b>530</b>	<b>122</b>	<b>—</b>	<b>4</b>	<b>1</b>	<b>19</b>	<b>676</b>
2015	UK	Canada	Sweden	France	Germany	Other	Total
Government bonds	81	10	—	—	—	7	98
Commercial papers	198	17	—	—	—	1	216
Shares	262	67	—	5	—	—	334
Cash and cash equivalents	1	9	—	—	—	7	17
<b>Total</b>	<b>542</b>	<b>103</b>	<b>—</b>	<b>5</b>	<b>—</b>	<b>15</b>	<b>665</b>

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

## NOTE 15 CONT.

## Actuarial Assumptions

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

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

2015	UK	Canada	Sweden	France	Germany	Other
Discount rate	3.9	4.0	3.0	2.0	2.7	3.9
Expected salary increase rate	3.0	3.5	3.0	2.5	0.0	3.3
Inflation	3.0	2.5	1.5	2.0	2.0	2.7

## Sensitivity Analysis

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

Assumptions	+1 percent- age point	-1 percent- age point
Discount rate	-249	267
Expected salary increase rate	95	-85
Inflation	52	-51

## NOTE 16 PROVISIONS

2016	Restructuring programme	Dis- putes	Guaran- tees	Taxes	Other	Total
Opening balance	24	21	38	1	3	87
Provisions	12	3	29	-	1	45
Utilised	-26	-6	-13	-	-1	-46
Reversed	0	-4	-3	-	-	-7
Translation differences	-1	1	3	0	0	3
Closing balance	9	15	54	1	3	82

Provisions for restructuring measures have been made mainly for discontinued operations and reorganisation. The provisions are expected to be utilised mainly during 2017.

2015	Restructuring programme	Dis- putes	Guaran- tees	Taxes	Other	Total
Opening balance	15	31	40	3	10	99
Reclassifications	-	3	-	-	-3	0
Provisions	22	13	18	-	1	54
Utilised	-12	-20	-15	-	-1	-48
Reversed	0	-5	-4	-2	-4	-15
Translation differences	-1	-1	-1	0	0	-3
Closing balance	24	21	38	1	3	87

## NOTE 17 OTHER SHORT-TERM ASSETS AND LIABILITIES

Other short-term assets	2016	2015
Prepaid insurance premiums	9	11
Prepaid rent	9	10
Accrued interest	1	1
Other prepaid items	74	53
Other short-term receivables	108	123
<b>Total</b>	<b>201</b>	<b>198</b>

Other short-term liabilities	2016	2015
Holiday pay liability	116	112
Accrued salaries	96	80
Social security charges	70	67
Deferred income	69	105
Accrued interest	5	4
Other accrued items	217	213
Other short-term liabilities	218	191
<b>Total</b>	<b>791</b>	<b>772</b>

## NOTE 18 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### Financial Risk Management

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

### Risk Description and Risk Management

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

#### Financing risk

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

Credit facilities totalled MSEK 2,025 at the end of the year, of which MSEK 1,403 was drawn. The average duration of the agreed credit facilities was 1.8 years. The long-term credit facilities chiefly comprise of a syndicated loan agreement of MEUR 140 which falls due in February 2019. In addition, the Group has two acquisition financing arrangements of MUS\$ 16 and MEUR 15. Furthermore, there is approximately MSEK 404 in short-term credit facilities and external local financing in subsidiaries. Individual subsidiaries can have external financing when taxes and other regulations in certain countries make it unfavourable to take up loans from foreign group companies.

#### Liquidity risk

Liquidity risk refers to the risk of not having access to cash and cash equivalents or undrawn lines of credit in order to fulfil payment obligations. The finance policy stipulates that available cash and cash equivalents and unused lines of credit shall always amount to a minimum of MSEK 350. Cash in the Group shall be deposited with the internal bank or in local cash pools. The Group has centralised its liquidity management in cash pools in the main European countries

Loan maturity structure	Credit facility	Of which drawn
2017	523	251
2018	122	122
2019 and later	1,380	1,030
<b>Total</b>	<b>2,025</b>	<b>1,403</b>

#### Interest rate risk

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

At the end of the year, the Group's loan portfolio had an average fixed interest term<sup>1)</sup> of 4 (9) months and the average rate of interest on the loan portfolio<sup>1)</sup> was 2.1% (2).

<sup>1)</sup> Including margins and interest derivatives related to the loan portfolio through hedge accounting.

**Sensitivity Analysis:** Given the same borrowing liability and the same fixed interest terms as at the end of the year, a one percentage point increase in the market interest rate would increase the Group's interest cost by approximately MSEK 14 before and MSEK 8 after interest rate hedges on an annual basis. A one percentage point increase in the market interest rate would also result in an increase in the market value of outstanding interest derivatives of approximately MSEK 9, which affects other comprehensive income.

Financial assets and liabilities	Less than 6 months	6–12 months	1–2 years	2–3 years	Total contracted cash flow
Other financial receivables	—	9	—	—	9
Accounts receivable	1,317	—	—	—	1,317
Cash and cash equivalents	581	—	—	—	581
Bank loans and overdraft facilities <sup>1)</sup>	–1,418	–15	–29	–29	–1,491
Accounts payable	–739	—	—	—	–739
Derivatives					
- Interest-rate swap agreements	outflow –3	–3	–3	–1	–10
	inflow 0	0	0	0	0
- Currency forward contracts included in hedge accounting	outflow —	—	—	—	—
	inflow —	—	—	—	—
- Currency forward contracts not included in hedge accounting	outflow –711	—	—	—	–711
	inflow 724	—	—	—	724
<b>Total</b>	<b>–249</b>	<b>–9</b>	<b>–32</b>	<b>–30</b>	<b>–320</b>

<sup>1)</sup> Roll over dates on borrowing under the Group's syndicated credit facilities fall within 6 months but the guaranteed credit facilities do not mature until 2019.



## NOTE 18 CONT.

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, 2016. The base currency of the currency forward contract has been remeasured at the applicable closing rate as of December 31, 2016 while the future flows of the other type of currency are measured at the contracted rate.

**Currency risk**

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

Total currency effects resulted in a positive impact on operating profit of MSEK 16 of which MSEK 18 relates to transaction effects and consequently translation effects affected income negatively with MSEK 2.

**Transaction exposure**

Gunnebo has export income and purchase cost in several currencies and is therefore exposed to exchange rate fluctuations. This currency risk is called transaction exposure and has an impact on the Group's operating profit. In accordance with the finance policy, 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 usually not be for more than 12 months. The commercial currency flow in 2016 after net calculations of opposite flows amounts to MSEK 283 on an annual basis. The Group has not hedged transaction exposure in currencies in 2016 or 2015.

**Translation exposure (net investments)**

Upon consolidation, the net assets of foreign subsidiaries are translated into the Swedish krona, which result in translation differences impacting other comprehensive income and accumulate in equity. In order to limit the negative effects of translation differences on the Group's equity, hedging may be done through borrowing and currency derivative contracts, provided the exposure is deemed considerable and the hedging can take place at a reasonable cost. The net assets of foreign subsidiaries amounted to MSEK 1,257 (1,146) on December 31, 2016. One net investment hedge exists where the currency effect in other comprehensive income was MSEK 5 (–3).

**Translation exposure (income statement)**

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

**Sensitivity analysis**

A 10% depreciation of the value of the Swedish krona against all other currencies would increase profit by a total of approximately MSEK 38, of which approximately MSEK 28 would be netted transaction exposure. The remaining MSEK 10 is attributable to translation exposure (income statement). A depreciation of the Swedish krona by 10% against the Group's most important currencies, the euro and US dollar, would increase profit by MSEK 24 and decrease profit by MSEK 5 respectively. Such a depreciation 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 14 with regard to the US dollar when translating foreign net assets into the Swedish krona.

**Credit Risk****Financial credit risk**

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

**Customer credit risk**

An instruction has been established regulating the management of customer credit within the Group. Each subsidiary is responsible for checking and control-

ling credit risk with customers. The rules applicable for issuing credit locally are documented in local credit policies regulating credit limits, payment terms and collection procedures. Lease agreements and customer financing packages are approved by Gunnebo Treasury.

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

	2016	2015
Other long-term receivables	9	7
Accounts receivable	1,317	1,150
Other short-term receivables	108	123
Cash and cash equivalents	581	496
<b>Maximum exposure to credit risk</b>	<b>2,015</b>	<b>1,776</b>

**Derivative instruments and hedging****Currency forward contracts:**

Currency forward contracts are used to manage the currency risk of receivables and liabilities denominated in foreign currencies. The Group has chosen not to apply hedge accounting since the receivables and liabilities and related forward currency contracts are all valued at the closing exchange rate through the income statement.

**Interest rate swaps:**

Interest rate swaps are used to reduce the interest payments on borrowings. Hedge accounting is applied and the nominal value of outstanding interest rate swap agreements designated as cash flow hedges amounted to MSEK 957 (914) on December 31, 2016.

Under hedge accounting, the effective portion of changes in fair value of derivative instruments which are designated as cash flow hedges and which fulfil the requirements of hedge accounting is recognised via other comprehensive income and accumulated under equity. The amount recognised in other comprehensive income for the year 2016 was MSEK 3 (1).

The nominal amounts of all derivative instruments are as follows:

	2016	2015
<b>Interest rate swap agreements</b>		
Term of less than 1 year	383	—
Term 1–2 years	383	548
Term 2–5 years	191	365
<b>Interest rate swap agreements total</b>	<b>957<sup>1)</sup></b>	<b>914</b>
Currency forward contracts <sup>2)</sup>	724	660
<b>Total</b>	<b>1,681</b>	<b>1,573</b>

<sup>1)</sup> Of which MSEK 191 refers to interest rate swap agreements starting after December 31, 2016.

<sup>2)</sup> Currency forward contracts relating to borrowing in foreign currencies, with the gross amount calculated at future forward rate.

**Financial Assets and Liabilities Covered by Netting or Similar Agreements**

The Group has entered into general agreements (ISDAs) with all counterparties regarding transactions in derivative instruments. All receivables and liabilities related to such instruments may, therefore, be offset in their entirety against the respective counterparty. The table below shows the Group's derivatives on the closing day taking into account the netting opportunities.

	Gross	Netting agreement	Net
Assets	14	– 9	5
Liabilities	– 11	9	– 2

**The Capital Structure of the Group**

One of the Group's long-term financial goals is to have an equity ratio of no less than 30%. The equity ratio at the end of the year was 34% (34). Another of Group's aims is to achieve a return of 15% on capital employed. The return on capital employed (excluding non-recurring items) for 2016 was 12.8% (12.4).

The Group's borrowing is unsecured. The 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 622 at the end of the year as all financial commitments in the form of covenants was fulfilled.

#### Fair Value Disclosures

##### 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 assets and liabilities

For financial instruments such as accounts receivable, accounts payable and other non-interest-bearing financial assets and liabilities, which are recognised at amortised cost less any write-down, the fair value is deemed to be the same as the carrying amount due to the short anticipated duration.

The Group's long-term borrowing primarily relates to long-term credit facilities but with short fixed interest rate periods and a stable credit margin. The fair value is therefore deemed to be the same as the carrying amount.

Financial assets	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets measured at fair value<sup>1)</sup></b>	<b>14</b>	<b>14</b>	<b>17</b>	<b>17</b>
- of which derivatives for which hedge accounting does not apply	14	14	17	17
- 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<sup>2)</sup></b>	<b>2,015</b>	<b>2,015</b>	<b>1,776</b>	<b>1,776</b>
<b>Total financial assets</b>	<b>2,029</b>	<b>2,029</b>	<b>1,793</b>	<b>1,793</b>
<b>Financial liabilities</b>				
<b>Financial liabilities measured at fair value<sup>3)</sup></b>	<b>11</b>	<b>11</b>	<b>13</b>	<b>13</b>
- of which derivatives for which hedge accounting does not apply	1	1	0	0
- of which interest rate swap agreements for which hedge accounting of cash flows applies	10	10	13	13
- 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<sup>4)</sup></b>	<b>2,143</b>	<b>2,143</b>	<b>1,988</b>	<b>1,988</b>
- of which financial liabilities for which hedge accounting does not apply	1,186	1,186	1,074	1,074
- of which financial liabilities for which hedge accounting of cash flows applies	957	957	914	914
<b>Total financial liabilities</b>	<b>2,154</b>	<b>2,154</b>	<b>2,001</b>	<b>2,001</b>

<sup>1)</sup> Assets included in other current receivables.

<sup>2)</sup> Assets included in other long-term and short-term assets, accounts receivable, cash and cash equivalents.

<sup>3)</sup> Liabilities included in other short-term liabilities.

<sup>4)</sup> Liabilities included in accounts payable as well as short-term and long-term borrowing.

**NOTE 19 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	2016	2015
Property mortgages	4	4
<b>Total</b>	<b>4</b>	<b>4</b>

	2016	2015
Guarantees	312	230
<b>Total</b>	<b>312</b>	<b>230</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 2016, there were not deemed to be any disputes that could entail a material negative impact on the Group's results and financial position.

**NOTE 20 OPERATING LEASE CONTRACTS**

Future payment commitments for operating lease contracts have the following breakdown:

2017	103
2018	64
2019	44
2020	22
2021	13
2022 and later	18
<b>Total</b>	<b>264</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 121 (119).

**NOTE 21 PERSONNEL**

Average number of employees per country	2016	of which men	2015	of which men
Sweden	170	129	171	129
Australia	47	39	48	36
Austria	5	4	8	7
Belgium	74	64	77	66
Brazil	128	96	125	97
Canada	134	106	142	108
China/Hongkong	103	75	91	64
Czech Republic	11	9	16	13
Denmark	66	55	68	57
France	880	705	906	728
Germany	202	162	215	174
Hungary	9	7	11	9
India	977	944	1,036	998
Indonesia	788	695	792	671
Italy	152	126	140	113
Luxembourg	7	6	6	5
Malaysia	33	22	33	23
Mexico	222	204	216	202
Netherlands	358	337	327	306
Norway	23	23	28	26
Oman	6	5	7	6
Poland	46	37	45	36
Portugal	36	29	39	32
Saudi Arabia	2	2	1	1
Singapore	22	12	22	13
South Africa	170	133	188	144
South Korea	18	14	18	14
Spain	263	199	247	194
Switzerland	33	26	36	29
Turkey	1	1	2	1
UAE	18	13	18	13
UK	252	191	260	199
USA	179	144	179	148
<b>Total</b>	<b>5,435</b>	<b>4,614</b>	<b>5,518</b>	<b>4,662</b>

Of the average number of employees, 821 (856) were female. Women occupy 19% of the senior management positions in the Group. The average number of employees abroad was 5,263 (5,347).

**NOTE 22 RELATED PARTIES**

Information on remuneration to members of the Board and the Group key management is provided in note 5 of the Group. A list of group companies is found in note 10 of the Parent Company. There were no other transactions with related parties.

## Parent Company Income Statements

MSEK	Note	2016	2015
Net revenue	2	236	265
Administrative expenses	2, 5, 8, 9	-201	-181
<b>Operating profit</b>		<b>35</b>	<b>84</b>
Financial income		—	2
Interest expenses to group companies		-11	-13
<b>Profit after financial items</b>		<b>24</b>	<b>73</b>
Appropriations	3	113	75
<b>Profit before taxes</b>		<b>137</b>	<b>148</b>
Taxes	4	-27	-37
<b>Net profit</b>		<b>110</b>	<b>111</b>

## Parent Company Statements of Comprehensive Income

MSEK	2016	2015
Net profit	110	111
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>110</b>	<b>111</b>



# Parent Company Balance Sheets

MSEK	Note	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	7	5
Property, plant and equipment		1	2
Investments in group companies	10	1,585	1,585
Deferred tax assets	4	67	87
<b>Total non-current assets</b>		<b>1,660</b>	<b>1,679</b>
<b>Current assets</b>			
Receivables from group companies		54	31
Prepaid expenses and accrued income		14	5
Other short-term receivables		2	4
Cash and cash equivalents		1	0
<b>Total current assets</b>		<b>71</b>	<b>40</b>
<b>TOTAL ASSETS</b>		<b>1,731</b>	<b>1,719</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Restricted equity</b>			
Share capital (77,050,848 shares with a quota value of SEK 5)		385	381
Statutory reserve		539	539
<b>Total restricted equity</b>		<b>924</b>	<b>920</b>
<b>Unrestricted equity</b>			
Share premium reserve		452	449
Retained earnings		77	40
Net profit		110	111
<b>Total unrestricted equity</b>		<b>639</b>	<b>600</b>
<b>Total equity</b>		<b>1,563</b>	<b>1,520</b>
<b>Current liabilities</b>			
Liabilities to group companies		120	164
Accrued expenses and deferred income	6	48	35
<b>Total current liabilities</b>		<b>168</b>	<b>199</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,731</b>	<b>1,719</b>

# Parent Company Statements of Cash Flow

MSEK	Note	2016	2015
<b>OPERATING ACTIVITIES</b>			
Operating profit		35	84
Adjustment for depreciation		3	—
Interest and other financial items		–11	–11
Taxes paid		–9	–3
<b>Net cash flow from operating activities before changes in working capital</b>		<b>18</b>	<b>70</b>
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		12	–13
Change in operating liabilities		10	–13
<b>Total change in working capital</b>		<b>22</b>	<b>–26</b>
<b>Net cash flow from operating activities</b>		<b>40</b>	<b>44</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure for intangible assets	5	–6	–1
Divestment of subsidiaries	10	—	10
<b>Net cash flow from investing activities</b>		<b>–6</b>	<b>9</b>
<b>FINANCING ACTIVITIES</b>			
Change in interest-bearing liabilities		–36	–24
Group contributions received		75	84
Group contributions paid		—	–37
New share issue		4	—
Dividends		–76	–76
<b>Net cash flow from financing activities</b>		<b>–33</b>	<b>–53</b>
<b>Net cash flow</b>		<b>1</b>	<b>0</b>
Cash and cash equivalents at the beginning of the year		0	0
<b>Cash and cash equivalents at the end of the year</b>		<b>1</b>	<b>0</b>

# Parent Company Statements of Changes in Equity

MSEK	Restricted equity		Unrestricted equity		Total
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	
<b>Opening balance January 1, 2016</b>	<b>381</b>	<b>539</b>	<b>449</b>	<b>151</b>	<b>1,520</b>
<b>Comprehensive income</b>					
Net profit	—	—	—	110	110
Other comprehensive income	—	—	—	—	—
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>110</b>	<b>110</b>
<b>Transactions with shareholders</b>					
New share issue <sup>1)</sup>	4	—	3	—	7
Repurchase of C shares	—	—	—	—3	—3
Share-based remuneration <sup>2)</sup>	—	—	—	5	5
Dividends	—	—	—	—76	—76
<b>Subtotal</b>	<b>4</b>	<b>—</b>	<b>3</b>	<b>—74</b>	<b>—67</b>
<b>Closing balance December 31, 2016</b>	<b>385</b>	<b>539</b>	<b>452</b>	<b>187</b>	<b>1,563</b>

MSEK	Restricted equity		Unrestricted equity		Total
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	
<b>Opening balance January 1, 2015</b>	<b>381</b>	<b>539</b>	<b>449</b>	<b>116</b>	<b>1,485</b>
<b>Comprehensive income</b>					
Net profit	—	—	—	111	111
Other comprehensive income	—	—	—	—	—
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>111</b>	<b>111</b>
<b>Transactions with shareholders</b>					
Dividends	—	—	—	—76	—76
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—76</b>	<b>—76</b>
<b>Closing balance December 31, 2015</b>	<b>381</b>	<b>539</b>	<b>449</b>	<b>151</b>	<b>1,520</b>

<sup>1)</sup> Includes new C share issue and ordinary shares issued through the exercise of warrants, see note 14 of the Group.

<sup>2)</sup> Refers to issue of shares in LTIP 2012, see note 5 of the Group.

# Notes – Parent Company

## NOTE 1 PARENT COMPANY'S ACCOUNTING PRINCIPLES

The financial statements of the Parent Company are prepared in accordance with the "Annual Accounts Act" and The Swedish Financial Reporting Board recommendation RFR 2, "Accounting for Legal Entities". In accordance with RFR 2, IFRS is applied to the greatest extent possible under Swedish legislation, but full compliance is not possible. The areas in which the Parent Company's accounting policies differ from the Group's are described below.

For a description of the Group's accounting policies, see note 1 of the Group.

### Group Contribution

According to RFR 2, Group contributions paid by the Parent Company to subsidiaries are recognised as an increase in the carrying amount of the participations in the receiving subsidiaries. The Swedish Financial Reporting Board has also introduced an alternative rule which means Group contributions both received and paid may be recognised as an appropriation. Gunnebo has decided to apply the alternative rule.

## NOTE 2 REVENUES AND OPERATING EXPENSES ALLOCATED PER TYPE OF COST

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, environment and communication.

Net revenue for 2016 amounted to MSEK 236 (265) representing services invoiced to subsidiaries. Operating expenses amounted to MSEK –201 (–181) and are specified below.

	2016	2015
Remuneration for employees	87	72
Temporary personnel and subcontractors	35	36
Depreciation	3	3
Other costs	76	70
<b>Total operating expenses</b>	<b>201</b>	<b>181</b>

## NOTE 3 APPROPRIATIONS

	2016	2015
Group contributions received	126	75
Group contributions paid	–13	—
<b>Total</b>	<b>113</b>	<b>75</b>

## NOTE 4 TAXES

	2016	2015
Current tax expense	–7	–4
Deferred tax expense	–20	–33
<b>Total</b>	<b>–27</b>	<b>–37</b>

At December 31, 2016, the Parent Company had total tax loss carry-forwards of MSEK 256 (396) with no expiration date for utilisation. Deferred tax assets in the balance sheet of MSEK 67 (87) related primarily to tax loss carry-forwards.

## NOTE 5 INTANGIBLE ASSETS

	2016	2015
Opening balance acquisition costs	27	26
Capital expenditure	5	1
<b>Closing balance</b>	<b>32</b>	<b>27</b>
Opening balance accumulated amortisation	22	20
Amortisation	3	2
<b>Closing balance</b>	<b>25</b>	<b>22</b>
<b>Net book value</b>	<b>7</b>	<b>5</b>

Intangible assets mainly comprises software for internal use.

## NOTE 6 ACCRUED EXPENSES AND DEFERRED INCOME

	2016	2015
Holiday pay liability	5	6
Social security charges	15	13
Accrued salaries	3	3
Other items	25	13
<b>Total</b>	<b>48</b>	<b>35</b>

## NOTE 7 CONTINGENT LIABILITIES

	2016	2015
Guarantees	1,633	1,602
<b>Total</b>	<b>1,633</b>	<b>1,602</b>

Refers mainly to guarantees for subsidiaries. There are no pledged assets.

## NOTE 8 PERSONNEL

### Average number of employees

In 2016, the average number of employees in the Parent Company was 37 (33), whereof 14 female (12).

There are two women on the Board of the Parent Company and one in the executive management team at the end of 2016.

### Costs of personnel

	Salaries and other remuneration	Social security charges	of which pension costs
<b>2016</b>			
Total	45	32	14
<b>2015</b>			
Total	44	28	12

Information on remuneration to key management, see note 5 of the Group.

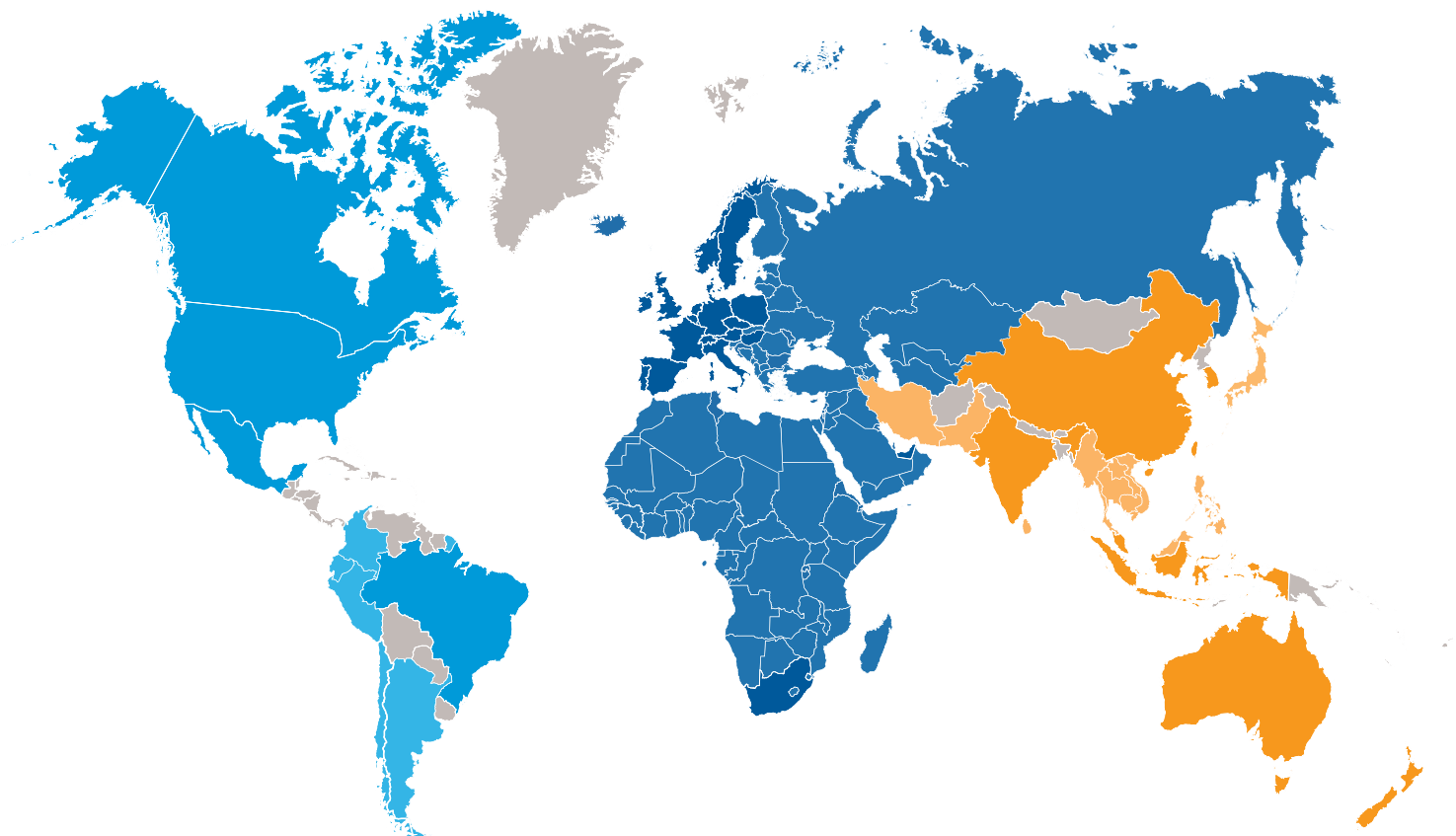
## NOTE 9 AUDITORS' REMUNERATION

The audit fees of the Parent Company amounted to MSEK 1 (1) during 2016. For a description of the auditors' remuneration, see note 6 of the Group.

**NOTE 10** INVESTMENTS IN GROUP COMPANIES

	2016	2015
Opening book value	1,585	1,595
Divestments	—	–10
Closing book value	1,585	1,585

Directly held investments in group companies	No. of shares	Holding, %	Corporate identity number (SE)	Reg. office	Country code	Book value 2016	Book value 2015
Gunnebo Holding GmbH	1	100		Garching	DE	0	0
Gunnebo Holding ApS	1,000	100		Skovlunde	DK	91	91
Gunnebo India Private Ltd.	8,059,880	100		Mumbai	IN	116	116
Gunnebo Holding AB	1,000	100	556573-7508	Gothenburg	SE	90	90
Gunnebo Nordic AB	251,000	100	556041-2362	Gothenburg	SE	388	388
Gunnebo Treasury AB	1,000	100	556465-2765	Gothenburg	SE	900	900
<b>Total</b>						<b>1,585</b>	<b>1,585</b>





## NOTE 10 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 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
FBH Fichet Ltd	49		Hitchin	GB
Gunnebo Entrance Control Ltd	100		Uckfield	GB
Gunnebo UK Ltd	100		Wolverhampton	GB
Gunnebo Magyarország Kft.	100		Budapest	HU
Gunnebo Hong Kong Ltd.	100		WanChai	HK
PT Chubb Safes Indonesia	100		Jakarta	ID
Gunnebo Services India Private 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
Gateway Varesikring	49		Oslo	NO
Gunnebo Polska Sp. z o.o.	100		Kalisz	PL
GAT – Comercializacao de Sistemas de Protecao 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

# Proposed Distribution of Earnings

Unrestricted equity in the Parent Company at the disposal of the Annual General Meeting:

Share premium reserve	452,056,121
Retained earnings	76,825,417
Net profit	109,545,566
<b>Total</b>	<b>638,427,104</b>

The Board of Directors proposes:

that a dividend of SEK 1.20 per share be paid to shareholders <sup>1)</sup>	91,584,001
and that the remaining sum be carried forward	546,843,103
<b>Total</b>	<b>638,427,104</b>

<sup>1)</sup> For Euroclear Sweden AB-registered owners, the proposed record date for dividend payment is April 7, 2017. The number of dividend-bearing shares on the record day is expected to total 76,320,001.

Board statement: The Board has proposed that a dividend of SEK 1.20 per share be paid i.e. a total of approximately MSEK 92. As a result of the dividend, unrestricted equity will change as shown above. The company and the Group are in a good position. There is more than enough scope for the proposed dividend in unrestricted equity. The equity ratio and liquidity will continue to be satisfactory after the proposed dividend. Considering this, the information in the Board of Directors' report and what is otherwise known by the Board,

the Board deems the proposed dividend justified with regard to the requirements placed by the operation's nature, scope and risks on the size of the company's and Group's equity and on the company's and Group's consolidation requirements, liquidity and position in general. None of the Parent Company equity on the closing day depends on assets and liabilities being measured at fair value according to Chapter 4 §14 of the Annual Accounts Act.

The Board and the President 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 2, 2017

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 2, 2017.  
Deloitte AB

Hans Warén  
Authorised Public Accountant

# Auditor's Report

*This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.*

**To the general meeting of the shareholders of Gunnebo AB (publ)  
corporate identity number 556438-2629**

## **Report on the annual accounts and the consolidated accounts**

### *Opinions*

We have audited the annual accounts and consolidated accounts of Gunnebo AB (publ) for the financial year 2016-01-01 - 2016-12-31. The annual accounts and consolidated accounts of the company are included on pages 47-80 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### *Key Audit Matters*

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

### *Valuation of goodwill*

In the balance sheet goodwill amounts to MSEK 1 628 as of 31 December 2016. This goodwill arose from former changes in ownership and acquisitions.

The value of the goodwill is dependent on future income and profitability in the cash generating units which the goodwill relates to. It is assessed for impairment at least once a year. The impairment test is based on several assumptions, such as estimated future cash flows, gross margins, growth and discount rate.

During the year the company has changed the cash generating units from business areas to product areas and reallocated the goodwill.

Incorrect judgments and assumptions may have a material impact on the group's result and financial position.

For further information, please refer to the section about accounting principles including important judgments and assumptions on pages 58-59 and note 10 about intangible assets on page 63 in the annual report.

Our audit procedures included, but were not limited to:

- Review and testing of Gunnebo's procedures for impairment testing of goodwill and assessed the reasonability in assumptions made, that the procedures are consistently applied and that there is integrity in the computations
- Review of the reallocation of goodwill when changing the cash generating units
- Review of completeness in relevant disclosures to the financial statements.
- Our valuation specialists have been involved in the audit procedures.

### *Valuation of deferred tax assets*

In the balance sheet deferred tax assets amount to MSEK 332 as of 31 December 2016, of which MSEK 194 relates to tax losses carried forward. The value is depend-

ent on to which extent it is probable that future tax surplus is generated and can be utilized against the accumulated tax losses. Incorrect judgments and assumptions may have a material impact on the group's result and financial position.

For further information, please refer to the section about accounting principles including important judgments and assumptions on page 58-59 and note 9 – Tax on profit for the year on page 63 in the annual report.

Our audit procedures included, but were not limited to:

- Review of Gunnebo's procedures for computation of deferred tax assets and assessment of the reasonability of judgments regarding future earning capacity
- Review of completeness in relevant disclosures to the financial statements.

### *Other information than the annual accounts and consolidated accounts*

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-46 and 89-99. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors and the Managing Director*

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### *Auditors' responsibility*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detect-

ing a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Gunnebo AB (publ) for the financial year 2016-01-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

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

### Basis for opinions

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

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

### Responsibilities of the Board of Directors and the Managing Director

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

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

### Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Gothenburg, March 2, 2017  
Deloitte AB

*Signature on Swedish original*

Hans Warén  
Authorised Public Accountant

# 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 2016 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 2016 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 2017 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 October 31, 2016.

## 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 2016, 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
- Regional and product area management teams
- Group corporate functions

## SHAREHOLDERS AND THE SHARE

For information about shareholders and the Gunnebo share, refer to pages 94–95 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

## Overview of Gunnebo's Corporate Governance





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.

## 2016 ANNUAL GENERAL MEETING

The 2016 Annual General Meeting was held on April 12 at the Chalmers Student Union building in Gothenburg. A total of 70 shareholders took part in the Meeting, representing around 66% 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 2015 financial year.
- Re-election of all Board members and 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 2017 Annual General Meeting
- 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

## 2017 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 April 5, 2017. More information about the Annual General Meeting is available on page 92 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 2016 Annual General Meeting that, for the period until the 2017 Annual General Meeting, Gunnebo's Nomination Committee would consist of one representative from each of the three largest shareholders as of September 30, 2016 as well as the Chairman of the Board. This means that the following shareholder representatives constituted the Nomination Committee for the period until the 2017 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 98.

## BOARD

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

In 2016, 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 2016

In 2016, the Board convened nine times in addition to the statutory meeting. The work of the Board has been performed as illustrated on page 85.

## CHAIRMAN OF THE BOARD

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the 2016 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 on page 89.

## 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 2016, the Board of Directors of Gunnebo had two Committees: the Remuneration Committee and the Audit Committee. The representatives sitting on these Committees are appointed by the Board from among its own ranks.

## AUDIT COMMITTEE

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

The Committee's duties include:

- Monitoring the Group's financial reporting as well as optimising efficiency within internal control and risk management
- Keeping informed of the auditing as well as examining and monitoring the auditor's impartiality and independence
- Assisting in the preparation of proposals for the election of auditor

Following the 2016 Annual General Meeting, the Committee comprised Tore Bertilsson (Chairman), Mikael Jönsson and Eva Elmstedt. 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 five meetings during the year and the Group's auditors participated in all of them. The Group's auditors also participated at one Board meeting to present an overview of their audit and review of internal control. The auditors have also met with the Board without the presence of representatives from the Group. Matters addressed by the Committee are illustrated below. The attendance of the Committee members at meetings is presented in the table on page 86.

## 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 Committee by the Group Executive Team and the SVP Human Resources and Sustainability. 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 2016 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 report, accounting and consolidated accounts as well as the Board and CEO's management of the company in accordance with generally accepted auditing standards in Sweden. After every financial year, the auditor submits an auditor's report for the Parent Company and a consolidated auditor's report to the Meeting. At the 2016 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 2017 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 6 of the Group.

## PRESIDENT & CEO AND GROUP EXECUTIVE TEAM

Henrik Lange is Gunnebo's President and CEO and leads Gunnebo's business activities. It is the President's responsibility to implement and ensure the execution of the strategies, business plans and operational targets adopted by the Board. The President is also responsible for ensuring that the Board receives the information and material necessary for making decisions. Furthermore, he presents reports at Board meet-

ings and continuously keeps the Board and Chairman informed of the Group's and company's financial position and performance.

The President is assisted by a Group Executive Team comprising managers for regions, product areas and corporate functions. At year-end 2016, the Group Executive Team consisted of nine individuals. These individuals, as well as SVP Marketing & Communications which became a new role within the Group Executive Team on 1 January 2017, are presented on pages 90–91 of this Annual Report. In 2016, the Group Executive Team held 13 meetings. The meetings mainly focused on the Group's strategic and operational development as well as performance monitoring.

## REGIONAL AND PRODUCT AREA MANAGEMENT

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

## CORPORATE FUNCTIONS

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

## Statistics on Attendance and Independence of Board Members 2016

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)		5 (C)	Yes	Yes	300,000
Göran Bille	2008	9 (M)	4 (M)		Yes	Yes	280,000
Charlotte Brogren	2012	8 (M)			Yes	Yes	250,000
Bo Dankis	2006	8 (M)			Yes	Yes	250,000
Eva Elmstedt	2015	9 (M)		4 (M)	Yes	Yes	280,000
Mikael Jönsson	2000	9 (M)	4 (M)	4 (M)	Yes	No	310,000
<b>Employee Representatives</b>							
Crister Carlsson	2010	9 (M)					38,700
Irene Thorin	2011	9 (M)					38,700
<b>Number of Meetings:</b>		<b>9</b>	<b>4</b>	<b>5</b>			<b>Total: 2,247,400</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" on pages 42–45 and in Note 18 – Group, "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. All Group companies complete a self-assessment 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 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-assessments and internal audits. Internal audits 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-assessment, but also on risk assessment, control activities and monitoring.

See the section Information for the Capital Market on pages 92–93 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 general meeting of the shareholders in Gunnebo AB  
Corp. Reg. No. 556438-2629

## Engagement and Responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2016-01-01 – 2016-12-31 on pages 83–87 and that it has been prepared in accordance with the Annual Accounts Act.

## The Scope of the Audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinions

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

Gothenburg, March 2, 2017

Deloitte AB

*Signature on the Swedish original*

Hans Warén

Authorised Public Accountant



## BOARD OF DIRECTORS

### Martin Svalstedt

#### Chairman of the Board

**Elected:** 2003, Chairman since 2008

**Born:** 1963

**Nationality:** Swedish

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

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

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

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

**Shareholding:** 180,000



### 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, Semcon, PRI Pensionsgaranti and Ludvig Svensson. Board member of IKEA Group, Intrum Justitia, Stampen and JCE Group.

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

**Other Board assignments:** Board member of KappAhl.

**Shareholding:** 10,000 (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, HMS Industrial Networks AB and QFree ASA.

**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:** Board member of Addtech AB, Proact AB, Syntavia AB, Axiell AB and Knowit 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:** Board member of PKC Group, a Finnish company listed in Helsinki.

**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:** SKF Industrial Market Division Controller, SKF Group Chief Accountant, SKF Group Controller and SKF UNITE Programme Director.

**Board appointments:** Chairman of 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:** —**Christian Carlsson****SVP Human Resources & Sustainability****Employed:** 2016**Born:** 1975**Nationality:** Swedish

**Education:** MA in Human Resources Management from Bournemouth University.

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

**Board appointments:** —**Shareholding:** —**Warrants and share options:** —**Robert Hermans****SVP Entrance Control****Employed:** 1996**Born:** 1968**Nationality:** Swedish

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

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

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

**Shareholding:** 8,000**Warrants and share options:** —**Heinz Jacqui****SVP Region EMEA****Employed:** 2016**Born:** 1961**Nationality:** German

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

**Professional background:** Senior executive positions in multinational companies for the past 20 years, predominantly within the healthcare industry, most recently as President for Acute Care Therapies at Getinge.

**Board appointments:** —**Shareholding:** —**Warrants and share options:** —



### Rolf Kjällgren

**SVP Safes & Vaults**

**Employed:** 2007

**Born:** 1965

**Nationality:** Swedish

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

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

**Board appointments:** —

**Shareholding:** 10,000

**Warrants and share options:** —



### Sacha de La Noë

**SVP Region Asia-Pacific**

**Employed:** 2005

**Born:** 1970

**Nationality:** Swedish

**Education:** Post-Graduate Diploma in Business Administration, Warwick Business School, UK.

**Professional background:** Sub-Regional Director for Gunnebo in South-East Asia, Director Global ATM at Gunnebo, senior positions in finance at Gunnebo, Wilson Logistics Group, Oriflame, Alfort & Cronholm Group.

**Board appointments:** —

**Shareholding:** 8,600

**Warrants and share options:** —



### Daniel Schroeder

**SVP Region Americas**

**Employed:** 2016

**Born:** 1964

**Nationality:** American

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

**Professional background:** Vice President Sales 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:** —



### Tomas Wängberg

**SVP Business Development**

**Employed:** 2009

**Born:** 1958

**Nationality:** Swedish

**Education:** Marine Engineering, Chalmers 1981

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

**Board appointments:** Board member of HTC Group AB.

**Shareholding:** 21,843

**Warrants and share options:** 20,000



### Karin Wallström Nordén

**SVP Marketing & Communications<sup>1)</sup>**

**Employed:** 2003

**Born:** 1978

**Nationality:** Swedish

**Education:** Master of Science in Business Administration from the Gothenburg School of Business, degree in Journalism.

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

**Board appointments:** Board member of Swedish-India Business Council (SIBC).

**Shareholding:** —

**Warrants and share options:** —

<sup>1)</sup> New position in the Group Executive Team from 1 January 2017

# 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 SVP Marketing & Communication. There is also detailed information about both the Group's operations and its financial results on the Group website, [www.gunnebogroup.com](http://www.gunnebogroup.com).

## ANNUAL GENERAL MEETING

Gunnebo's Annual General Meeting will be held at 4:00pm CET on Wednesday April 5, 2017 at the Chalmers Student Union building, Chalmersplatsen 1, Gothenburg.

## Registration

Shareholders who wish to participate in the Annual General Meeting must have their names entered in the register of shareholders maintained by Euroclear Sweden by no later than Thursday March 30, 2017, and must notify the AGM of attendance by no later than Thursday March 30, 2017, preferably before 4:00pm 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 March 30, 2017.

## Invitation to the 2017 Annual General Meeting

Gunnebo's Annual General Meeting will be held at 4:00pm CET on Wednesday April 5, 2017 at the Chalmers Student Union building, Chalmersplatsen 1, Gothenburg.

### Registration

Shareholders who wish to participate in the Annual General Meeting must have their names entered in the register of shareholders maintained by Euroclear Sweden by no later than Thursday March 30, 2017, and must notify the AGM of attendance

by no later than Thursday March 30, 2017, preferably before 4:00pm 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 Thursday March 30, 2017.

## Dividend

The Board proposes to the AGM a dividend of SEK 1.20 (SEK 1.00) per share for the 2016 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 SVP Marketing & Communication. One of these people is always available in connection with the publication of interim reports.

Confidence in the Gunnebo share is based on compliance with NASDAQ Stockholm's rules for listed companies and on Gunnebo's ability and willingness to provide clear, relevant information to the market.

## ACTIVITIES 2016

In March 2016, Gunnebo arranged a capital market day in Stockholm. It was attended by around 40 analysts, fund managers, investors and journalists. The day focused on presenting the Group's new Strategy for Profitable Growth. All presentations were recorded and all the material is available on [www.gunnebogroup.com](http://www.gunnebogroup.com).

In 2016, Gunnebo has had an ongoing dialogue with the analysts that follow the Group: Carnegie, SEB and Swedbank. In addition over

40 telephone conferences and face-to-face meetings were held with analysts and investors.

The Group also participated in seminars, breakfast, lunch and dinner meetings as well as shareholder meetings. After each interim report Gunnebo arranges a telephone conference to present the financial results. The call is recorded and the recording is made available on the website.

## FINANCIAL GOALS

Gunnebo's financial goals have remained unchanged since 2005. The Group shall achieve organic growth of at least 5% a year. Gunnebo shall earn an operating margin of at least 7% and a long-term return on capital employed of at least 15%. The equity ratio shall not fall below 30%.

## THE CAPITAL STRUCTURE OF THE GROUP

One of Gunnebo's long-term financial goals is to have an equity ratio of no less than 30%. The equity ratio at the end of the year was 34%. Another of Gunnebo's aims is to achieve a return of at least 15% on capital employed. For 2016 the Group had a return on capital employed excluding non-recurring items of 12.8%.

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, 2016 amounted to MSEK 1,502 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 net profit. The proposed dividend for 2016 is SEK 1.20 per share.

## Analysts Following Gunnebo

### CARNEGIE INVESTMENT BANK AB

Kenneth Toll Johansson  
+46 8 676 88 00  
[kenneth.toll.johansson@carnegie.se](mailto:kenneth.toll.johansson@carnegie.se)

### SEB EQUITY RESEARCH

Viktor Bellak  
+46 8 522 29 674  
[viktor.bellak@seb.se](mailto:viktor.bellak@seb.se)

### SWEDBANK MARKETS

Mats Liss  
+46 8 585 900 00  
[mats.liss@swedbank.se](mailto:mats.liss@swedbank.se)

## Financial Information and Reports 2017

April 5, 2017

Annual General Meeting 2017

April 28, 2017

Interim Report  
January–March 2017

July 19, 2017

Interim Report  
January–June 2017

October 25, 2017

Interim Report  
January–September 2017

November 23, 2017

Capital Market Day 2017,  
Stockholm

February 2, 2018

Year-End Release for 2017



# 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 2016 Gunnebo had 10,400 shareholders. The percentage of foreign ownership amounted to 18.9%. 12.6% of the share capital was owned by Swedish natural persons, which means that 87.4% was owned by Swedish legal entities or foreign legal entities or natural persons.

## SHARE CAPITAL AND VOTES

On December 31, 2016 Gunnebo had a share capital of MSEK 385.3 divided into 77,050,848 shares, of which 730,847 were C shares, each with a quota value of SEK 5. An ordinary share has one vote and C shares have 1/10th of one vote. C shares have no dividend rights. See note 14 of the Group.

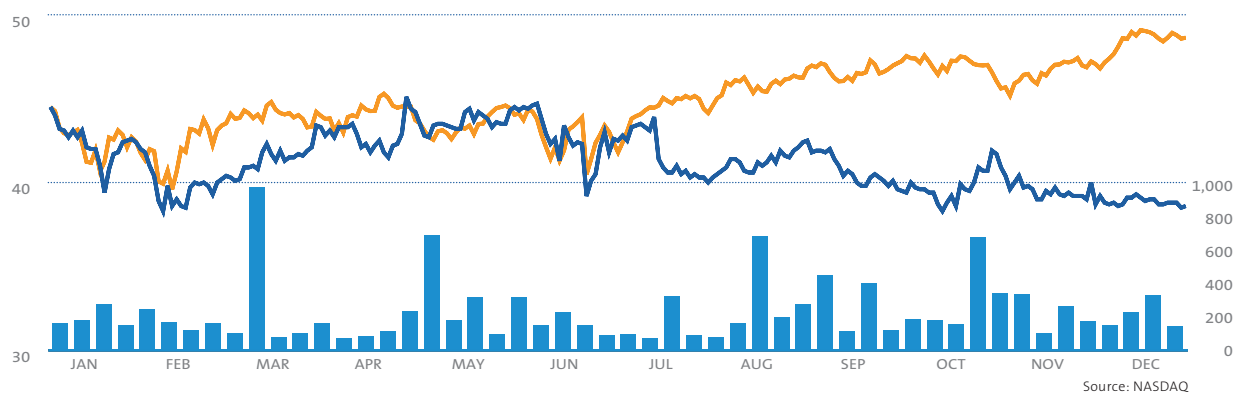
## SHARE PRICE

At the end of the year the Gunnebo share was trading at SEK 38.60, which is a decrease during the year of 14%. During the same period, Stockholm Stock Exchange's OMX 30 Index increased by 9%. The lowest share price paid during the year was SEK 36.80 (February 11) and the highest was SEK 45.30 (April 27).

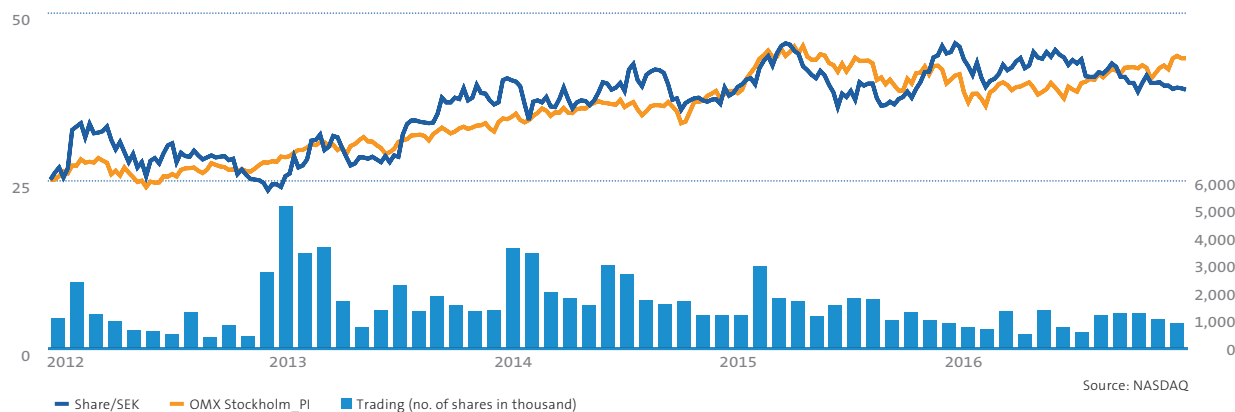
## TRADING AND MARKET VALUE

A total of 11,994,919 shares (18,494,246) were traded in 2016 at a value corresponding to MSEK 494 (747). The average volume traded each trading day was 47,411 shares (73,682), equating to TSEK 1,953 (2,977). The market value on December 30, 2016 was MSEK 2,974.

## THE GUNNEBO SHARE 2016



## THE GUNNEBO SHARE 2012–2016

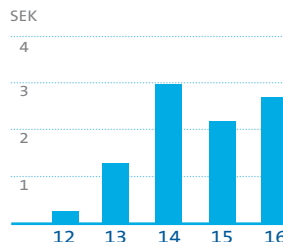


<b>Largest shareholders, grouped</b>	No. of shares issued	Votes
Stena Adactum	19,827,329	26.0%
Vätterledens Invest, with associates	14,977,913	19.6%
IF Skadeförsäkringar	8,849,114	11.6%
NTC Various Fiduciary Capacit	2,790,908	3.6%
Fidelity Funds	2,417,466	3.2%
JP Morgan Bank	1,834,508	2.4%
DnB Carlsson Funds	1,718,825	2.2%
CBNY Norges Bank	770,348	1.0%
Afa Försäkring	765,589	1.0%
Avanza Pension	759,670	1.0%
CBNY DFA Small Cap V	704,226	0.9%
Handelsbanken Liv	684,126	0.9%
Humle Kapitalförvaltning	550,000	0.7%
Evli Ruotsi	533,391	0.7%
Skandia Funds	445,735	0.6%
Swedbank Robur Funds	431,400	0.6%
Other	18,259,453	23.9%
<b>Total ordinary shares</b>	<b>76,320,001</b>	<b>99.9%</b>
Gunnebo AB, C shares	730,847	0.1%
<b>Total shares issued</b>	<b>77,050,848</b>	<b>100.0%</b>

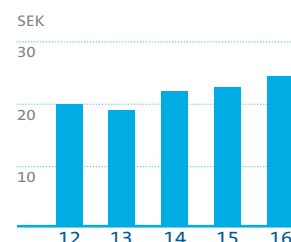
<b>Shareholders by size</b>	No. of shareholders	No. of out- standing shares	Holding and votes, %
1–500	6,667	1,164,671	1.5
501–1,000	1,661	1,377,432	1.8
1,001–5,000	1,616	3,754,060	4.9
5,001–10,000	222	1,688,785	2.2
10,001–50,000	156	3,533,546	4.6
50,001–	78	64,801,507	85.0
<b>Total outstanding shares</b>	<b>10,400</b>	<b>76,320,001</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
2016 New share issue	+1	382	76,320,001
2016 New share issue C shares	+3	385	77,050,848

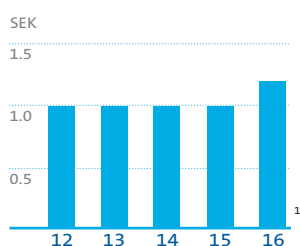
## DILUTED EARNINGS PER SHARE



## EQUITY PER SHARE

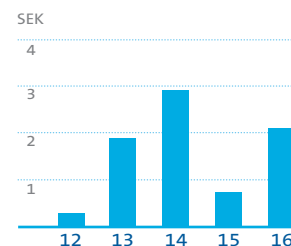


## DIVIDEND PER SHARE



<sup>1)</sup> Board proposal

## FREE CASH FLOW PER SHARE



<b>No. of shares</b>	2016	2015	2014	2013	2012
Closing no. of shares, x 1,000	77,051	76,185	76,174	75,914	75,856
Average no. of shares incl C shares, x 1,000	76,837	76,180	75,979	75,863	75,856

<b>Data per share</b>	2016	2015	2014	2013	2012
Diluted earnings per share, SEK	2.70	2.18	2.98	1.29	0.26
Equity per share, SEK	24.40	22.65	21.93	19.06	20.02
Free cash flow per share, SEK	2.09	0.73	2.94	1.90	0.28
Dividend, SEK <sup>1)</sup>	1.20	1.00	1.00	1.00	1.00

<b>Share price related share data</b>	2016	2015	2014	2013	2012
Share price at year-end (last price paid), SEK	38.60	45.00	37.70	40.00	24.50
Highest price during the year (price paid), SEK	45.30	46.10	43.70	40.90	39.40
Lowest price during the year (price paid), SEK	36.80	34.70	33.30	24.00	23.30
Market value at year-end, MSEK	2,974	3,428	2,872	3,037	1,858
P/E ratio, times	14	21	13	31	94
Dividend yield, % <sup>1)</sup>	3.1	2.2	2.7	2.5	4.1

<sup>1)</sup> The Board proposes a dividend of SEK 1.20 per share for the year 2016.

# Five-Year Review

	2016	2015	2014	2013	2012
<b>Income statement, MSEK</b>					
Net sales	6,088	6,052	5,557	5,271	5,236
Cost of goods sold	-4,319	-4,278	-3,911	-3,689	-3,666
<b>Gross profit</b>	<b>1,769</b>	<b>1,774</b>	<b>1,646</b>	<b>1,582</b>	<b>1,570</b>
Other operating expenses, net	-1,403	-1,454	-1,294	-1,360	-1,391
<b>Operating profit</b>	<b>366</b>	<b>320</b>	<b>352</b>	<b>222</b>	<b>179</b>
Net financial items	-53	-43	-35	-75	-66
<b>Profit before taxes</b>	<b>313</b>	<b>277</b>	<b>317</b>	<b>147</b>	<b>113</b>
Income tax	-104	-109	-90	-45	-89
<b>Net profit</b>	<b>209</b>	<b>168</b>	<b>227</b>	<b>102</b>	<b>24</b>
<b>Other financial items, MSEK</b>					
EBITDA	489	428	440	308	274
EBITDA excluding non-recurring items	561	505	454	392	361
Non-recurring items within operating profit	-72	-77	-14	-84	-87
<b>Margins, excluding non-recurring items</b>					
Gross margin, %	29.5	29.7	30.2	30.6	30.3
EBITDA margin, %	9.3	8.3	8.2	7.4	6.9
EBIT margin, %	7.2	6.6	6.6	5.8	5.1
EBT margin, %	6.3	5.8	6.0	5.2	4.7
<b>Margins, including non-recurring items</b>					
Gross margin, %	29.1	29.3	29.6	30.0	30.0
EBITDA margin, %	8.0	7.1	7.9	5.9	5.2
EBIT margin, %	6.0	5.3	6.3	4.2	3.4
EBT margin, %	5.1	4.6	5.7	2.8	2.2
<b>Other information</b>					
Foreign sales ratio, %	97	96	97	97	97
Capital expenditure, MSEK	106	135	78	72	116
Depreciation, MSEK	123	108	88	84	87
Average number of employees	5,435	5,518	5,629	5,656	5,563

	2016	2015	2014	2013	2012
<b>Balance sheet, MSEK</b>					
Intangible assets	1,922	1,812	1,675	1,494	1,502
Property, plant and equipment	347	358	304	304	327
Financial assets	14	14	16	17	60
Deferred tax assets	332	304	339	307	263
Inventories	726	678	694	609	580
Current receivables	1,629	1,423	1,350	1,212	1,201
Cash and cash equivalents	581	496	447	392	350
<b>Total assets</b>	<b>5,551</b>	<b>5,085</b>	<b>4,825</b>	<b>4,335</b>	<b>4,283</b>
Equity	1,890	1,747	1,694	1,463	1,533
Long-term liabilities	1,726	1,594	1,449	1,274	1,428
Current liabilities	1,935	1,744	1,682	1,598	1,322
<b>Total equity and liabilities</b>	<b>5,551</b>	<b>5,085</b>	<b>4,825</b>	<b>4,335</b>	<b>4,283</b>
<b>Cash flow statement, MSEK</b>					
Cash flow from operating activities before changes in working capital	356	305	246	218	156
Cash flow from changes in working capital	-122	-119	25	-7	-20
<b>Cash flow from operating activities</b>	<b>234</b>	<b>186</b>	<b>271</b>	<b>211</b>	<b>136</b>
<b>Free cash flow, MSEK</b>					
Free cash flow	159	56	223	144	21
<b>Returns, excluding non-recurring items</b>					
Return on capital employed, %	12.8	12.4	12.6	10.7	10.2
Return on equity, %	15.8	14.4	15.6	15.6	9.7
<b>Returns, including non-recurring items</b>					
Return on capital employed, %	10.8	10.1	12.1	7.9	7.0
Return on equity, %	11.7	9.9	14.7	6.9	1.5
<b>Other key ratios</b>					
Capital turnover rate, times	1.7	1.8	1.8	1.8	1.9
Equity ratio, %	34	34	35	34	36
Interest coverage ratio, times	7.4	7.8	9.6	5.3	5.4
Debt/equity ratio, times	0.7	0.7	0.6	0.7	0.7
<b>Share data</b>					
Basic earnings per share, SEK	2.71	2.18	2.98	1.29	0.26
Diluted earnings per share, SEK	2.70	2.18	2.98	1.29	0.26
Equity per share, SEK	24.40	22.43	21.93	19.06	20.02
Free cash flow per share, SEK	2.09	0.73	2.94	1.90	0.28
Dividend, SEK <sup>1)</sup>	1.20	1.00	1.00	1.00	1.00
<b>Other information</b>					
Capital employed, MSEK <sup>2)</sup>	3,777	3,462	3,186	2,950	2,958
Net debt, MSEK <sup>2)</sup>	1,297	1,212	1,039	1,088	1,026

1) The Board proposes a dividend of SEK 1.20 per share for the year 2016.

2) Closing balance.

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 SVP: Heinz Jacqui

FINANCE & IT  
 CFO: Susanne Larsson

HUMAN RESOURCES & SUSTAINABILITY  
 SVP: Christian Carlsson

MARKETING & COMMUNICATIONS  
 SVP: Karin Wallström Nordén



## Gunnebo Glossary

### ORGANISATION

#### Region EMEA (Europe, Middle East & Africa)

The region for all business within the sales companies for Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Middle East, Netherlands, Norway, Poland, Portugal, South Africa, Spain, Sweden, Switzerland and the UK.

#### Region Asia-Pacific

The region for all business within the sales companies for Australia and New Zealand, China, India, Indonesia, Malaysia, Singapore and South Korea.

#### Region Americas

The region for all business within the sales companies for Brazil, Canada, Mexico and the USA.

#### Sales company

A Gunnebo subsidiary responsible for local sales and marketing. Gunnebo has its own sales companies in 28 countries.

### PRODUCT AREAS

#### Cash Management

Solutions designed to make cash management safer and more efficient. Cash management occurs throughout the cash cycle and involves central banks, bank branches, retailers, cash in transit companies and the general public.

#### Entrance Security

Solutions that allow authorised entry and prevent unauthorised access to sites and buildings. Includes speed gates, turnstiles, interlocking doors and security doors. Entrance Security also includes ticket gate solutions for mass transit systems and airport gates for fast boarding, immigration control and security checks.

#### Safes & Vaults

Safes and vaults that are certified to resist burglary, fire and explosives. Also includes deposit safes, fireproof filing cabinets, safes for the protection of digital media, bank vaults, modular vault rooms and safe deposit lockers.

#### Electronic Security

Solutions for the integration of security systems. Includes access control, intrusion detection, electronic locks and remote surveillance systems.

### CUSTOMER SEGMENTS

#### Bank

Central, national, regional and local banks, pawn shops and other financial institutions.

#### Retail

Shops, restaurants, casinos, mass transit, post offices, public services such as libraries and other organisations outside of the bank segment that handle cash in their day-to-day operations.

#### Mass Transit

Public rail, bus and metro networks and airports, which transport large volumes of passengers.

#### Public & Commercial Buildings

Includes company and government offices, administrative centres and public buildings.

#### Industrial & High-Risk Sites

Includes factories, logistics companies, power plants, stadia, ports, prisons and casinos.

## Disclaimer

This report contains future-oriented information. It reflects the management's current perceptions of certain future events and the possible ensuing results. No guarantees can be given that these perceptions will prove to be correct. Actual future results may vary considerably from the information supplied in this report, partly due to changes in circumstances regarding the economy, market and competition, changed legal requirements and other political measures, variations in exchange rates, business risk assessments and other factors mentioned in this annual report.

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An aerial night view of a city, likely Shanghai, with its lights reflecting on the water. Overlaid on the image are several glowing blue arcs and points, resembling a global network or satellite connections. The sky is dark blue with some clouds and a few bright stars or distant lights.

Gunnebo is a global supplier of security products, services and solutions with an offering covering Cash Management, Entrance Security, Safes & Vaults and Electronic Security for banks, retail, mass transit, public & commercial buildings and industrial & high-risk sites.

The Group has an annual turnover of MSEK 6,100 and 5,600 employees in 28 countries across Europe, the Middle East & Africa, Asia-Pacific and the Americas as well as a network of Channel Partners on 100 additional markets.

Gunnebo makes your world safer.