

Annual Report 2018

# Take Control



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Unless otherwise stated, text and numbers refer to continuing operations.

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.

## ■ The Annual Report

The Board and CEO of Gunnebo AB (publ), company registration number 556438-2629, hereby submit the Annual Report and consolidated accounts for the 2018 financial year. The Annual Report is presented on pages 4–7, 16–17, 32–50 and 56–89. The Annual Report has been audited by Gunnebo's auditors. See the Auditor's Report on pages 90–93.

The Sustainability Report, examined by the auditors, can be found on pages 32–41.

The Corporate Governance Report, examined by the auditors, can be found on pages 45–50.



### Commercial Website

Browse Gunnebo's core product offering within Safe Storage, Cash Management, Entrance Control and Integrated Security.

[Gunnebo – take control of security](https://www.gunnebo.com)

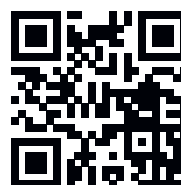


Scan this QR code with your smartphone or go to [www.gunnebo.com](https://www.gunnebo.com)



# Comments by the CEO

## 2018 – A Year of Change for a Stronger Gunnebo



### Video Interview

To watch an extended interview with Henrik Lange where he reflects on the progress the Gunnebo Group has made during 2018, scan this QR code with your smartphone or visit [www.gunnebogroup.com](http://www.gunnebogroup.com)

Dear shareholders,

2018 has been a year of major changes for the Group. We have revised our strategy to get a clear focus by product offering. As a result, we have divested several non-core businesses.

To strengthen our focus by product offering, we have changed our organisation from a geographical structure into a Business Unit structure with the three core product offerings: Safe Storage, Cash Management and Entrance Control. The remaining businesses consist of a series of local integrator businesses within electronic security, fire security and electronic article surveillance bundled together into Business Unit Integrated Security. To reflect this new focus, external reporting was changed from the second quarter of 2018. To show our ambitions with these changes we also introduced new financial targets for the Group. During the year we have also divested the non-profitable, local integrator businesses in France, Belgium and Luxembourg as well as two smaller integrator businesses in UK and Spain.

### Development of the Business

During the year, we have implemented strategic plans by Business Unit with a clear focus on increased customer value and profitable growth. We have also created clear organisations related to hardware, software and service by Business Unit.

### Safe Storage

Safe Storage had a good year with sales growth of 4% and an EBITA margin improving to 8.3%. The business developed well during the year with strong sales of ATM safes and a generally good development of vaults and safes to both established and new customer segments. Our automated safe deposit locker solution, SafeStore Auto, has attracted good interest during the year as have our EMP safes which protect servers from electromagnetic pulse attacks.

“ In 2019 we will continue to strengthen the Business Unit structure with a focus on profitable growth.

#### Cash Management

Cash Management had a strong end to the year, where the overall sales growth for the year was 2% and the EBITA margin 11.2%. We have continued to develop both hardware and software solutions in collaboration with major customers. At the same time, we have continued to experience good sales of our solution for closed cash handling, SafePay, as well as for deposit solutions to cash in transit (CIT) companies in Europe and the Middle East. In the Americas we have started to sell cash recycling solutions to banks with good results.

#### Entrance Control

Entrance Control had another very good year with sales growth of 13% and an EBITA margin improving to 16.8%. During the year we have continued to grow in public buildings, metro and airports around the globe and we have developed a lean and modular system for Entrance Control to be able to satisfy our customers in all our segments.

#### Integrated Security

Integrated Security is a mix of several local businesses within electronic security, fire security and electronic article surveillance. Sales contracted in 2018 mainly due to fewer major projects compared to the previous year. In Integrated Security we are reviewing the portfolio and working with each business separately to define how to meet our financial targets.

The development of a common software platform on which all Business Units can develop software services has continued during the year including the development of an overall solution for retail.

#### Financial Targets

The new organisation with Business Units will allow us to be more customer-focused and to operate the business in a leaner way by product offering. This is what ensures we will meet our new financial targets of 5% sales growth and at least a 10% EBITA margin with continued strong cash flow. To assure the Group's financial strength,

the net debt/EBITDA ratio should be below 2.5. In addition, the dividend should be 30–50% of net profit.

#### Results

Together, the results (EBITA) of Safe Storage, Cash Management and Entrance Control improved by 60 MSEK year over year but this did not compensate for the shortfall in Integrated Security. The Group's EBITA margin for 2018 ended at 6.7% (7.7% in 2017). The lower margin was entirely due to the lower performance of Integrated Security where we have delivered fewer and smaller projects than last year.

Free cash flow improved by MSEK 200, a result of focused activities throughout the year. Our net debt/EBITDA ratio was 3.5. This was in line with expectations, planning for the closure of discontinued operations. Moreover, the Board has proposed a dividend of SEK 0.50 per share, which is in line with the dividend policy.

#### Engaged and Motivated Employees

Our performance during the year would not have been possible without the hard work of all the Group's dedicated employees. At Gunnebo we are some 4,500 committed colleagues who will continue to strive to make Gunnebo a successful business in every aspect. With this, I would like to say a big thank you for each employee's contribution in 2018, and for their positive attitude and willingness to change.

#### Going Forward

In 2019 we will continue to strengthen the Business Unit structure and focus on growing profitably while continuing to review the local businesses in Integrated Security. By doing this I am convinced we will improve our performance over the years to come, achieve profitable growth and meet our financial targets.

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

Gothenburg, March 2019  
Henrik Lange, President & CEO

# 2018 in Brief

## Highlights for 2018

### Continuing Operations

- Net sales amounted to MSEK 5,128 (4,861), sales growth was 3%
- EBITA amounted to MSEK 344 (375) and the EBITA margin to 6.7% (7.7)
- Operating profit (EBIT) amounted to MSEK 265 (301) and the operating margin (EBIT) amounted to 5.2% (6.2)
- Net profit amounted to MSEK 120 (152)
- Basic earnings per share amounted to SEK 1.57 (1.90)

### Continuing and Discontinued Operations

- Free cash flow amounted to MSEK 124 (–74)
- Dividend per share (proposed): SEK 0.50 (1.20)



The new generation of Gunnebo's SafePay closed cash management system.

## Sales Growth

3%

## EBITA

6.7%

## Key Ratios

	2018	2017
Net sales, MSEK	5,128	4,861
EBITA, MSEK	344	375
EBITA, %	6.7	7.7
Amortisation and impairment from acquisition related intangibles	–40	–22
Items affecting comparability (IAC)	–39	–52
EBIT	265	301
Net profit	120	152
Earnings per share, SEK	1.57	1.90
<b>Discontinued operations</b>		
Net profit	–803	8
Earnings per share, SEK	–10.52	0.10
<b>Continuing and discontinued operations</b>		
Net profit	–683	160
Earnings per share, SEK	–8.95	2.00
Free cash flow	124	–74
Dividend per share (*proposed), SEK	0.50*	1.20

## Highlights

### Q1

#### Safe Storage

- A major Malaysian bank upgrade its branch security with Gunnebo's modular vaults and safe deposit lockers
- ANJI Bank of Agriculture and Commerce in China chooses Gunnebo's SafeStore Auto Maxi solution to provide its top-end customers with high-security storage services

#### Entrance Control

- Gunnebo supplies entrance control gates to Nanjing City metro making it the 100th metro line project won by the Group in China
- Luton Airport in the UK installs anti-return gates from Gunnebo at its new international arrivals area.
- A nuclear power plant in Guangxi Province, China elects to improve its entrance security using Gunnebo turnstiles

#### Integrated Security

- Mexican retailer, Cosco, signs a contract for electronic security products and services

### Q2

#### Group

- Launch of new organisation and ways of working
- Launch of new financial targets
- Signing for the divestment of the Group's business in France, Belgium and Luxembourg

#### Safe Storage

- One of India's major gold loan companies, NBFC, orders high-grade safes for its national outlets
- JP Morgan Chase Bank in the USA invests in new safes for its branch network expansion
- The Steelage brand, originally from India, launches in Africa and the Middle East

#### Cash Management

- Netto optimises its cash management by installing the SafePay closed cash management system at supermarkets in Sweden
- Global launch of new cash deposit solutions is successfully completed with orders taken from Europe and Middle East
- CIT company, Transguard, continues to invest in cash management solutions from Gunnebo in the UAE

#### Entrance Control

- The Grand Egyptian Museum chooses entrance control solutions from Gunnebo to protect historical artefacts
- Metro lines in Shenyang and Xuzhou City in China adopt Gunnebo's metro flaps gates for entrance control
- New dedicated entrance control showroom opens in the UK

### Q3

#### Safe Storage

- A major Danish bank invests in automated safe deposit solution, SafeStore Auto, to be installed in its flagship branch
- A Chubb safes-branded experience centre for panic rooms with a vault door opens in Hangzhou, China

#### Cash Management

- Energy company, ST1, invests in the SafePay closed cash management solution for its national petrol stations in Sweden
- A large CIT-company in the Middle East continues to buy Gunnebo's cash management solutions to streamline the cash process for its retail customers
- A major Australian retailer signs a two-year service contract for its installed base of cash management solutions

#### Entrance Control

- Several public high-risk buildings in Geneva, Switzerland increase entrance security with solutions from Gunnebo
- The performance of Gunnebo's airport gate solutions stands out from the competitors and the Group wins an order for automated immigration gates to be installed in two airports in South Korea

#### Integrated Security

- A small local alarm monitoring business for consumers is divested in Spain

### Q4

#### Group

- The divestment of Gunnebo's businesses in France, Belgium and Luxembourg is closed

#### Safe Storage

- The Swedish government continues to invest in safes offering protection against electromagnetic pulses (EMP)
- A major South African bank places an order for more than 300 blast-resistant ATM safes

#### Cash Management

- The Swedish retailer, Coop, continues to upgrade its cash management solutions by installing Gunnebo's closed cash management system, SafePay
- After a successful pilot, a CIT company in Brazil starts a full roll-out of Gunnebo cash management solutions for its client

#### Entrance Control

- Airport operator Swedavia and other Swedish airports continue to invest in improved passenger flow by installing pre-security gates
- Global logistics company, DHL, chooses SpeedStiles from Gunnebo to improve security and access control at multiple sites in Italy
- The successful business to supply solutions for entrance control to metro lines in China continues. During the quarter, a metro line in Wuhan decides to install Gunnebo metro gates

#### Integrated Security

- Lojas Americanas, one of the leading retail chains in Brazil continues to roll out EAS and CCTV solutions, together with other loss prevention equipment from Gunnebo, to its stores nationwide

# Business Model

Gunnebo's business model identifies the underlying market drivers which the Group's strategy addresses to create a focused customer offering and subsequently value for the Group's stakeholders.

## Market Drivers

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

### Increased security awareness

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

### Urbanisation

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

### Development of infrastructures

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

### Increased wealth and a higher standard of living

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

### Technology-driven growth and connectivity

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

### Compliance with legislation and regulations

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

## Business Strategy

The Group's strategy lays out the priorities that will ensure business growth and profitability. After more than a decade of being organised by geography and customer segment, in 2018 Gunnebo shifted to a Business Unit structure with a clear focus on products in terms of hardware, software and services.

### Safe Storage



**Mission** To protect valuables and provide peace of mind at home, at work and at leisure

**Vision** To become the number one protector of valuables through industry-leading innovation

### Cash Management



**Mission** To provide cost-effective and secure solutions through innovative business models

**Vision** To lead and co-develop the future customer payment cycle, offering best in class uptime and peace of mind





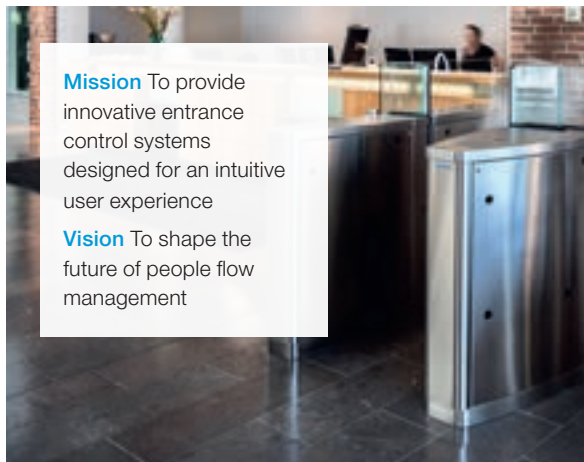
**Mission.** The Group's mission is to create a safer world.



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

By creating Business Units by product offering, which are designed by customer needs and go-to-market model, the different parts of the Group can develop clear offerings to their respective target audiences. This is how Gunnebo will win in the marketplace.

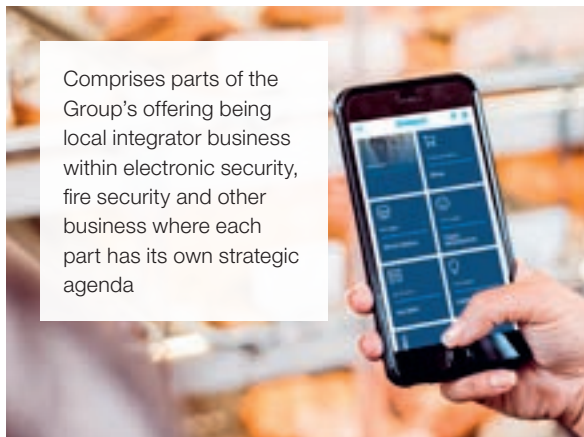
## Entrance Control



**Mission** To provide innovative entrance control systems designed for an intuitive user experience

**Vision** To shape the future of people flow management

## Integrated Security



Comprises parts of the Group's offering being local integrator business within electronic security, fire security and other business where each part has its own strategic agenda

## Stakeholder Value Creation

### Our Business

#### Customers

The Group's revenues represent the market value of the value Gunnebo delivers to its customers. Turnover: **MSEK 5,128**

#### Shareholders

The profits the Group generates benefit shareholders through dividend payments and increased share value. Dividend: **MSEK 92**

#### Suppliers

Through building strategic supplier partnerships throughout the value chain, the Group supports job creation beyond its own business. Cost of material, transport, vehicles, travel and other costs: **MSEK 2,959**

#### Creditors

A long-term sustainable equity ratio and improved profitability allow for strong, long-lasting relationships with financing partners. Cost of credit facilities and interest: **MSEK 55**

### Our People

#### Employees (4,449)

The Group works to ensure a motivated, engaged and accountable workforce by providing personal development and opportunities to grow professionally within the organisation. This enables employees to deliver value-added offerings to the customer. Remuneration and social security charges to employees, subcontractors and consultants: **MSEK 1,789**

### Our Impact

#### Society

The Group is committed to creating a sustainable and ethical business which strives to minimise its impact on the environment. Income taxes paid: **MSEK 80**

# Strategy

The Group's strategy lays out the priorities that will give profitable growth. In 2018 Gunnebo shifted to a Business Unit structure with focus on product offering. The creation of Business Units organised by product enables the Group to develop clear offerings to its target audiences.

In 2016 Gunnebo shaped its Strategy for Profitable Growth. This strategy has set the Group on a journey to define its core business. In 2018, it has led to a number of major changes to the Group's organisation, the way it presents itself to the market, and how it measures performance.

Gunnebo's overall strategy is to focus the business by product offering. This transition was made in 2018 through the creation of Business Units. Each Business Unit optimises its own value chain by the go-to-market model and customer requirements. The Business Units are accountable for their own performance which is measured against market growth.

## Strategic Activities in 2018

The Group has taken a number of strategic actions which support a business organised by product offering:

### Business Units

In July, Gunnebo announced a new organisational structure and thereby dismantled the previous matrix organisation. This was to allow each Business Unit to set up clear organisations with full P&L responsibility.

### New reporting structure

The new product organisations are also reflected in the way Gunnebo is reporting, measuring and rewarding. As a result, the external segment reporting structure was changed in the second quarter of 2018 to clearly show performance not only for the Group, but also for each Business Unit.

### Divestment of integrator business

In the process of defining its core business going forward, the Group decided to divest the local integrator business in France, Belgium and Luxembourg.

## Strategic Priorities

The Group has four strategic priorities:

- 1 **Shareholder Value**  
By delivering sustainable profitable growth, Gunnebo delivers shareholder value through dividend payments and increased share value. Read more on pages 56–62.
- 2 **Satisfied Customers**  
Through providing products, services and software giving peace of mind, Gunnebo strives to exceed customer expectations. Read more on pages 14–31.
- 3 **Engaged Employees**  
Gunnebo provides employees with opportunities to develop personally and professionally. Read more on pages 37–40.
- 4 **Sustainable Business**  
Gunnebo drives sustainable and ethical activities throughout its value chain. Read more on pages 32–36 and 41.

Each Business Unit has defined its own strategic priorities. Read more on pages 14–31.

## Strategy Timeline

As a result of a financial crisis in the early 1990s, the Swedish government created six venture capital firms charged with keeping the economy afloat by investing in Swedish businesses. One of these firms, HIDEF, made a large number of acquisitions all within the field of security. The enterprise became a listed company on the Swedish Stock Exchange in 1994 and one year later took the name of Gunnebo from one of the acquisitions it had made.

### 1995–2005

#### Acquisition

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

### 2006–2008

#### Integration

The "Gunnebo One" integration programme brings most of the companies acquired under the Gunnebo brand.

The divestment was finalised in December 2018. During the autumn, the Group has also divested smaller, non-core parts of its Integrated Security business in Spain and the UK.

#### New financial targets

With a clear focus on the product offering by Business Unit and with an organisational structure supporting this, the Group announced new financial targets in July 2018. The targets focus on growth and profitability by Business Unit measured as sales growth and EBITA. Moreover, the Group has target on the net debt/EBITDA ratio, as well as dividend in relation to net profit. Both these targets are related to the Group's long-term financial strength.

#### Continued investment in digitalisation and software platforms

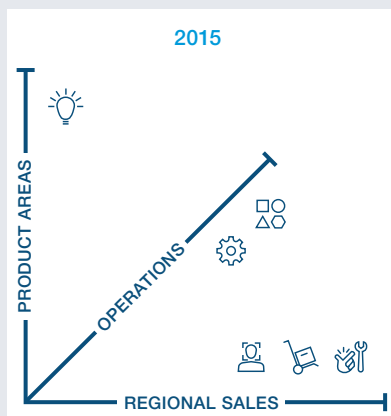
Software is increasingly becoming the most important competitive advantage for several of the Group's offerings. In 2018, Gunnebo has continued to invest in a common software platform as well as in new application software.

#### Implementation of a revitalised Gunnebo brand identity

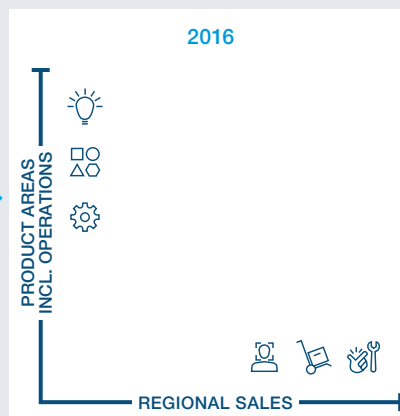
During the autumn, the revitalised Gunnebo brand identity has started to be implemented. This has included the launch of a new gunnebo.com website, a new design for the Group's local websites, and a common user interface for the Group's software.

## Comments from President & CEO, Henrik Lange, on the Strategy

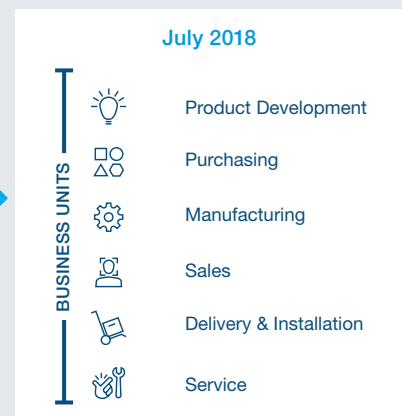
"The first step of the Strategy for Profitable Growth was taken in 2016 when we reduced the complexity of what was then a three-dimensional matrix organisation. After discussions in the Group Executive Team on the three fundamental questions of **who we are, where we play** and **how we play**, it was clear that in order to take the Group to the next level of profitable growth, we had to dismantle the matrix and move to an end-to-end way of operating our business – by product offering in Business Unit."



Matrix organisation in three dimensions



Reduction of complexity to two dimensions



Business Units by product offering gives customer focus along the whole value chain

2009–2015

#### Footprint Extension

"To be a 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), Hamilton US (2012), Gunnebo South Korea (2013) and Sallén, Spain (2015).

2016–

#### Profitable Growth

Gunnebo embarks on its journey to profitable growth. By year-end 2018, this strategy has included a strategic shift to focus on core product offerings, resulting in the divestment of France, Belgium and Luxembourg led to the release of new financial targets and a new organisation by Business Unit.

# Targets & Performance

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

## Financial Targets

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

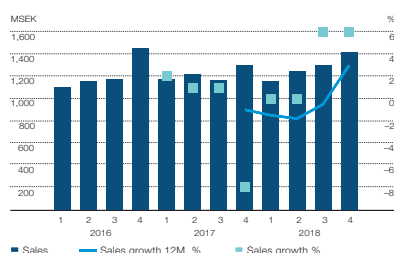
### Sales Growth

**Definition:** Growth in net sales in constant currencies, including organic, acquired and divested sales.

The target is to grow the Business Units in line with market or better, on average 5% per year.

With focus on the main Business Units, the Group will be better structured to capture growth in the market.

Sales Growth



Target

5%

Outcome 2018

3%

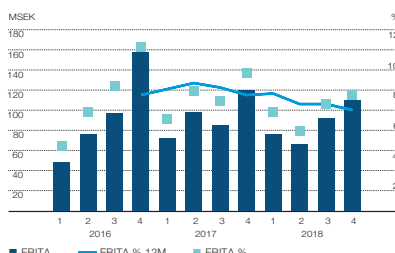
### Profitability

**Definition:** EBIT excluding items affecting comparability (IAC) and acquisition related amortisation and impairment. For the Business Units, no costs for Group functions are allocated.

The target is to reach or exceed a 10% EBITA, driving both topline growth and margin improvements.

EBITA target defined by Business Unit will ensure dedicated focus on driving improvements.

EBITA



Target

>10%

Outcome 2018

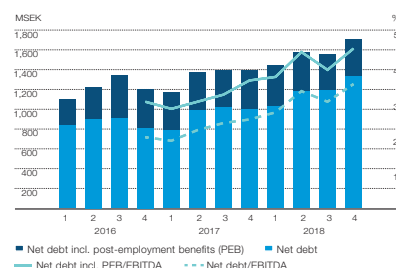
6.7%

### Net Debt/EBITDA

**Definition:** Period end net debt excluding pension liabilities divided by EBITDA for the last 12 months. When acquisition is performed the Group expects the Net Debt/EBITDA to increase and over time reduce to a normalised level again.

A level of less than 2.5 will ensure the Group's financial strength.

Net Debt/EBITDA



Target

<2.5

Outcome 2018

3.5



## Dividend

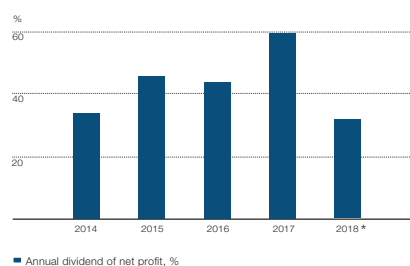
**Definition:** 30–50% of net profit for the Group to shareholders.

Increased from 30–40% of net profit to 30–50% will ensure good direct return.

The Business Unit focus will give an increased profitability enough for both reinvesting in our business while also increasing the dividend level to the Group's shareholders.

By ensuring a Business Unit focus the Group will improve its profitability and thus dividends over time.

Dividend of Net Profit



Target	Outcome 2018 (proposed*)
30–50%	32%

## Non-Financial Targets 2020

Gunnebo's non-financial targets were established in 2016, with 2016 as the base-year. The targets support sustainable, profitable growth. By taking a long-term approach to sustainability, with clearly defined targets, it is ensured that Gunnebo's 4,500 employees create a sustainable, attractive offering for the customers and partners resulting in value for the shareholders. Read more on pages 32–41.

### Environment

Target Outcome 2018

#### Energy & Climate

Reduce the use of electricity at manufacturing units and major sales units

8%

2%

Reduce CO<sub>2</sub> emissions from manufacturing units and sales units

15%

2%

Reduce CO<sub>2</sub> emissions from own fleet on average

20%

6%

#### Waste

Increase recycling from non-hazardous waste in production

8%

0%

#### Environmental Management

All manufacturing units ISO 14001 certified

100% 100%

### Supply Chain

Target Outcome 2018

All major suppliers comply with the Group's Code of Conduct

100%

70%

### Occupational Health

Target Outcome 2018

All manufacturing units structure their health and safety work in line with OHSAS 18001

100%

88%

## The Gunnebo Brand in Action

Gunnebo has participated in several key events during 2018, most notably the Passenger Terminal Exhibition (PTE) in March and IFSEC in June.

PTE was an excellent opportunity for Gunnebo to confirm its position as a leader in airport passenger processing. Visitors to the stand were shown how the automation of passenger flow management can transform both the efficiency of airport operations and the quality of the customer's journey through a terminal.



At IFSEC, Europe's biggest security exhibition, Gunnebo showcased a range of entrance security products, from speed gates to full-height turnstiles, under the banner "Take Control – Increase Flow & Minimise Risk".

Both events are examples of how Gunnebo is using its expertise to provide target customers with insights and guide them in finding the best and most efficient security solution for their business.

# Brands

As well as the Gunnebo brand itself, the Gunnebo Group has a strong portfolio of additional brands which are used for specific product lines in selected markets. The Group's brand strategy defines the profile and positioning for each of these brands and determines how they should be used to generate the most value.

## The Gunnebo Brand

### Origin

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

### Gunnebo Brand Values

As a brand, Gunnebo is a responsive expert that guides its target customers to achieve their goals. Through expertise, experience and engagement, Gunnebo delivers insight, peace of mind

and business success. Together these values build trust with Gunnebo's target customers which creates a strong and reliable brand.

### Revitalised Brand Identity

During 2018, a new visual identity was launched for the Gunnebo brand. A



key design element of the revitalised identity is the "G of Knowledge" symbol

which is a short version of the logo used to represent Gunnebo's role as a responsive expert. The new branding has been applied to event stands, printed material and digital content, most notably Gunnebo's revamped commercial website, [gunnebo.com](http://gunnebo.com), which went live during the fourth quarter of 2018.



**Business Unit:** Entrance Control, parts of Cash Management, Safe Storage and Integrated Security

**Offering:** Full entrance control range, closed cash management and selected cash management products, automated safe deposit lockers and ATM safes and local integrated security offerings

**Origin:** 1764, Sweden

**Major markets:** Global



**Website:** [www.gunnebo.com](http://www.gunnebo.com)

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## Brand Portfolio

### Chubb safes

**Business Unit:** Safe Storage  
**Offering:** Safes and vaults  
**Origin:** 1818, England  
**Gunnebo portfolio:** Since 2000  
**Major markets:** Asia, Europe  
**Website:** [www.chubbsafes.com](http://www.chubbsafes.com)



**Business Unit:** Integrated Security  
**Offering:** Electronic article surveillance anti-theft systems for retail  
**Origin:** 1984, Sweden  
**Gunnebo portfolio:** Since 2004  
**Major markets:** Europe  
**Website:** [www.gunnebogateway.com](http://www.gunnebogateway.com)

### sallén

**Business Unit:** Cash Management  
**Offering:** Cash deposit systems  
**Origin:** 1988, Spain  
**Gunnebo portfolio:** Since 2015  
**Major markets:** Europe, Middle East  
**Website:** To be launched during 2019

### Minimax

**Business Unit:** Integrated Security  
**Offering:** Fire safety equipment  
**Origin:** 1905, India  
**Gunnebo portfolio:** Since 2000  
**Major market:** India  
**Website:** To be launched during 2019

### STEELAGE

**Business Unit:** Safe Storage  
**Offering:** Safes  
**Origin:** 1932, India  
**Gunnebo portfolio:** Since 2000  
**Major market:** India  
**Website:** [www.steelage.com](http://www.steelage.com)

### elkosta

**Business Unit:** Integrated Security  
**Offering:** Perimeter protection for high-risk sites  
**Origin:** 1951, Germany  
**Gunnebo portfolio:** Since 2004  
**Major markets:** Middle East, India  
**Website:** [www.elkosta.com](http://www.elkosta.com)

### HAMILTON

**Business Unit:** Safe Storage  
**Offering:** Safes, drive-up systems  
**Origin:** 1967, USA  
**Gunnebo portfolio:** Since 2012  
**Major market:** USA  
**Website:** [www.hamiltonsecuritysolutions.com](http://www.hamiltonsecuritysolutions.com)

### ROSENGRENS

**Business Unit:** Safe Storage  
**Offering:** Safes and vaults  
**Origin:** 1886, Sweden  
**Gunnebo portfolio:** Since 1994  
**Major markets:** Growth markets  
**Website:** [www.rosengrens.com](http://www.rosengrens.com)

# Offering

The Gunnebo Group is a global provider of security solutions where the core offering is focused on four Business Units: Safe Storage, Cash Management, Entrance Control and Integrated Security.

## Safe Storage

Protecting valued items from burglary, fire and explosion

36%

of Group sales

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## Cash Management

Creating an efficient and secure cash cycle

21%

of Group sales

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## Entrance Control

Controlling and regulating access at key entry points

20%

of Group sales

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## Integrated Security

Comprises of several local integrator businesses














23%

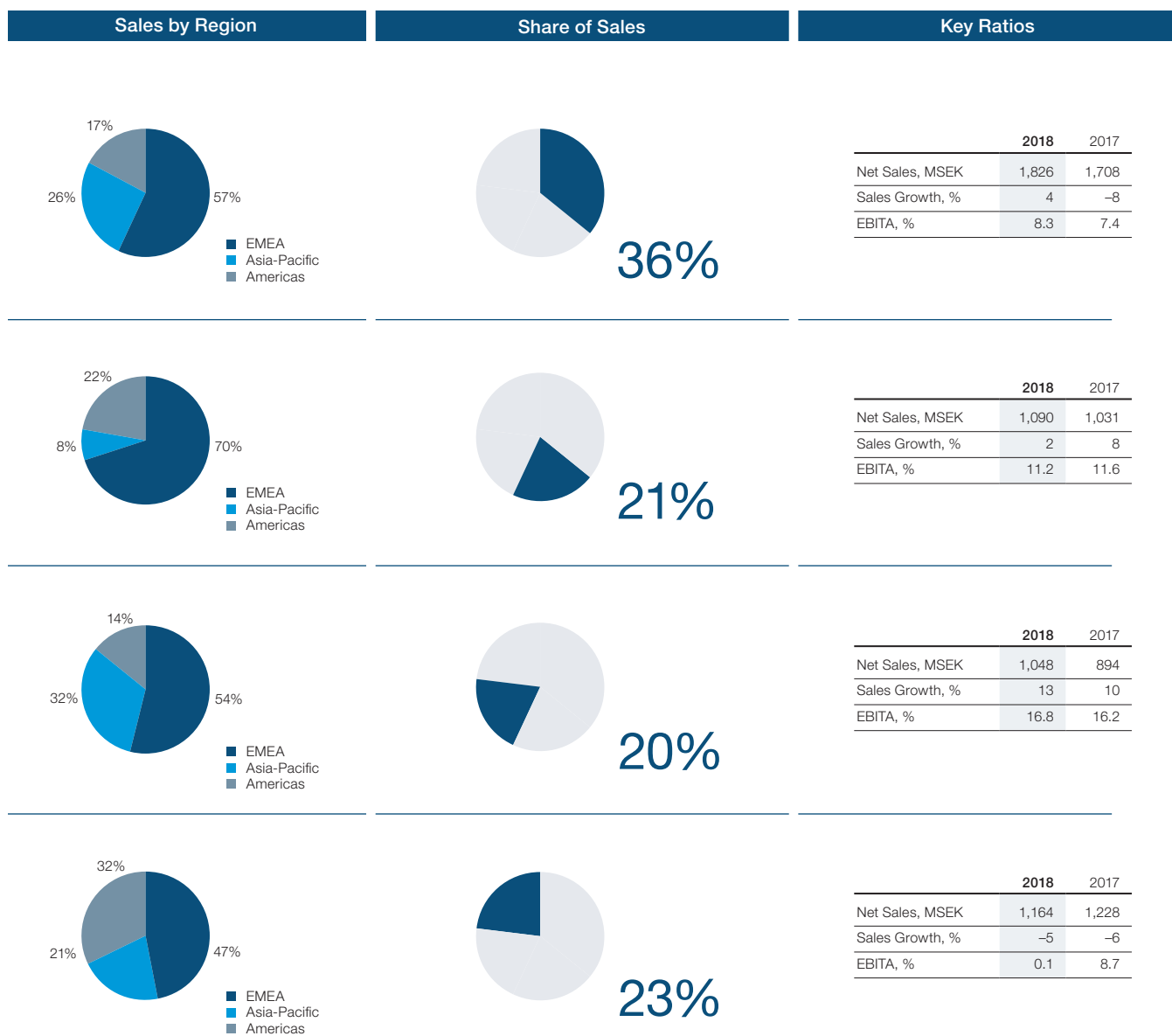
of Group sales

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# Business Units

Gunnebo's business is organised into four Business Units: **Safe Storage**, **Cash Management**, **Entrance Control** and **Integrated Security**. Through these Units, the Group develops and delivers a targeted customer offering.

Business Unit	Brands		
<b>Safe Storage</b> Offers solutions protecting data, cash and other valuables from data intrusion, burglary, fire and explosion, as well as securing regulatory compliance.			
			
<b>Cash Management</b> Offers solutions to facilitate the flow of cash and related data in the ecosystem for retailers, cash in transit (CIT) companies and banks using a software platform as the base.			
<b>Entrance Control</b> Offers solutions protecting people, assets and buildings by controlling access using passage barriers and detection systems.			
<b>Integrated Security</b> Comprises several local integrator businesses within electronic security, fire security and electronic article surveillance.			



## The Safe Storage Market

6%

Estimated Annual  
Market Growth

### Drivers and Trends

- Increasing demand for safes and vaults to protect valuables, particularly outside of banking sector
- Changing needs of what individuals and businesses want to protect
- Cyber security growing in importance
- Safe storage products integrating technology for more connectivity
- Greater security concerns, due to terrorism, for all public and high-risk sites

### Gunnebo's Approach

- Capture growth within new Business Unit structure by product offering
- Customer-driven innovation
- Support bank customers in their change process
- Develop the business with new, growing market segments
- Develop solutions for cyber security protection
- Offer competence in security and high-risk site protection

# Business Unit Safe Storage

Safe Storage provides solutions protecting data, cash and other valuables from data intrusion, burglary, fire and explosion, as well as securing regulatory compliance.

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

The Group employs some of the world's leading experts within safe storage. Most safes and vaults are certified by independent certification bodies which guarantees a specific level of resistance against burglary, fire or explosives. Since there is no global certification standard, Gunnebo certifies its products in accordance with the most trusted regional norms, such as EN in Europe, UL in the USA and BIS in India. Independent certification is important for customers as it provides a recognised classification system which corresponds to local insurance ratings.

### Sales Development 2018

For the full year 2018, Safe Storage showed sales growth of 4% (–8), in a market that is growing approximately 6% annually. The positive development during the year comes from continued good sales to banks and safes to global ATM manufacturers. Moreover, the Group's solution for automated safe deposit lockers, SafeStore Auto had a very good year. Also sales into new sectors developed well. One example is safes with protection against electromagnetic pulses (EMP) that is offered to the cyber security sector. Moreover, good levels of sales to Indian gold loan institutes and an overall positive development within the channel partner network in Europe, Americas and China all contributed to the improved sales.

For the full year, the Business Unit reported an EBITA margin of 8.3% (7.4), where the margin development is explained by sales growth and productivity measures coming through.

### The Safe Storage Market

The market for Safe Storage is very fragmented with a few players acting in more than one continent. Also in terms of offering the market is fragmented, stretching from high-graded products down to basic metal safes. Total market value is estimated to some 32 BSEK, and the annual CAGR market growth to 6% until 2022.\* Gunnebo estimates its global market share to 7%. Most of the Group's sales are carried out in the higher end of the market, where the Group is one of the few global players and leaders in its field.

\*Source: Global Safes & Vaults Market 2018–2022





**Mission.** To protect valuables and provide peace of mind at home, at work and at leisure.



**Vision.** To become the number one protector of valuables through industry-leading innovation.

In terms of customer segments, market growth will come from the public sector (schools, hospitals and high-risk sites), homes, offices, logistic centres and retail. From a product perspective, cash safes, vaults and vault doors, gun safes and safes in general are the categories from where market growth is expected to come. Geographically, market growth will come from all geographies, where Asia is expected to have the strongest growth.

Every year over 150 000 ATM safes are produced in the world. This is a market that is forecasted to have a CAGR growth of just above 2% until 2022, coming from replacements and upgrades as well as new installations. Approximately every fifth ATM safe produced in the world is supplied by Gunnebo.

### Product and Software Leadership

Customers are increasingly asking for more intelligent safe storage solutions. Today, there are sophisticated demands on how this connectivity should not only meet up to the highest security standards, but also bring efficiency gains into their operations.

During 2018, Gunnebo launched a new digital lock, KelNet. It enables real-time remote management of security networks, management of randomised one-time codes and encrypted communication. It is the first electronic lock in the industry to be EN1300 D certified by the ECB•S. This means it transfers data completely securely, ensuring confidentiality, authentication, integrity and availability of system data.

## How will sales growth and profitability improve in Safe Storage?



We have embarked on a journey where customer focus and dedication is the starting point for everything we do. The key to success will be innovation and expanding our business into new segments and new geographies. We will also simplify the supply chain to get competitive lead times and an efficient working capital structure. With this, we will get a clear go-to-market strategy in place. These are just the first steps of a change process which will take some time. The reward? Higher customer satisfaction and improved profitability.

// Stefan Syrén, SVP Business Unit Safe Storage



## Facts Safe Storage

32 BSEK

Estimated market value

6%

Estimated CAGR  
market growth

7%

Global market share

36%

Share of Group sales

4%

Sales Growth 2018

### Market Segments

Bank, public sector (schools, hospitals, high-risk sites), homes (valuables, internet delivery solutions, data protection), offices (IT equipment and servers, data protection), retail (in particular luxury goods), distribution (internet value products, pharmaceuticals), warehouses storing high-value or high-risk goods such as pharmaceuticals

### Manufacturing Units

Doetinchem (NL), Markersdorf (DE), Cincinnati (US), Jakarta (ID), Halol (IN)

### Key Customers

**Europe:** Barclays, Bank of Mozambique, Bank of Tanzania, BNP, Danske Bank, Europent, Forex, ING, Nordea, SEB, South African Reserve Bank, Stanbic, Swedbank

**Middle East:** Central Bank of Kuwait, Central Bank of Oman, Saudi Monetary Authority, Standard Chartered Bank, First Gulf Bank, NCB Bank, ADCB, Land Mark, Al Shaya retail groups

**Asia-Pacific:** Public Bank Berhad, OCBC Bank Berhad, Standard Chartered Bank, Axis Bank, HDFC Bank, IDBI Bank, State Bank of India, ICICI Bank, Canara Bank

**Americas:** CIBC, RBC, HSBC, Scotiabank, Compass/BBVA, Bank of America, HSBC, JP Morgan Chase, Key Bank, CitiBank, TD Bank, Wells Fargo, Fifth Third Bank

### Main Competitors

Aipu, Diebold Nixdorf, FireKing, Godrej, Ferrimax, Liberty, Promet, Senty Safe, Robur, Phoenix Safes, MS Protect, Fuji Seiko, Wertheim

### Route to Market

Direct sales of complex systems and projects. Indirect sales through Channel Partners for safes. Service will be done with own resources and service partners, depending on customer needs and product type. OEM sales direct (mainly ATM safes).



### Product Highlight

In 2018, Safe Storage added the Maxi Cargo to its SafeStore Auto range of automated safe deposit lockers. The Maxi Cargo integrates large-volume boxes for the storage of bulky items such as stacks of documents, sizeable valuables and expensive collector's items. The locker compartments come in a variety of sizes and can accommodate contents of up to 50kg.

## Customer Case

# Design and Speed of Execution the Winning Formula

## // Mannapuram Finance Ltd, India

### Background

Based in Kerala, India, Mannapuram Finance Ltd (MAFIL) is a leading gold loan business with over 4,000 branches across 28 states nationwide. It has more than 25,000 employees and manages assets worth approximately €2 billion.

Over the coming years, MAFIL hopes to become a leading player in the financial services sector with products ranging from home loans to vehicle finance to complement its core offering of gold loans.

Gunnebo has developed a strong relationship with MAFIL since it started supplying safe storage products to the company in 2008 when MAFIL entered a peak period of expansion. Over a four-year period, Gunnebo high-grade safes and doors were delivered to over 2,000 branches.

### Challenge

Handling such a large volume of gold brings obvious security risks so securing its assets against armed robbery is a major priority for MAFIL.

All gold loan companies have been the victim of a heist at some point or other. A typical robbery sees the criminals enter a branch, neutralise the security, force an employee to open the safes at gunpoint and then leave with gold in an operation which takes no longer than 10 minutes.

Over the years, MAFIL has invested in branch security including day and night

guards, CCTV surveillance and remote monitoring. Despite these measures, MAFIL was still being subjected to heists and needed to reduce the gold losses it was sustaining.

After solid analysis it was concluded that losses could be minimised – if not stopped completely – if the drawer locking arrangements in MAFIL's safes were changed. Gold was being stored in drawers inside a safe and all drawers could be opened simultaneously with one drawer key. This was leading to a higher quantity of gold being removed in a short space of time and signified a serious risk for all of MAFIL's branches.

### Solution

Gunnebo presented MAFIL with a customised solution to solve this problem. The sales and design team worked closely together with the customer team to come up with several viable concepts. Parameters such as handling, packaging, transportation and site installation were considered before the ultimate solution was chosen. A MAFIL team was even invited to Gunnebo's manufacturing facility in Halol to talk to lock experts.

After this rigorous process, the final solution was to retrofit the entire MAFIL install base of Gunnebo safes with "security drawers". Safe drawers have been fitted with a specially designed locking

mechanism which only allows one drawer to be open at a time. In addition, it does not allow the key to be removed from a drawer until it has been fully closed and locked again.



### Result

Gunnebo's solution has led to cost reductions since MAFIL has been able to cut down on the number of armed guards deployed at its branches apart from improved security for its employees and assets.

Overall MAFIL has been extremely satisfied with the design and speed of execution, so much so that the safes have been accepted as standard, which will lead to the installation of 600 new units across its branch network.

## The Retail Market for Cash Management

# 5%

Estimated Annual Market Growth

### Drivers and Trends

- Fraud and theft prevention
- Check-out management
- Workforce, process and cash flow optimisation
- Enhancing customer experience
- Integration of payment systems
- Mobile solutions and technology

### Gunnebo's Approach

- Provide hardware solutions optimised by risk profile, type of store, cash usage and cash in transit (CIT) process
- Provide software solutions that integrate data from the point of sale (POS) system with cash and other payment systems as well as CIT allowing for full reconciliation
- Together with partners, provide cost-efficient, complete cash service solutions including same day credit and monitoring of the complete cash cycle

# Business Unit Cash Management

Efficient cash management is about reducing the retailer's cost for handling notes and coins. It is also about supporting CIT service providers to expand their offering to the retail trade through providing software, hardware and services that increase efficiency and safety in the full cash chain.

Cash management can be visualised as an eco-system between the retailer, the bank, the cash in transit (CIT) partner and the end customer. Gunnebo's cash management solutions are designed to facilitate the flow of cash and related data in this eco-system, using a solid software platform as the base.

Choosing a cash management solution from Gunnebo not only improves security in those places where cash is being handled, but also makes the whole cash cycle more efficient. A more efficient cash cycle creates value for all parties involved, in particular retailers, whose share of the responsibility for managing cash has been growing over the years.

Gunnebo's portfolio consists of solutions for deposit, dispensing and recycling of notes and coins, envelope and coin roll systems, closed cash management, drive-up systems, application and monitoring software, and services. With this portfolio, Gunnebo is to be seen as a provider with a comprehensive offering, for CIT, banks and retailers both in front-end and back-office.

### Sales Development 2018

For the full year 2018, Cash Management showed sales growth of 2% (8). The positive development during the year comes from a continued strong sales development within closed cash handling, SafePay, in the Nordics and good development of sales through CIT partners on several European markets as well as in the Middle East. Also sales of cash management solutions in Australia had a positive development during the year.

The Business Unit reported an EBITA margin of 11.2% (11.6), where the margin development is explained by product mix and exchange rates.

### The Cash Management Market

Some 85% of global transactions are made using cash. In Europe, that figure is 60%. The number of notes and coins in circulation is growing in most currencies, and notes in smaller denominations are being used more frequently than ever before.

At the same time, banks no longer focus on managing cash, resulting in cash management being outsourced to CIT and thereby the cost being taken by the retailers to a larger extent. This puts new demands



**Mission.** To provide cost effective and secure solutions through innovative business models.



**Vision.** To lead and co-develop the future customer payment cycle, offering best in class uptime and peace of mind.

on retailers to improve processes related to cash management, for both security and cost reasons.

Cash management in the retail is still largely a manual task, and the penetration of solutions for efficient cash management is still very low. USA is the market with the largest installed base of cash management equipment, where market penetration is 12%.

In terms of what solutions are used, this seems to be a geographically driven choice. Back-office deposit solutions dominate in Americas while a more diverse range of cash automation products is used in Europe and the Middle East. No matter the solution, a retailer will need different solutions for different types of stores which requires software that connects all products.

In a market where hardware for deposit solutions is to some extent becoming a commodity, it is increasingly the software that is differentiating suppliers from one another.

In terms of competition, the market for cash management is still fragmented with few global players. The global market has an estimated market value of some 15 BSEK annually, with a CAGR of 5% to 2020. Gunnebo estimates its market share as 9%.

#### Product and Software Leadership

Besides its broad product portfolio, one of Gunnebo's strongest competitive advantages within Cash Management is software – for the application, as well as for monitoring, remote management and service. Since software is quickly becoming the most important differentiator, Gunnebo has continued to invest in this during 2018.

For example, the Group launched the EMA – an in-house developed application platform enabling secure control of devices and data management. EMA can manage up to 12 currencies in the same transaction, is multilingual, has a customisable workflow and is easy to integrate with other devices.

## How will the new Business Unit organisation boost the Cash Management business?



With a dedicated sales force in the market, being industry experts, we will be able to deliver increased customer value to partners as well as to end customers. The new structure also enables us to organise our expertise driven by a strategy based on focused market segments. Together, this will generate profitable growth.

// Tomas Wängberg, SVP Business Unit Cash Management

*Succeeded by Christian Weisser in February 2019*





## Facts Cash Management

15<sub>BSEK</sub>

Estimated market value

5%

Estimated CAGR  
market growth

9%

Global market share

21%

Share of Group sales

2%

Sales growth 2018

### Market Segments

Retail, bank, other businesses managing cash

### Manufacturing Units

Binefar (ES), Cincinnati (US), Jakarta (ID), SafePay Contract Manufacturing (SE)

### Key Customers

**Europe:** Aldi, Auchan, Autogrill, BNP Paribas, Bijenkorf, BP, Carrefour, COOP, ICA, ING Bank, Intermarché, Lidl, Metro Group, Preem, Rabobank, Shell, Spar, Swedbank, Tokheim, Total, Vodacom, Woolworths

**Americas:** Autozone, Costco, Cencosud, Citysuper, C&A, Carrefour, fnac, Grupo Commercial Control, Lojas Americanas, TIM, Raia Drogasil, Riachuelo, Sobeys, Walmart (BR), Walmart (US)

**Asia-Pacific:** Coles, Hungry Jacks, Reliance, Richemont, Vietin Bank, Woolworths, Z-energy

### Main Competitors

Glory, Tidel, Suzohapp, Arca, Diebold Nixdorf, Cash Guard

### Route to Market

To bank customers: Direct, with partners and/or CIT

To retail customers: Direct, with partners, CIT and banks

### Product Highlights

In 2018, Cash Management launched the SafeRecycling RS8, a fast, efficient and accurate cash recycler. The RS8 integrates a note and coin reader in a large capacity solution with high cash handling and dispensing speeds. Together with Gunnebo's CashControl software, businesses can track cash levels remotely and in real-time.



## Customer Case

# SafePay Part of Winning Security Concept for Retail

## // Ten Brink Food, Netherlands

### Background

Ten Brink Food is a franchise supermarket for the retail brand Jumbo Supermarkten which operates almost 600 sites across the Netherlands. Its 19% market share makes it the second largest supermarket chain in the country.

Franchiser Edwin Ten Brink, owner of Ten Brink Food, runs two sites: one in Alphen aan de Rijn and one in The Hague. At 2500 m2 both are large stores by Dutch standards with a full-service concept.

### Collaboration

Ten Brink became an early adopter of a completely closed cash management solution when he had Gunnebo install SafePay at his Alphen aan de Rijn store in 2007. The primary drivers were to improve customer service and security.

Since then Ten Brink has become a true advocate of using closed cash management to create a secure shopping environment and a safe working climate. He has spoken publicly about its benefits and has made it an integral part of his store design.

### Security Award

In 2018, Edwin Ten Brink was recognised for the retail security concept he has applied at the Alphen aan de Rijn supermarket.



The annual 'Wel-zo-veilig Award' for retail was presented by the Dutch Ministry of Justice and Security and the Centre for Crime Prevention and Security (CCV).

Gunnebo's SafePay solution is at the heart of Ten Brink's winning concept which is partly judged on the use of innovation in preventing crime.

"The SafePay closed payment system really puts robbers at a disadvantage," says Ten Brink. "We no longer have cash tills in the cash register. The system consists of boxes of bank vault quality that are anchored to the floor. Besides being safe, it also ensures my staff save time."

The security concept also includes analysing CCTV recordings and using them to train staff. In addition, facial recognition helps to keep known offenders out of the store and alterations to the layout of the site have limited the number of points where shoppers can enter the shop. Finally, working closely with local police has also been key.

## The Entrance Control Market

5%

Estimated Annual  
Market Growth

### Drivers and Trends

- Growth of urban populations driving development of metro and bus rapid transit systems
- Increasing volume of airline passengers
- Growing threat from terrorism and crime – actual and perceived
- Need to protect critical infrastructure such as power plants, airports and military sites
- Need to protect commercial and public buildings

### Gunnebo's Approach

- Broad offering of products providing access and flow control and crash-rated solutions for outdoor perimeter protection
- Specialised ranges for airport and metro with focus on integrated solutions, durability and reliability
- Scalable manufacturing capacity to deliver large projects with tight lead times
- Ergonomically designed products
- Customisation capacity for integration of third-party devices
- Software platform for flow management to enhance operational efficiency

# Business Unit Entrance Control

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

Gunnebo provides a wide range of entrance control gates including speed gates, turnstiles, full-height turnstiles and security revolving doors to regulate the flow of people into, out of and around a site. This includes solutions specifically for office buildings, high-risk sites, mass transit networks (ticket validation gates) and airports (automated boarding gates, anti-return gates, immigration gates and pre-security gates). Moreover, Gunnebo also provides high-security outdoor perimeter protection solutions in selected geographies.

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 user/passenger throughput as well as a solution with a small footprint which can be customised to complement the surrounding architecture.

### Continued Profitable Business Growth

For the full year 2018, the Business Unit showed a remarkable growth of 13% (10), in a market that is growing approximately 5% annually. The strong development of sales is mainly related to the growing investment in public transportation globally, the adaptation of process automation in the global airport environment worldwide and the increasing use of access control solutions to office buildings outside Europe.

The Business Unit reported an EBITA margin of 16.8% (16.2), where the increased margin mainly is explained by sales growth and productivity improvements.

### The Entrance Control Market

The market for pedestrian entrance control is dominated by a handful of global players of which Gunnebo is one. The CAGR market growth is estimated to around 5% until 2021, in a market that has a value of BSEK 7. On this market, Gunnebo has a market share of 13%, making it the second largest player globally.

Geographically, a larger proportion of growth is expected to come from Asia, the Middle East and Africa. But it is also predicted that mature markets in Europe and Americas will see healthy growth during the coming years.

In terms of customer segments, market growth is typically driven by urbanisation where airports, metro and bus transportation systems (BRTs) are the segments expected to have highest increase in demand. Also segments such as office buildings, stadia, education and hospitals are expected to grow healthily.

*\*Source: IHS 2017*



**Mission.** To provide innovative entrance control systems designed for an intuitive user experience.



**Vision.** To shape the future of people flow management.

### Product Leadership

The Business Unit has a very competitive product portfolio and is considered to be one of the top three companies for pedestrian entrance control.

During 2018, Entrance Control launched a new electronic platform on which it is easy to integrate the customer's technology of choice,

as well as connect the gate to remote monitoring. Deliveries including the new technology have already been made, adding customer value. For example, 140 gates installed in Swedish airports are now connected to remote monitoring.

## How do you ensure **continued growth** in the Entrance Control business?



Competitiveness, innovation and market leadership are keys to success for Entrance Control. We are working hard on competitiveness of the basic products. We strive to be the benchmark within the global Entrance Control market, for example when it comes to software integration. Moreover, we are always reviewing how we can fill gaps in our offering by product and/or geography. Organically, but potentially also by acquisitions or partnerships. This will help us continue to drive profitable growth.

// Robert Hermans, SVP Business Unit Entrance Control



## Facts Entrance Control

7 BSEK

Estimated market value

5%

Estimated CAGR  
market growth

13%

Global market share

20%

Share of Group sales

13%

Sales growth 2018

### Market Segments

Public & commercial buildings, stadia, high-risk sites, metro, airport

### Manufacturing Units

Lavis (IT), Kunshan (CN)

### Key Customers

**Europe:** DHL, Lloyds of London, London Stock Exchange, Siemens Building Technologies, Swedavia Airports, The Shard, UN –UNHCR, Zurich Insurance

**Asia-Pacific:** International Tower, Melbourne metro, Microsoft headquarters, Shenzhen Pudong International Airport, Virgin, Active Fitness Thailand, Bali Airport, MCC Building

**Middle East:** Bahrain national stadium, Grand Egyptian museum, Hamad International Airport, Muscat airport, ONE JLT Tower

**Americas:** Empire State, Mexico City Metro, Montreal Metro, Orlando Airport, Samsung Toronto, The Bow

### Main Competitors

Alvarado, Automatic Systems, Boon Edam, Dormakaba, Magnetic Autocontrol (grupo FAAC), (IDL) Integrated Design Limited

### Route to Market

90% Indirect (System Integrators and Distributors), 10% Direct



### Modular Platform

For the last 2 years, Entrance Control has been working with modular platforms. Instead of designing a unique product every time, building blocks are utilised. When developing a new product, the building blocks are combined, thus reducing the time to market and increasing economy of scale since it enables purchase of larger volumes of components.



## Customer Case

# Complete Entrance Control for Customers and Employees

## // COWI, Denmark

### Background

COWI A/S is an international consulting group, specialising in engineering, environmental science and economics, based in Denmark.

COWI's headquarters are located in Lyngby in the north of Copenhagen. The 25,000m<sup>2</sup> building has to cater for 1,500 employees as well as business partners, customers and other visitors.

### Challenge

COWI already had effective perimeter security at its headquarters but wanted to have full control over who was allowed to enter its offices. This was not only to make its employees feel safer but also to address the increased focus its customers were placing on security. More than ever before, customers are expecting there to be greater control over who has access to confidential information and data – completely in line with EU regulations on personal data protection. COWI therefore wanted to accurately control who was present on its premises by regulating the passage of individuals on entry and exit to its offices.

### Solution

Eight lanes of Gunnebo's SpeedStile FP speed gates have been installed in the building, four of which are in the reception area. There is an extra wide lane for wheelchair access and the necessary emergency



exits and evacuation routes have been taken into account.

To enter or exit, employees and visitors simply pass their ID card over a card reader. On receipt of an authorisation signal, the barriers slide open and close behind the individual once they have safely passed through.

### Results

Through the installation of Gunnebo SpeedStile FP, COWI has met a significant part of its security strategy for its headquarters.

Sidsel Hansen, Head of Facility Management at COWI, has been at the forefront of the project. "The solution from Gunnebo is

a great fit for us, even though our building is over 35 years old," she explains. "From the start of the project, Gunnebo has given us clear and comprehensive guidance on which product best suits our needs, both from an operational and aesthetic perspective."

Entrance control solutions from Gunnebo are compatible with a range of platforms so the speed gates are future-proof if COWI was ever to implement changes to its IT systems.

"There is a forward-looking flexibility when a system is not tied to one particular type of software. This applies to Gunnebo's solution, and therefore it protects our long-term security investment," concludes Sidsel.

## The Integrated Security Market

>400<sub>BSEK</sub>  
Estimated market value

3%  
Estimated CAGR  
market growth

<1%  
Global market share

23%  
Share of Group sales

-5%  
Sales growth 2018

# Business Unit Integrated Security

Integrated Security consists of several local integrator business within electronic security, fire security and electronic article surveillance. Each business has its own strategic agendas.

Business within Integrated Security is comprised of several different, local stand-alone businesses, within the Group. The Group's strategy for these units is that they should reach profitability and growth in line with the financial targets. Moreover, each part has its own strategic agenda on which to deliver.

## Sales Development 2018

For the full year 2018, Integrated Security sales contracted by -5% (-6), in a market that is growing approximately 3% annually. Good sales development in Australia, India, the Nordics, Germany, Italy and Mexico did not fully compensate for lower sales in other markets. The Business Unit reported an EBITA margin of 0.1% (8.7), where the margin development is explained by low productivity and weak sales of fire projects in South-East Asia.

## Americas

Integrated Security in Americas mainly comprises the following:

- **Loss prevention solutions, including electronic security and electronic article surveillance, in Brazil.** This business is primarily targeting Brazilian retailers, where a full loss prevention offering has been developed in close collaboration with customers. In Brazil, Gunnebo is seen as the leading provider of loss prevention. Sales, installation and service are carried out by Gunnebo's Brazilian team, where most components for the solutions are traded.
- **Electronic security service business in Mexico and Canada.** An integrator business mainly targeting the bank sector, where Gunnebo sells, installs and services traded products.

**Market Segments:** Retail and bank

**Key Customers:** Autozone, Carrefour, Casino, CVS, C&A, Kiabi, Leroy Merlin, Banamex, Bell Canada, Santander.

## Europe, Middle East & Africa

In EMEA, Integrated Security mainly comprises the following:

- **Electronic security/integrator business in Spain and Portugal (Iberia)**
- **Other local business, also covering electronic security and security doors and partitions.** This relates to the electronic security offering that Gunnebo provides to key customers on most markets, as an add-on to the core business of Safe Storage, Cash Management and/or Entrance Control. Products and software are traded.

- **Electronic Article Surveillance, sold under the Gateway brand.** Gateway is a niche player on a market that globally is dominated by two major companies. Gateway's main route to market is to sell through a network of distributors. In Sweden, the company also has a direct sales channel including installation and service.
- **Integrated Security projects in the Middle East.** Here the offering consists of SMI, CCTV, access control and intrusion security and maintenance.
- **Gunnebo Business Solutions software platform.** In-house developed platform allowing the customer a full overview of their operations, making it easy to transform intelligence gathered into actionable data.

**Market Segments:** Bank, retail, public administration, industrial and high-risk sites, government, power plants, oil and gas, airports.

**Key Customers:** BBVA, Santander, Spanish Parliament, Spanish Government, Nordea, Swedbank, Swedish Match, DHL, AUCHAN, TNT, ENI, Equinix.

## Asia-Pacific

Integrated Security in Asia-Pacific mainly comprises the following:

- **Fire and electronic security projects in South-East Asia.** The offering consists of engineered fire detection and suppression systems, pre-engineered fire systems, CCTV, access control, intruder security and visitor management.
- **Fire products sold under the Minimax brand and Integrated Security in India.** In the fire business, the offering also consists of hydrant products, kitchen suppression and panel protection systems and flexible sprinkler pipes. For Integrated Security, the offering consists of comprehensive ESS, access control and fire alarm systems.

**Market Segments:** Public administration, public buildings, high-risk sites.

**Key Customers:** Power plants, mining, bank, oil & gas, commercial & retail, industrial & commercial buildings, hospitality, public infrastructure and marine.

## How will Gunnebo improve the overall performance of Integrated Security?

“ Integrated Security is the sum of a number of local businesses, where each has its own challenges and strategic agenda. The Group's ambition with Integrated Security is to make a solid analysis based on profitability outlook and initially perform the necessary changes to achieve the required level of contribution to the Group's growth and profitability targets.

// Stefan Syrén, SVP Business Unit Integrated Security



## Gunnebo Sustainability Approach

### Our Business



#### Financial Performance

Achieve the Group's financial goals by driving a sustainable business



#### Governance

Demonstrate clear and ethical leadership



#### Suppliers

Establish clear guidelines and expectations for suppliers and implement necessary controls

### Our People



#### Health & Safety

Provide safe working conditions and prevent any major incidents



#### Development, Training & Engagement

Develop employees and the organisation



#### Community

Act positively in the local community

### Our Impact



#### Climate & Energy

Reduce the Group's energy consumption and CO<sub>2</sub> emissions



#### Natural Resources

Optimise use of water and raw materials



#### Waste

Manage waste to reduce its impact

# 2018 Sustainability Report

As a global provider of security solutions within Safe Storage, Cash Management, Entrance Control and Integrated Security, the Gunnebo Group is engaged in sustainability. The Group considers sustainability to be a key success factor and strongly believes that it goes hand in hand with the ambition of Gunnebo being a leading provider of a safer future.

Gunnebo has decided to embrace a whole new sustainability approach in 2018 to anchor the Group's commitment even more firmly in the corporate culture. Gunnebo's new sustainability approach focuses on three pillars:

**Our Business:** the Group aims to build and maintain a sustainable and ethical business – internally and in collaboration with its business partners.

**Our People:** the Group wants to offer good working and living conditions for both employees and the people around it.

**Our Impact:** the Group wants to minimise its impact on the planet by controlling its waste, emissions, and consumption of energy and natural resources.

### Sustainability Management

The Group's work with sustainability is based on the Code of Conduct that supports sustainable activities across the value chain.

The Code of Conduct's ethical guidelines are complemented by clear leadership, which aim to provide the Group's employees with the tools needed to manage the broad spectrum of opportunities and risks faced by a global business.

Gunnebo's sustainability targets were established in 2016, with 2016 being the base year. The targets are based on an assessment and represent areas where Gunnebo has the greatest impact on society, the environment and employees, and what has the greatest influence on Gunnebo's results.

The focus is on energy and climate, waste management, environmental management, compliance with the Code of Conduct in the supply chain, and health and safety.

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

The management of sustainability risks is an integral part of the Group's risk management process. Read more about the Group's risk management on pages 42-43.

### Group Sustainability Committee

Appropriate structures need to be put in place if sustainability is to be systematically integrated into business practices. With this in mind, Gunnebo decided to implement a new governing body at the end of 2017. The Sustainability Committee is made up of the Group's CEO and six SVPs from the Group Executive Team which represent all areas of the company. They meet three times a year and are responsible for promoting the sustainability agenda throughout the Group, defining strategic priorities and programmes, and monitoring progress.

## Sustainability Targets

### Energy & Climate

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

**Outcome in 2018:** Total electricity consumption 16,371 MWh (Base year 2016: 16,695), a decrease of 1.9%.



Reduce CO<sub>2</sub> emissions from production sites and sales units by 15% from 2016 to 2020.

**Outcome in 2018:** Total CO<sub>2</sub> emissions 18,908 tonnes CO<sub>2</sub> (Base year 2016: 19,298), a decrease of 2.0%.



Reduce CO<sub>2</sub> emissions from own fleet by 20% on average from 2016 to 2020.

**Outcome in 2018:** Average CO<sub>2</sub> 125g/km (Base year 2016: 133), a decrease of 6.0%.



### Waste

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

**Outcome in 2018:** 97.3% (Base year 2016: 97.4) of all waste generated in manufacturing units was recycled.

### Environmental Management Systems

All manufacturing units ISO 14001 certified.

**Outcome in 2018:** At the end of 2018, all sites had been certified, i.e. 100% (Base year 2016: 75%).



### Supply Chain Targets

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

**Outcome in 2018:** Gunnebo has published a new Code of Conduct for suppliers in 2018. At the end of the year, 70% of the Group's major suppliers were compliant.



### Health and Safety Targets

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

**Outcome in 2018:** At the end of 2018, seven out of eight manufacturing units were certified to OHSAS 18001 (Base year 2016: three out of eight).



■ Target achievement by end of year 2018

## 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 those that most greatly influence or are influenced by its business activities – shareholders, customers, employees, suppliers, creditors and the local community.

During 2018 customer surveys have been carried out on several of the Group's markets, the results from which lead to continuous improvements.

The results of the employee survey conducted in late 2017 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 presentations at various shareholder meetings, with a high level of ambition as regards accessibility.



## Our Business

Gunnebo understands sustainability not only within the context of environmental protection, but also as a whole approach. The growth and profitability of Gunnebo enables the Group to invest in innovations that drive higher levels of efficiency so more environmental benefits can be achieved.

### Code of Conduct

Gunnebo's Code of Conduct gives employees clear guidelines, defining how they should act ethically in their jobs and act

professionally in their interactions with all of the Group's stakeholders. It is based on:

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

Group employees can take an interactive training course on the Code of Conduct, where they also learn to manage the risks related to corruption and anti-competitive practices. The training activities are part of the in-

troduction programme for new employees and help to assure an understanding of Gunnebo's corporate culture. At the end of 2018, 90% of all new employees had taken the training. The Code of Conduct can be found in its entirety at [www.gunnebogroup.com](http://www.gunnebogroup.com).

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

## Sustainability Impact across the Value Chain

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

	Product Development 	Purchasing 	Manufacturing 
<b>Description of impact</b>	<p>Product development is vital to Gunnebo's Strategy for Profitable Growth. Sustainability concerns starts at the conception phase. Gunnebo creates new products, anticipating future needs, without compromising on quality, price or sustainability. The choice of materials can impact the environment and the people who make and use the products. It is important to consider the length of the products' lifecycle, their energy consumption and how they are disposed of at the end of their lifecycle.</p> <p>Product development is an important step that will set in motion industrialisation, where one can control future costs and avoid unnecessary steps and waste.</p>	<p>To build a strong supply chain, Gunnebo selectively chooses its suppliers. The Group invests in win-win relationships to assure the ultimate objective: to serve the needs of end customers and create value for the Group's stakeholders.</p> <p>When Gunnebo selects business partners for the Group, it is important to consider the impact on them and their impact on the environment. Gunnebo supports jobs creation beyond its operations, through building strategic partnerships. It is the Group's responsibility to make sure that business is carried out in accordance with Gunnebo's Code of Conduct throughout the supply chain with regard to environmental care, occupational health, human rights and anti-corruption.</p>	<p>Gunnebo operates eight manufacturing units worldwide with about 1,500 employees. This workforce provides the input and flexibility the Group needs to meet customers' demands.</p> <p>Gunnebo works continuously at all these sites to reduce the environmental footprint while optimising performance, and maintaining high standards of quality and safe working conditions.</p>
<b>Factors affecting impact</b>	<ul style="list-style-type: none"> <li>• Choice of materials (hazardous and non-hazardous) used in products</li> <li>• Length of product lifecycle</li> <li>• End of use, recycling and disposal</li> <li>• Efficiency in industrialisation</li> </ul>	<ul style="list-style-type: none"> <li>• Economic, social and environmental impact on suppliers</li> <li>• The origin of parts and raw materials</li> <li>• Transportation and greenhouse gas emissions</li> <li>• Packaging waste</li> </ul>	<ul style="list-style-type: none"> <li>• Energy consumption</li> <li>• Water consumption</li> <li>• Waste disposal and water discharge</li> <li>• Employment and working conditions</li> </ul>
<b>Tools to manage impact</b>	<ul style="list-style-type: none"> <li>• Proportion of different materials in products</li> <li>• Procedures to control the use of hazardous materials</li> <li>• Product certification</li> <li>• Industrialisation procedure</li> </ul>	<ul style="list-style-type: none"> <li>• Group purchasing strategy</li> <li>• Supplier assessment</li> <li>• Code of Conduct</li> <li>• Local supplier policy</li> <li>• Development of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Environment and safety management system (ISO 14001 and OHSAS 18001)</li> <li>• Code of Conduct</li> <li>• Group sustainability targets</li> </ul>

is an example of the Code of Conduct in practice.

## Supply Chain

Gunnebo's suppliers can be found world-wide, and the conditions for their employees and operations vary widely. The Group strives to ensure that all major suppliers adhere to the Code of Conduct for suppliers and uses the principles therein among the criteria for selecting new business partners.

Compliance is followed up with audits and mandatory self-assessments. The Group's largest suppliers are obliged to submit a declaration of compliance with the Code of Conduct. Approximately 80% of the Group's purchase is covered by 20% of its suppliers.

## Reporting of Violation

All Gunnebo employees are informed about how to report any conduct that they believe to be a violation of law or of the Gunnebo's

Code of Conduct to their immediate manager. If that manager is in any way involved in the situation being reported or has any other form of conflicting interests, the employee reports the situation to the manager's immediate superior. If, for any reason, neither of these reporting channels can be used, the alleged violation may be reported in accordance with Gunnebo's whistle-blowing procedure.

### Sales



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

Gunnebo has sales companies in 25 countries. The Group also has a channel partner network, giving it access to 100 additional markets.

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

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

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

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

### Delivery and Installation



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

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

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

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

### Service and End of Use



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

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

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

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

## Human Rights

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

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

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

The human rights risk means risk of child labour, forced or compulsory labour but also risk of discrimination, prevention of freedom of association and collective bargaining as well as health and safety issues. Human rights risk is not considered to be material for Gunnebo's direct operations, but as the Group does business with suppliers from high-risk countries the Group strives to get all major suppliers to comply with the Code of Conduct. The Group shall not do business with suppliers that do not uphold basic human rights. Working with human rights with regard to suppliers involves training activities and mandatory self-assessments for compliance with the Code of Conduct.

## Anti-Corruption

Gunnebo's approach to anti-corruption is stated in the Group's Code of Conduct and in the fraud and corruption policy. The Group applies zero tolerance to all cases of bribery and corruption. No employee of Gunnebo should accept any gift or personal favour that might reasonably be believed to have an influence on business transactions. Deviations should be reported to management. The impact of corruption affects both Gunnebo and its stakeholders. Business not conducted in an ethical manner might lead to imprisonment and financial penalties and effects both partners and their employees by unfair and uncontrolled terms, as well as Gunnebo by damage to its reputation and results. The corruption risk arises in both sales and pur-

chasing situations. As the Group also does business with partners from countries with a high risk of corruption, it strives to get all major suppliers to comply with the Group's Code of Conduct. As from 2018 all partners are encouraged to comply with the Group's Code of Conduct.

### Training in ethical business

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

Group's introduction process for new recruits and play an important role in communicating a key facet of what it means to work for Gunnebo. To ensure coverage across the whole Group, courses are available as both online and in-class training. The option to offer physical classes is important as a sizeable number of Gunnebo's employees are factory-based and do not have access to the internet. At the end of 2018, 90% of all new employees passed the course in anti-corruption with an 80% pass rate required for certification.

## Manufacturing Units

At the end of 2018, the Group had eight manufacturing units in eight countries worldwide. All of them are certified to ISO 900 and, ISO 14001. Seven out of eight to OHSAS 18001.

### Europe

#### Doetinchem, Netherlands

**Factory employees:** 278  
**Production:** ATM safes  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

#### Lavis, Italy

**Factory employees:** 69  
**Production:** Entrance control  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

#### Markersdorf, Germany

**Factory employees:** 37  
**Production:** Safes and vaults  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

#### Binefar, Spain

**Factory employees:** 24  
**Production:** Cash management  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

### Asia-Pacific, Middle East & Africa

#### Halol, India

**Factory employees:** 601  
**Production:** Safes and vaults, ATM safes  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

#### Jakarta, Indonesia

**Factory employees:** 298  
**Production:** Safes, cash management  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

#### Kunshan, China

**Factory employees:** 50  
**Production:** Cash management, entrance control  
**Certification:** ISO 14001, ISO 9001

### Americas

#### Cincinnati, USA

**Factory employees:** 166  
**Production:** Safes and vaults, entrance control, cash management  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

### Units Divested in 2018

These units were divested in December 2018, and are disclosed in the sustainability targets and outcomes.

#### Baldenheim, France

**Factory employees:** 59  
**Production:** Entrance control, electronic security  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

#### Bazancourt, France

**Factory employees:** 130  
**Production:** Safes and vaults  
**Certification:** ISO 14001, ISO 9001, OHSAS 18001

## Our People

Gunnebo's employees are the Group's greatest assets and the key to long-term growth and success. The Group wants to be an employer that people are proud to work for.

Gunnebo's employees make their own contributions to sustainable development, both in their daily business lives and as members of society.

### Employees

Gunnebo is working purposefully to create a common culture, with dedicated employees who take responsibility, work together and have an inclusive approach. An important aspect of a successful business is that the Group's 4,449 (4,267) employees at year-end reflect the diversity of its customers and society.

The Gunnebo Group strives 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 diversity and equality activities, and various development programmes. By offering safe, healthy working environments, the Group aims to create workplaces where employees can develop.

### Occupational Health and Safety

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

It is Gunnebo's responsibility to make sure that the Group provides a safe working environment. Gunnebo cannot accept any event that could result in a worker being seriously injured. Gunnebo attaches great importance to maintaining and improving the conditions for employee health and safety at its manufacturing units. Key parameters are measured to achieve Gunnebo's level of ambition in this area, and these parameters are defined in OHSAS 18001. Gunnebo's aim is that all manufacturing units should be certified to the OHSAS 18001 management system for health and safety. At the end of 2018, seven out of eight units were certified according to this standard.



Proximity and precision is key when developing and producing cash management solutions meeting customer needs all over the world. This picture shows a note feeder being tested in the R&D centre in the Group's manufacturing unit in Binefar, Spain.

Efforts to prevent accidents in the workplace are conducted locally based on local labour law, and on Gunnebo's guidelines and policies for accidents at work. Occupational health is also adapted to local and national norms and conditions. During 2018, 49 (50) lost time injuries were reported, 18 in Gunnebo's manufacturing units and 31 in the Group's sales companies.

Risk assessments are conducted for every activity of the Group which result in local prevention action plans. The Group is also starting to implement Group safety standards in order to go further than regulations and put under control its high risks activities.

During 2018 Gunnebo implemented a new health and safety policy and new safety KPIs that are valid for all Gunnebo Group companies, locations and activities.

### Performance management

Gunnebo's new performance management process which places an emphasis on commitment and accountability around agreed individual objectives. Individual development

is a two-way street – with performance management the Group has introduced self-assessments and more employee involvement. Performance management is a process to ensure each employee makes a real impact on the business.

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.

The new performance management process has required significant training for managers. A toolkit for managers and employees has therefore been translated into all major languages.



## DRIVE is Live

During 2018 the Group launched Gunnebo DRIVE – a new, cloud-based platform for all employee data, enabling transparency, consistency and accuracy in matching performance with individual development.

Monica Lindeberg, Gunnebo Group Compensation & Benefits Manager, is responsible for the project.

### What is Gunnebo DRIVE?

“Gunnebo DRIVE is a standard approach in all Gunnebo companies to managing performance, skills and development through better visibility and transparency. It is truly global as everyone in the Group is connected to it.

For the first time ever, we have a uniform picture of our core employee data. Information is shared with managers through the common Gunnebo DRIVE platform for setting performance targets and establishing learning goals.”

### How does it work?

“At its core, Gunnebo DRIVE collects essential personal and talent data which has previously been scattered across payroll systems, HR departments, line managers, for example. Each individual employee is able to access their own information at any time to check and update its accuracy. It is also compliant with data protection requirements.

There are also three main processes with which Gunnebo DRIVE works. Firstly Perform in which, through the performance review process, employees and managers will jointly agree on and measure annual targets. Secondly Learn, a modern e-learning platform with course administration to which each employee gets automatic access rights when they join the company. And finally, Reward which is used for salary review and bonus processes.



Monica Lindeberg has been responsible for the Gunnebo DRIVE project during 2018.

### Why did the Group invest in Gunnebo DRIVE?

“We need to ensure that we develop our employees so that they can maximise their potential at Gunnebo, and enable them to achieve their performance goals and individual development plans.

Gunnebo DRIVE will also give senior management a much clearer picture of how Group strategy is being implemented, and how Group companies are aligning with the Group’s strategic objectives. Gunnebo DRIVE will enable better and faster decisions based on real-time business insights.

The world is changing and so is Gunnebo. Gunnebo DRIVE will support these changes.”

### What is the biggest benefit of Gunnebo DRIVE?

“We will work in a more professional way using a common, global and cloud-based

platform. We need to be relevant, modern, and we need to improve the career experience for all our employees. All of us employed within the Group need to continue to develop, and Gunnebo DRIVE will help us to do this. Gunnebo DRIVE is connecting the dots.”

#### Facts/Gunnebo DRIVE

Gunnebo DRIVE is a cloud-based, easily accessible and modern people management system. It focuses on the following aspects:

- **Develop:** Skills development and learning
- **Reward:** Recognition, efforts and achievement
- **Impact:** Performance goals and targets
- **Voice:** Involvement in own development
- **Engagement:** Mutual commitment, success and satisfaction



## Development of employees

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

The ACE (Action, Communication, Engagement) development programme is based on a train-the-trainer concept. The aim of ACE is to ensure that all managers in the Group have the right prerequisites to be a good manager, with focus on communication and building effective teams. ACE provides managers with different tools to achieve this, to develop and communicate with their teams. The goal is for all managers in the Group to have completed the programme by 2018. At the end of 2018 over 80% of all managers in the Group had completed the programme.

"Road to Growth" is a leadership programme intended for middle managers with potential to grow in Gunnebo. The programme is aimed at developing skills to drive the business towards its strategic goals. Road to Growth is an investment in middle managers with mixed roles, tasks and background.

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

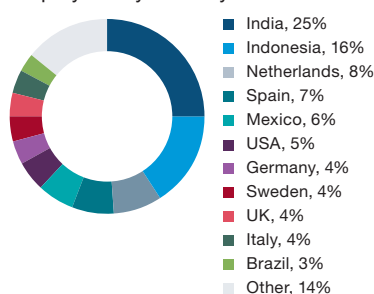
## New e-platform for training

To facilitate the dissemination of knowledge and increase accessibility to training, Gunnebo has invested in broadening the scope for e-courses to cover skills such as project management, communication and sales training. During the introductory year 2018, the platform already had all employees as active users. Taking courses online contributes to reducing the costs and environmental impact associated with travelling.

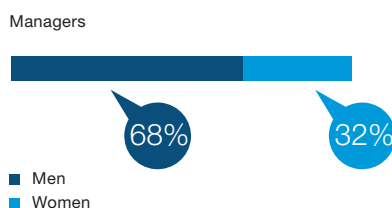
## Human capital risk

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

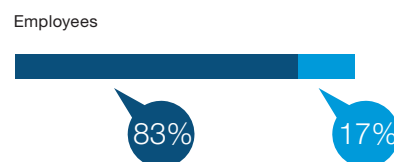
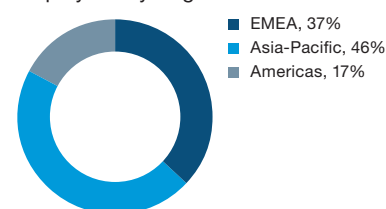
Employees by Country



Gender Distribution



Employees by Region



## Your Voice employee survey

Employee surveys are important tools for understanding what is working well and identifying where further efforts are needed. The global employee survey conducted in late 2017 disclosed areas of improvements. In 2018 the results from the 2017 survey have been analysed and actions taken. During the year mini-surveys have also been conducted in different geographies and organisations.

## Equality

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

Equality is an important element of the Group's work with diversity. Of the Group's employees, 17% are women. 32% (20) of the Group's managers and 20% (20) of the Group Executive Team are women. Gunnebo's aim is to ensure that women and men are treated equally and provided with the same opportunities to develop. To increase the proportion of female employees and achieve a more

balanced gender distribution in the long term, the Group works, for example, to promote the inclusion of female employees in the succession planning process as well as the participation of women in leadership development programmes. Since the Group's pay structure is based on a global system, it supports the ambition of equal pay for equal work, where any differences in pay levels are driven by local conditions.

## Diversity

One of Gunnebo's strategic goals is to increase insight into and harness the benefits of the Group's diversity. For a global company, having an understanding of local market conditions, cultural and employee needs, is pivotal to develop the business. Diversity is encouraged at all levels in the Group and Gunnebo strives to represent as many dimensions of diversity as possible and to meet customer demands in a global market. This work considers gender, origin, industry background and other indicators of diversity. At year-end 2018, Gunnebo had 230 company managers and members of management teams, representing more than 30 nationalities.

## Social conditions

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

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

## Local activities

The Gunnebo code of conduct helps ensure that the Group runs its business ethically and that potentially negative social impact is understood and avoided. In addition to social issues in purchasing and production, Gunnebo also plays an active role in the communities where it operates, creating additional positive social impact and strengthening the local communities where the Group operates. Its local companies are encouraged to support politically and religiously unaffiliated grass root projects in their vicinity which lead to greater equality, and a higher level of education and general standard of living.



Employees were invited to Group headquarters in Gothenburg, Sweden to meet Gunnebo's President and CEO, Henrik Lange, and the rest of the Group Executive Team.

## President's Award

In 2018, six employees were recognised for outstanding achievement as part of the inaugural President's Award.

To support Gunnebo's growth targets and to reward employees who have contributed towards them, the Group awarded activities in three key areas: **sales growth, productivity gain and innovation, and new customer acquisition.**

Employees from the Middle East, Italy, South Africa, China and Australia were invited to Group headquarters in Gothenburg, Sweden to meet Gunnebo's President and CEO, Henrik Lange, and the rest of the Group Executive Team.

### Highlights

#### President's Award for Sales Growth

Fadi Yakoub, Project Director for Gunnebo in the Middle East, achieved a record contribution of 40% of the total local sales revenue in 2017.

"With a good team, you can work miracles," says Fadi. "You cannot do it alone – I have succeeded because of my team."

In Italy, Business Manager, Mauro Bonetto, secured a major partnership with a systems integrator to provide mass transit entrance control systems.

"If we work all together with a common goal and direction, we are unique and we

have high chance to win," says Mauro.

#### President's Award for Productivity Gain and Innovation

Suyanto Salim, Plant Manager at Gunnebo's manufacturing unit in Kunshan, China, was recognised for this role in developing a culture of continuous improvement at the facility, leading to significantly better performance, customer satisfaction and quality.

In South Africa, Regional Manager, Thomas Pourquet, drove a major change programme which re-engineered the business and reduced the cost base.

#### President's Award for New Customer Acquisition

Eric Wang, Solution Sales Manager for Gunnebo in China sealed a breakthrough deal in Thailand for the installation of Gunnebo's automated safe deposit locker solution, SafeStore Auto. The deal was significant not only because of its size, but also because it was for a client outside of the bank market.

Finally, Cristian Cerda, Business Development Manager for Gunnebo in Australia, managed multiple stakeholders to close a major project making Gunnebo a key supplier to high-risk facilities in the country.

## Our Impact

Gunnebo considers environmental protection to be one of the most significant challenges facing the world's population at present and in the future. As a company that operates at an international level, Gunnebo recognises its responsibilities concerning the impact that its business activities have on the environment. The Group has formalised its commitment to environmental excellence when adopted the first Environmental Policy in 2008 which has latest been updated in 2018.

### Environment

The activities of the Group should always be carried out with consideration for the environment. Environmental impact under the Group's direct control, is to be minimised in the day-to-day operation, and resources are to be used sparingly and efficiently. Environmental impacts primarily take place in production processes through material and energy consumption, emissions to air and water, or the creation of noise and waste. To restrict the environmental impact of production, the Group have all of its manufacturing units certified in accordance with ISO 14001. Risk analyses are carried out in connection with such certification and through chem-

ical analyses during, for example, REACH work (Registration, Evaluation, Authorisation and restriction of Chemicals). These risk analyses provide good information about the various risks at the manufacturing units and relevant action programmes can then be implemented.

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

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

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

The Group has identified the following areas as having the greatest environmental impact: the use of electricity at manufacturing units

and large sales units, carbon dioxide emissions from manufacturing and sales units as well as from its own fleet of vehicles, and the recycling of non-hazardous waste in production. In 2016, new goals were set for all of these areas, while reporting procedures were improved and quality assured.

### Environmental management systems

During 2018 Gunnebo implemented an updated Environment Policy throughout the Group, valid for all Gunnebo Group companies, locations and activities.

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

## Zero Single-Use Plastic Items in Offices

Due to the growing volume of plastic waste accumulating in oceans around the world, in 2018, Gunnebo decided to take action by launching a campaign to stop the use of single-use plastic items in its offices. Where possible, Gunnebo will expand this to cover other disposable products. By mid-2019, the Group aims to have removed all single-use plastics from its offices and will encourage employees to take up the same challenge in their personal life.



# Risk Management

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

Gunnebo is a global group with a broad geographical spread. The Group currently has operations in 25 countries and eight manufacturing units in eight countries. The Group is therefore exposed to various kinds of strategic, operational and financial risks. Strategic and operational risks include external environment risks, raw material risks, production risks and legal risks. The financial risks are linked to changes in interest and exchange rates, financing and counterparty risks. Financial risks are also related to the value of the balance sheet, where intangible assets and deferred tax assets are the two main assets where periodic valuation is made by Gunnebo due to their elements of judgments and estimates.

## Risk Management

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

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

has the overall responsibility for the Group's risk management and for deciding the Group's strategic direction.

### Strategic risks

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

### Operational risks

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

### Financial risks

Financial activities are carried out in accordance with the finance policy established by

the Board, which regulates how financial risks are to be managed and the limits within which Gunnebo Treasury and Gunnebo's subsidiaries may operate.

► Read more about Gunnebo's financial risk management on page 77, note 19.

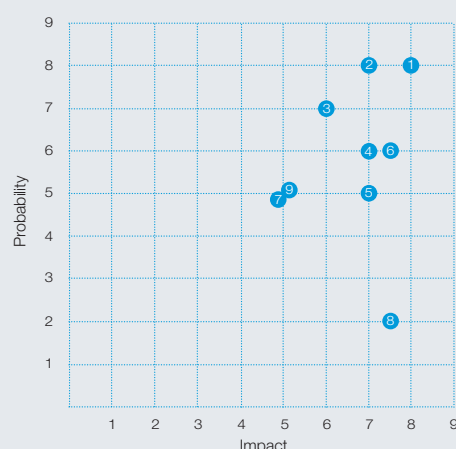
## Insurable Risks

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

## Gunnebo's Nine Most Significant Risks

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

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





# The Gunnebo Group's Nine Most Significant Risks

Risk	Description	Mitigation actions	Tools to manage risk
Customer behaviour	The Gunnebo Group's business and results are exposed to market risks such as the impact of the business cycle on demand for the Group's products, softwares and services and changes in customer investment plans and production levels.	The Group's relatively broad product range and customer structure, as well as its global market coverage with sales and production in a large number of countries, provide a good distribution of risk restricting the effect of a change in demand limited to a particular customer, industry, region or country.	<ul style="list-style-type: none"> <li>• Customer survey</li> <li>• Market intelligence</li> </ul>
Change of technologies	Fast changing technology standards and technological leaps in parts of the world leading to an offering no longer compatible with the new standards. If Gunnebo fails to identify these changes and adapt to technologies in a timely manner, this may affect the Group's business.	Gunnebo's product development strategy, together with a close dialogue with key customers, aim at ensuring that Gunnebo develops innovative solutions that generates customer value and profitable growth.	<ul style="list-style-type: none"> <li>• Product development strategy</li> <li>• Customer dialogue</li> <li>• Market intelligence</li> </ul>
Product, software, service and delivery	<p>The Group could be at risk of losing customers and market share if the products which reach the customer do not meet expectation levels in terms of quality and/or functionality. Each manufacturing step should ensure that the product is built according to its definition, so that it meets expectations in terms of performance and appearance.</p> <p>The same standards in terms of quality, functionality and delivery are expected of distributors and suppliers in the value chain.</p>	<p>For products manufactured in-house, Gunnebo ensures that every production step is well defined, and that the right controls are in place throughout the process, so that when the product is packed and shipped, it is correct. Every employee should be trained accordingly and should understand not only how their work contributes to a product of the right quality but also how working in the wrong way can affect product quality negatively.</p> <p>For outsourced production, distributors and suppliers are given clear specifications and expectations in terms of quality, functionality and delivery. This requires good collaboration between all parties.</p>	<ul style="list-style-type: none"> <li>• Quality policy</li> <li>• ISO 9001 certifications</li> <li>• Quality KPI</li> <li>• Manufacturing checklists</li> <li>• Sourcing specifications and related control reports</li> <li>• Claim system</li> </ul>
Product development	The Group could be at risk of losing customers and market share if it does not develop products which comply with new legislation or does not provide products which meet customer expectations. The risk is that each development project planned is not and does not monitor risks regarding project and product quality and cost, project lead time and product features.	Gunnebo surveys all new legislation that could have an influence on the products that the Group develops and supplies. It also keeps track of the evolution of standards and their impact. Group standards and certification experts are involved in national and international working groups managing standards and their development. This includes specific business-related standards as well as HSE standards. The Group has put in place a strong product development process, with tollgates and validation steps. Starting with the initial specification, it covers the whole product lifecycle, including launching and phase-out. The process enables project costs and timing to be monitored, and validation steps to ensure that the right quality level is attained.	<ul style="list-style-type: none"> <li>• Customer survey</li> <li>• Group development project tollgate model</li> <li>• Gunnebo guidelines</li> <li>• Environmental policy</li> <li>• Engagement in national and international regulatory bodies</li> </ul>
Reputation	Reputation – including brand, trust and customer satisfaction – can impact the sustainability of current and future demand for a company's product or service and the company's commercial freedom. Manufacturing quality and customer service are examples of factors which affect a company's reputation. Today's multi-channel world makes it challenging to control how the brand is perceived in the marketplace.	Activities to maintain and further strengthen Gunnebo's good reputation are constantly ongoing. These include ensuring compliance with Gunnebo's Code of Conduct. The Code defines the Group's values with regard to business ethics, human rights and labour standards, environment, health and safety.	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Customer survey</li> <li>• Customer dialogue</li> <li>• Frequent scans of online media</li> <li>• Brand strategy</li> </ul>
Human capital	<p>Not recruiting and/or retaining people with the right competence and values can create a lot of damage to the business. Another identified risk related to employees is key person dependency.</p> <p>During 2018, the Group launched a new organisation and a new way of working in end-to-end Business Units. With this, many employees are now organised in a new manner and have got redefined roles and responsibilities.</p>	<p>Clearly defined wanted behaviours expressed as the Group's Performance Cornerstones. In recruitment processes, profile mapping and recruitment tests are connected to the Performance Cornerstones, as are the personal development reviews. A process for succession planning is in place for several years.</p> <p>This transformational journey to implement the Business Unit structure is the top priority for Group Executive Team and the respective Business Unit management teams. The strategy execution is managed through business reviews after a standardised way of implementation and follow up. And the Gunnebo senior management spend time on communicating, handholding and driving change.</p>	<ul style="list-style-type: none"> <li>• Strategy execution tool</li> <li>• Change management training</li> <li>• New organisational model</li> </ul>
Compliance risk	Compliance risks may affect the Group's ability to protect value through threats posed to the organisation's financial, organisational or reputational standing, and may affect the Group's ability to live by its values. This includes stock exchange related issues, competition law issues, anti-corruption, export control and privacy as well as corporate governance and compliance. As a global company, the Group works in some politically unstable countries where compliance risks tend to be higher than in other countries.	The Group's Code of Conduct, as well as policies and guidelines on compliance with applicable laws in certain areas, have been implemented. The Group's legal department is responsible for monitoring the management of compliance risks. Compliance risks are managed through tactical and operational business decisions and operations regarding compliance to rules and regulations in all businesses throughout the Group on all levels, by all employees.	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Insider policy</li> <li>• Fraud and corruption policy</li> <li>• Export control policy</li> <li>• Data protection policy (GDPR)</li> </ul>
Manufacturing	Production takes place in eight manufacturing units and comprises a chain of processes where stoppages or disruptions can impact on Gunnebo's ability to fulfil its obligations to customers.	The manufacturing units are involved in an audit programme driven by the Group's insurance company. It is aiming to regularly review the risks associated with each plant and help design action plans to reduce them. Hence, a Group crisis management procedure and local business continuity plan for each plant have been implemented. These allows the Group to anticipate its response to any major unplanned event.	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Certification (ISO 9001, ISO 14001 &amp; OHSAS 18001)</li> <li>• Insurance audit</li> <li>• Group manufacturing policy</li> <li>• Business continuity plan</li> <li>• Group crisis management procedure</li> </ul>
Macroeconomic risk	Gunnebo's geographical distribution means exposure to external environment risk such as country-specific risks in the form of political decisions and changes to regulations as well as macroeconomic fluctuations.	The Group's Board and senior management team monitor the development in key markets to assess macroeconomic and political risks, but also opportunities that may influence the Group's strategy and operations in those markets.	<ul style="list-style-type: none"> <li>• Business boards</li> <li>• Market intelligence</li> </ul>

## Sensitivity Analysis

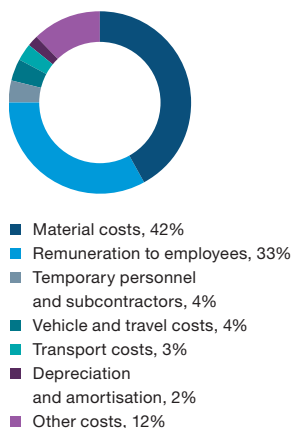
Profits are affected by changes in certain factors of importance to the Group, as explained below. The calculation is made on the basis of the Group's structure at year-end and assuming all other factors remain unchanged.

	Change	Effect
Selling Prices	A 1% increase in the selling price	would positively affect income and operating profit by approximately MSEK 50.
Labour Costs	A 1% increase in labour costs, including social security charges	would negatively affect operating profit by Approximately MSEK 16.
Steel Prices	A general increase in steel prices of 10%	would negatively affect profit by around MSEK 35 for the subsequent 12 months.
Currencies	A 10% depreciation of the value of the SEK	would positively affect profit before tax by approximately MSEK 27 in total. Of this, MSEK 13 would be netted transaction exposure, without taking the Group's forward cover into account. The remaining would be attributable to translation exposure.
Interest Expenses	Given the same borrowing liability and the same fixed interest terms as at the end of the year, a one percentage point increase in all of Gunnebo's borrowing currencies	would negatively affect profit by approximately MSEK 17, after interest rate hedging, for the subsequent 12 months.

### Costs

The annual cost of steel-based products account for approximately MSEK 350. Consequently, an increase of 10% in the cost of these products reduces the operating profit by around MSEK 35. An increase of 1% in wages and salaries (including social security charges) reduces the operating profit by around MSEK 16. An increase of 1% in interest rates would increase the Group's annual interest cost with around MSEK 17, based on the current position. The Group had a net debt including post-employment benefits of MSEK 1,714 on 31 December 2018.

Expenses by Nature, MSEK 4,874

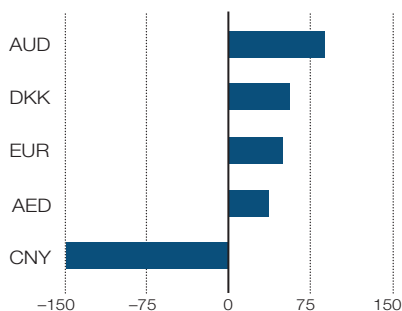


### Currency Impact

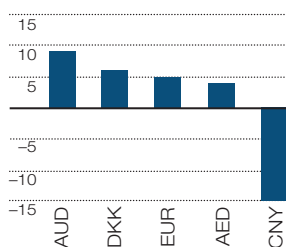
Most of the operating profit is made outside Sweden, meaning that the Group is exposed to translation risks from currencies into the reporting currency SEK. The largest currency flows are shown in the first graph below. The Group is a net seller of AUD, DKK, EUR and AED while a net buyer of CNY.

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

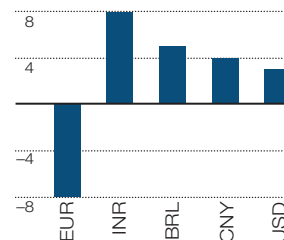
Net currency flows 2018, MSEK



Transactional effect of 10% weaker SEK against top five currencies, MSEK



Translational effect of 10% weaker SEK against top five currencies, MSEK





# 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 2018 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 on 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 2018 financial year. Gunnebo follows the rules of the Code and provides the following explanations for the cases in which it deviated from the Code rules in 2018.

## Governance and Division of Responsibilities

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

In 2018, the following groups were primarily in charge of the governance, management, control and segregations of responsibilities at Gunnebo:

- Shareholders
- Board of Directors
- CEO
- Group Executive Team
- Business Unit and regional management teams
- Group corporate functions

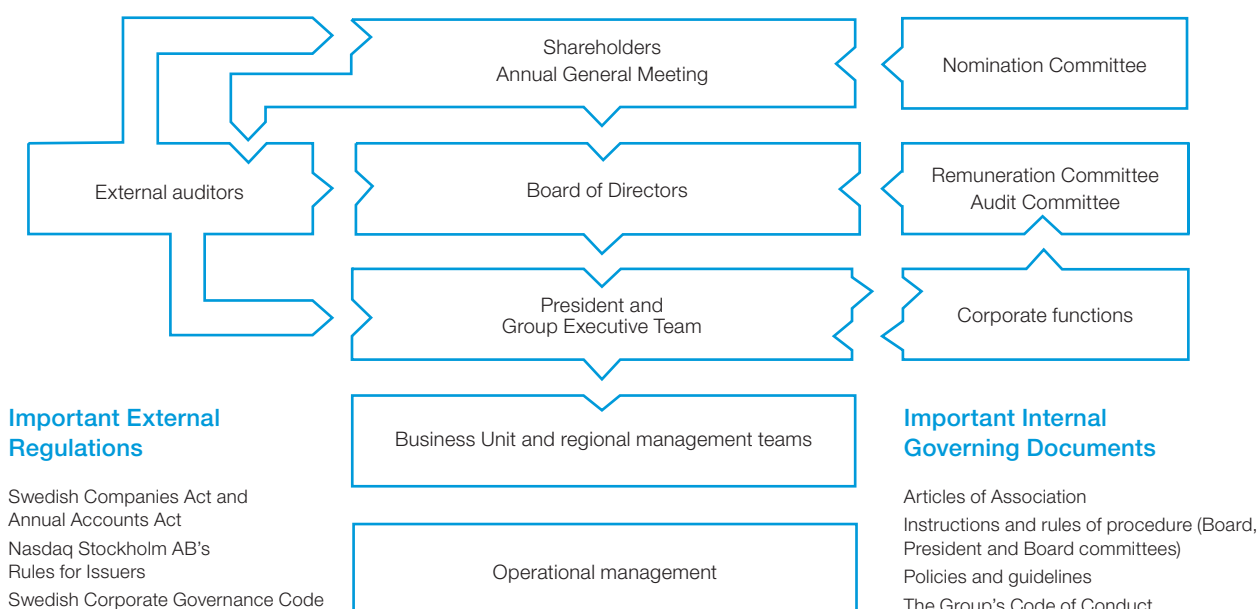
## Shareholders and the Share

For information about shareholders and the Gunnebo share, refer to pages 96-97 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 point of time before the Meeting and who have registered their attendance at the Meeting before the stipulated deadline in the notice to attend are entitled to participate in the Meeting and exercise full voting rights.

## Overview of Gunnebo's Corporate Governance



Shareholders who are unable to attend the Meeting in person may appoint a proxy.

Shareholders wishing to have an issue addressed at a General Meeting should submit their request in writing to the Board well enough in advance to be included in the convening notice to the General Meeting.

## 2018 Annual General Meeting

The 2018 Annual General Meeting was held on April 12 at the Chalmers Student Union building in Gothenburg. A total of 121 shareholders attended the Meeting, representing 65.2% of the number of shares and votes in the company. Chairman of the Board Martin Svalstedt was elected Chairman of the Meeting. All Board members elected by the Meeting attended, except Charlotte Brogren.

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:

- Adoption of the income statements and balance sheets for the company and the Group included in the annual report for the 2017 financial year,
- A dividend according to the Board's proposal of SEK 1.20 per share for the 2017 financial year to be paid in two partial payments,
- Discharge of all Board members and the CEO from liability for the administration of the company's affairs during the 2017 financial year,
- Re-election of all Board members, except for Bo Dankis who declined re-election, and Martin Svalstedt as Chairman of the Board,
- Determination of remuneration to the Board of Directors and auditor,
- Principles for remuneration of senior executives,
- Election of Deloitte AB as the company's auditor until the end of the 2019 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,
- Implementation of a long-term share-based incentive program,
- Authorization for the Board to resolve on a transfer or a maximum of 30,000 ordinary shares linked to LTIP 2015.

## 2019 Annual General Meeting

The next Annual General Meeting of shareholders in Gunnebo AB (publ) will be held in Stenhammarsalen, the Concert Hall in Gothenburg on Thursday April 11. More information about the Annual General Meeting is available on page 94 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 2017 Annual General Meeting that, until further notice, Gunnebo's Nomination Committee would consist of the Chairman of the Board and one representative from each of the three largest shareholders as per the final banking day of August of each year. This means that the following shareholder representatives constituted the Nomination Committee for the period until the 2018 Annual General Meeting: Dan Sten Olsson (appointed by Stena Adactum), Mikael Jönsson (appointed by Vätterledens Invest), Ricard Wennerklint (appointed by If Skadeförsäkring) and Martin Svalstedt, Chairman of the Board and convener. The Chairman of the Nomination Committee was Dan Sten Olsson.

In the Nomination Committee's opinion, all Committee members are independent of the company and its Group Executive Team. Furthermore, Mikael Jönsson and Ricard Wennerklint are deemed to be independent of the company's largest shareholder in terms of votes. In a deviation from item 2.4 (second paragraph) of the Code, two of the Nomination Committee's members are also Board members who are not deemed to be independent of the company's largest shareholders. The reason for the deviation is that Mikael Jönsson is the person in Vätterledens Invest who has the best knowledge of the company and its board. No remuneration is paid by the company to the members for their work on the Nomination Committee. The Nomination Committee held two meetings 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 to the address printed on page 94.

## 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 2018, Gunnebo's Board comprised six members elected by the Meeting. Moreover, 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 CEO and the CFO participate at Board meetings, the latter also serving as secretary. Furthermore, other senior executives participate at meetings whenever required. The Board's work is primarily governed by the Swedish Companies Act, the Code and the Board's rules of procedure. The rules of procedure are adopted every year at the statutory meeting of the Board.

The current rules of procedure state that the Board shall hold at least six scheduled meetings between Annual General Meetings including the statutory board meeting. The rules of procedure also outline the segregation of work and responsibilities between the Board, the Chairman, the Board Committees and the CEO.

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

## December

**BM:** Report from the Board's committees; report from the CEO; financial performance update and plan 2019; investments, acquisitions and divestments; update on Entrance Control and GBS; evaluation of Board work.

**AC:** Audit and internal control update; accounting, valuation and tax update.

**RC:** Compensation approval for GET; approval of the 2019 bonus; LTIP 2019 set-up introduced.

## November

**RC:** Bonus structure for 2019 aligned, non-financial objectives for GET presented.

## October

**BM:** Report from the Board's committees; report from the CEO; update of Q3 financial performance; Q3 interim report; acquisitions and divestments; Safe Storage update.

**AC:** Update on Q3 financial performance; Q3 interim report; Q3 audit review; treasury, insurance and financial risk update; accounting, valuation and tax update.

**RC:** Proposal on bonus structure for 2019, update on the HR agenda.

## July

**BM:** Strategy review of the Group and Business Units; divestment progress and bank financing; change of segment reporting into Business Units and new layout of interim report; LTIP.

**BM:** Report on the divestment and bank financing; decision to sign and financial implications.

**BM:** Report from the Board's committees; report from the CEO; update of Q2 financial performance; divestment; Q2 interim report.

**AC:** Q2 financial performance including discontinued operation being signed; Q2 interim report according to new layout; audit plan, visits and fees.

## January

**AC:** Report on Q4 and full year financial performance; audit report; Q4 interim report; litigations and claim overview; recommendation of audit firm.

**RC:** Pension policy to GET; final approval of 2018 bonus / LTIP structure and 2017 bonus / LTIP payout.

## February

**BM:** Report from the Board's committees; report from CEO; report on Q4 and full year financial performance; audit report; Q4 interim report; proposal of dividends; acquisitions, divestment and strategy update.

**AC:** Review of Annual Report 2018.

## March

**BM:** AGM notice and proposals.

## April

**BM:** Report from the Board's committees; report from CEO; financial performance update; acquisitions, divestment and strategy update; Safe Storage business update.

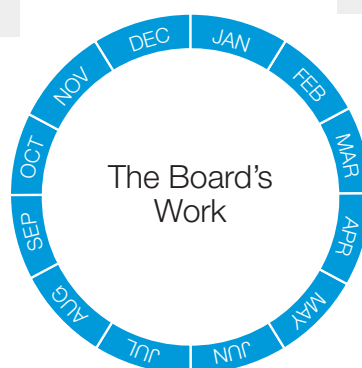
**BM:** Statutory meeting.

**BM:** Report from the Board's committees; update on Q1 financial performance; Q1 interim report.

**AC:** Review of AC rules of procedures; report on Q1 financial performance; Q1 interim report; audit and internal control plan for the year; financial considerations related to divestment and strategy; cash flow forecast; new accounting principles.

## May

**BM:** Report on the divestment progress and bank financing.



## June

**AC:** Divestment update; bank financing update; financial considerations related to divestment and strategy; change of segment reporting into Business Units, reporting of divestment as discontinued operation, proposal of new financial targets, proposed new layout of interim report.

**RC:** LTIP payout approval.

## The Board's Work in 2018

In 2018, the Board convened twelve times in addition to the statutory meeting. The work of the Board has been performed as illustrated on page 47.

## Chairman of the Board

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the 2018 Annual General Meeting. It is the Chairman of the Board's responsibility to lead and divide the Board's work and to ensure that it is conducted in an organised and effective manner. This includes ensuring that the Board completes its duties, monitoring the progress of the company and ensuring that the Board continuously receives the information required for the Board to perform

its work to the necessary standard in accordance with the relevant regulations. The Chairman does not participate in the operational management of the company.

## Independence of Board Members

Pursuant to the Code, the majority of Board members elected at the Annual General Meeting must be independent of the company and its Group Executive Team, and at least two of its members must also be independent of the company's major shareholders. The shareholdings of the individual Board members and their independence of the company, its Group Executive Team and the major shareholders, and other assignments in other companies are presented on pages 51–53.

## 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 resented 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 2018, the Board of Directors of Gunnebo had two Committees: the Remuneration Committee and the Audit Committee. The representatives sitting on these Committees are appointed by the Board from among its own ranks.

## Audit Committee

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

- Monitoring the company's financial reporting and submitting recommendations and proposals to ensure the reliability of the reporting,
- Monitoring the efficiency of the company's internal control and risk management as regards the financial reporting,

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

Following the 2018 statutory board meeting, the Committee comprised Eva Elmstedt (Chairman), Anna Borg Sæther and Mikael Jönsson. All of the members of the Audit Committee are independent of the company and company management and two members are also independent of the company's major shareholders.

The Committee held seven 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

## Statistics on Attendance and Independence of Board Members 2018

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	12 (C)	5 (C)		Yes	No	500,000
Göran Bille	2008	11 (M)	5 (M)		Yes	Yes	280,000
Anna Borg Sæther	2017	12 (M)		3 (M)	Yes	Yes	265,000
Charlotte Brogren	2012	12 (M)			Yes	Yes	250,000
Bo Dankis*	2006	3 (M)			Yes	Yes	125,000
Eva Elmstedt	2015	11 (M)		7 (C)	Yes	Yes	300,000
Mikael Jönsson	2000	12 (M)	4 (M)	7 (M)	Yes	No	310,000

\*Left the assignment at the AGM 2018

### Employee Representatives

Micke Fridström**	2018	10 (M)					38,700
Irene Thorin	2011	12 (M)					38,700
<b>Number of Meetings:</b>		<b>12</b>	<b>5</b>	<b>7</b>			<b>Total: 2,107,400</b>

\*\*Took up the assignment in April 2018

C=Chairman M=Member

their audit and review of internal control. The auditors then met with the Board without the presence of representatives from the Group. Matters addressed by the Committee are illustrated on page 47. The attendance of the Committee members at meetings is presented in the table on page 48.

### Remuneration Committee

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

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

Following the 2018 statutory board 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 five meetings during the year, at which items such as long-term incentive programmes, bonus model, bonus outcomes and guidelines for remuneration to senior executives were discussed. The attendance of the committee members at meetings is presented in the table on page 48.

### Auditors

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

At the 2018 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 2019 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 7.

### President & CEO and the Group Executive Team

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

The President is assisted by a Group Executive Team comprising managers for Business Units, regions and corporate functions. At year-end 2018, the Group Executive Team consisted of nine individuals. These individuals are presented on pages 52–53 of this Annual Report. In 2018, the Group Executive Team held twelve meetings. The meetings mainly focused on implementation, monitoring and follow-up on the Group's new strategic direction with Business Units by product offering, investment and divestment activities, performance development as well as discussions about acquisitions.

### Business Unit and Region Management Teams

Gunnebo's business activities consist of the Business Units Safe Storage, Cash Management, Entrance Control and Integrated Security. The three first Business Units each have a global end-to-end responsibility for product management, supply chain and sales where each Business Unit also has an operational management team which is responsible for the unit's business operations. The fourth Business Unit Integrated Security, comprises of several local businesses, each with its own strategic agenda but with the common targets to reach the Group's financial goals on sales growth of 5% and an EBITA margin of more than 10%.

The operational management teams are the bodies under the Group Executive Team that are responsible for strategy implementation and ensuring that the decisions which have been made are executed. These management teams are also 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 co-ordination of corporate management, business development, human resources & sustainability, legal & compliance, finance, IT and brand management, communications & investor relations. These functions are responsible for preparing relevant group-wide strategies, priorities and 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.

# 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 for listed companies.

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

## Control Environment

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

The Board has the overall responsibility for internal control in respect of financial reporting. The Board has established written rules of procedure that clarify the responsibilities of the Board and regulate the segregation of duties between the Board and its committees. The Board has appointed an Audit Committee tasked primarily with ensuring adopted principles for financial reporting, compliance with the internal control and that relevant relationships with the company's auditor are maintained. The Board has also prepared instructions for the CEO. The responsibility for upholding an effective control environment has been delegated to the CEO.

The corporate finance function acts as the Group's internal control function and reports to the Audit Committee and to the CEO. The function develops and improves the internal control in respect of financial reporting, both proactively by focusing on the internal control environment and by reviewing how the internal control works.

Gunnebo's Code of Conduct covers principles for how the operations are to be conducted. Internal governing documents for

the financial reporting mainly comprise the Group's Finance Policy, Group Treasury Policy, Group Internal Control Policy, Group Financial Accounting and Reporting Policy, Group Audit Matrix and Group Powers Reserved Policy.

## 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 units 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 42–44 and in Note 19, Financial Risk Management and Financial Instruments.

## Control Activities

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

## Information and Communication

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

## Monitoring

Regular monitoring to ensure good internal control in respect of financial reporting is conducted by the Board, the Audit Committee, the CEO, the Group Executive Team, the corporate finance function and each Group company and Business Unit respectively. Monitoring includes following up monthly financial statements against plan and as well as annual statements with results from self-assessments and internal control reviews. The internal control process primarily concentrates 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 94–97 for information about how communication and monitoring of the Group's financial reporting are carried out externally.



## Board of Directors as of 31 December 2018

### Martin Svalstedt

**Chairman of the Board**

**Elected:** 2003,  
Chairman since 2008

**Born:** 1963

**Nationality:** Swedish

**Main position:**  
President, Stena Adactum AB

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

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

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

**Shareholding:** 195,000



### Göran Bille

**Board Member**

**Elected:** 2008

**Born:** 1955

**Nationality:** Swedish

**Main position:**  
Industry advisor

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

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

**Other Board assignments:** Board member of KappAhl

**Shareholding:** 50,000



### Anna Borg Sæther

**Board Member**

**Elected:** 2017

**Born:** 1971

**Nationality:** Swedish

**Main position:** CFO Vattenfall

**Education:** Masters in Economy and Political Science

**Professional background:** Senior positions at Vattenfall and Klarna

**Other Board assignments:** —

**Shareholding:** 3,000



### Charlotte Brogren

**Board Member**

**Elected:** 2012

**Born:** 1963

**Nationality:** Swedish

**Main position:** CTO Alimak Group AB

**Education:** PhD

**Professional background:** Leading positions within ABB, Director General of Vinnova

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

**Shareholding:** 3,000



### Mikael Jönsson

**Board Member**

**Elected:** 2000

**Born:** 1963

**Nationality:** Swedish

**Main position:**  
President of Vätterledens Invest AB

**Education:** University studies in Economics

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

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

**Shareholding:** 153,333



### Eva Elmstedt

**Board Member**

**Elected:** 2015

**Born:** 1960

**Nationality:** Swedish

**Main position:**  
Professional board member and investments

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

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

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

**Shareholding:** 21,000



### Micke Fridström

**Employee Representative for Unionen**

**Elected:** 2018

**Born:** 1964

**Nationality:** Swedish

**Education:** Electrics, upper secondary level

**Shareholding:** 1,000



### Irene Thorin

**Employee Representative for Unionen**

**Elected:** 2011

**Born:** 1959

**Nationality:** Swedish

**Education:** Economics, upper secondary level

**Shareholding:** —



## Group Executive Team as of 31 December 2018



Henrik Lange



Susanne Larsson



Christian Carlsson



Karin Wallström Nordén



Stefan Syrén



Tomas Wängberg\*



Robert Hermans



Sacha de la Noë



Daniel Schroeder

## Henrik Lange

**President and CEO**

**Employed:** 2015

**Born:** 1961

**Nationality:** Swedish

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

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

**Board appointments:** Board member of Alfa Laval and Velux Group

**Shareholding:** 73,530

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

## Karin Wallström Nordén

**SVP Marketing & Communications**

**Employed:** 2003

**Born:** 1978

**Nationality:** Swedish

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

**Professional background:** Marketing & Communication Director at Gunnebo and Financial Journalist

**Board appointments:** Board member of Sweden-Indian Business Council (SIBC) and Gigger AB

**Shareholding:** 6,600

**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:** 16,000

**Warrants and share options:** —

## Susanne Larsson

**CFO**

**Employed:** 2015

**Born:** 1968

**Nationality:** Swedish

**Education:** Master of Science in Business Administration from Karlstad University

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

**Board appointments:** Board member of Mercuri Urval Group

**Shareholding:** 17,200

**Warrants and share options:** —

## Stefan Syrné

**SVP Safe Storage & Integrated Security**

**Employed:** 2018

**Born:** 1966

**Nationality:** Swedish

**Education:** MSc Chemical Engineering, Chalmers University, Gothenburg

**Professional background:** Procter & Gamble, Nordics and European management, COO Papyrus and CEO Alliance Healthcare Deutschland

**Board appointments:** —

**Shareholding:** 55,000

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

## Sacha de la Noë

**SVP Region Asia-Pacific, Middle East & Africa**

**Employed:** 2005

**Born:** 1970

**Nationality:** Swedish

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

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

**Board appointments:** Board member of Krisma AB

**Shareholding:** 17,104

**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 and Compensation and Benefit Manager at Volvo Car Corporation

**Board appointments:** —

**Shareholding:** —

**Warrants and share options:** —

## Tomas Wängberg\*

**SVP Cash Management**

**Employed:** 2009

**Born:** 1958

**Nationality:** Swedish

**Education:** Marine Engineering, Chalmers 1981

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

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

**Shareholding:** 21,843

**Warrants and share options:** —

*\*Succeeded by Christian Weisser, February 2019.*

## Daniel Schroeder

**SVP Region Americas**

**Employed:** 2016

**Born:** 1964

**Nationality:** American

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

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

**Board appointments:** —

**Shareholding:** 21,600

**Warrants and share options:** —

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**Unless otherwise stated, text and numbers  
refer to continuing operations.**

## Stay Updated

Visit the Gunnebo Group website. The latest information for investors, analysts and financial journalists who follow the Gunnebo Group. Sign up to receive regular financial reports and press releases.



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## Financial Statistics

Financial summary



MSEK

Order intake

Financial summary

MSEK

Order intake

2011 2012

5,091 5,250

## Consolidated Income Statements

MSEK	Note	2018	2017
Net sales	2	5,128	4,861
Cost of goods sold	2, 5	-3,686	-3,447
<b>Gross profit</b>		<b>1,442</b>	<b>1,414</b>
Selling expenses	2, 5	-611	-575
Administrative expenses	2, 5	-577	-552
Other operating income and expenses, net	8	11	14
<b>Operating profit (EBIT)</b>		<b>265</b>	<b>301</b>
Financial income and expenses, net	9	-53	-54
<b>Profit before taxes</b>		<b>212</b>	<b>247</b>
Income taxes	10	-92	-95
<b>Net profit from continuing operations</b>		<b>120</b>	<b>152</b>
Net profit/loss from discontinued operations	4	-803	8
<b>Net profit/loss</b>		<b>-683</b>	<b>160</b>
<b>Net profit/loss attributable to:</b>			
Shareholders of the Parent Company		-683	153
Non-controlling interests		0	7
		<b>-683</b>	<b>160</b>
Weighted average number of basic shares, thousand		76,378	76,320
Weighted average number of diluted shares, thousand		76,430	76,389
<b>Earnings per share before dilution, SEK</b>	15	<b>-8.95</b>	<b>2.00</b>
Of which, continuing operations, SEK		1.57	1.90
Of which, discontinuing operations, SEK		-10.52	0.10
<b>Earnings per share after dilution, SEK</b>	15	<b>-8.94</b>	<b>2.00</b>
Of which, continuing operations, SEK		1.57	1.90
Of which, discontinuing operations, SEK		-10.51	0.10

## Consolidated Statements of Comprehensive Income

MSEK	Note	2018	2017
<b>Net profit/loss</b>		<b>-683</b>	<b>160</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to the income statement</b>			
Remeasurements (actuarial gains and losses)	16	33	-24
Income taxes	10	-7	4
<b>Subtotal</b>		<b>26</b>	<b>-20</b>
<b>Items that may be reclassified to the income statement</b>			
Translation differences in foreign operations		16	-74
Hedging of net investments		-2	0
Cash flow hedges		3	5
Income taxes	10	-	-1
<b>Subtotal</b>		<b>17</b>	<b>-70</b>
<b>Other comprehensive income</b>		<b>43</b>	<b>-90</b>
<b>Total comprehensive income</b>		<b>-640</b>	<b>70</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Parent Company		-640	66
Non-controlling interests		0	4
		<b>-640</b>	<b>70</b>



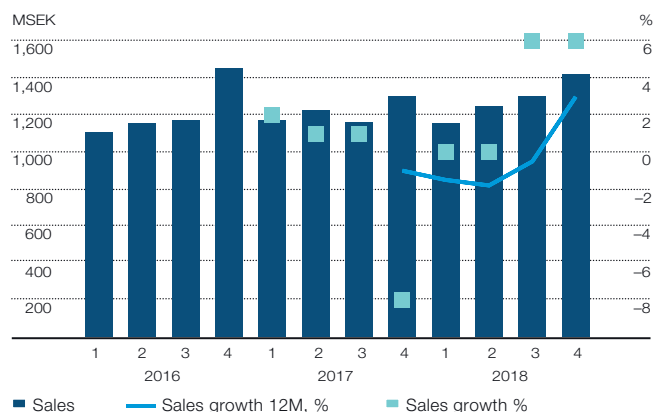
# Comments on the Consolidated Income Statements

## Net Sales

The Group's reported net sales for the period amounted to MSEK 5,128 (4,861). Sales growth in constant currencies was 3%. Business Unit Entrance Control had a growth of 13%, Safe Storage was 4%, Cash Management 2% while Integrated Security was -5%. The currency effect was 3%.

Net sales comprised of MSEK 4,231 related to product sales and MSEK 897 related to sales of services.

## Sales growth by quarter



## Gross Margin

The gross margin excluding items affecting comparability was 28.4% compared to 29.4% last year.

## Operating Expenses

Selling and administrative expenses excluding items affecting comparability increased by MSEK 52 over the same period last year, the majority explained partly by currency and partly by resources enabling the Business Unit transformation with the target to drive future productivity. As a percentage of net sales, this equalled 22.3% compared to 22.4% for the previous year.

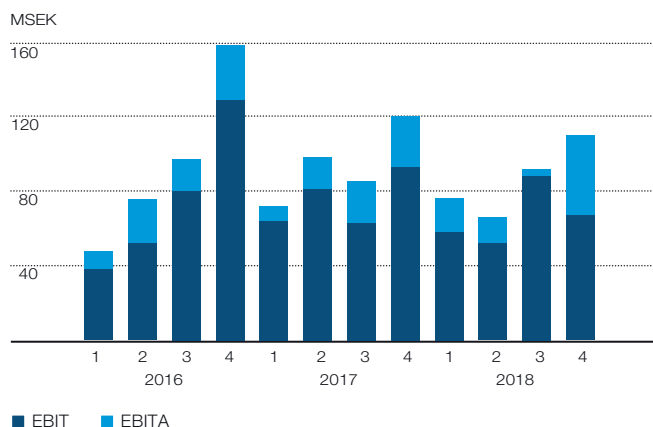
Other operating income and expenses totalling MSEK 11 (14) included MSEK 21 representing a gain on the divestment of a non-core monitoring service business in Spain, MSEK 10 from the sale of facility in South Africa, an impairment of acquisition related intangibles of MSEK -21 relating to the small divestment of an Integrated Security business in the UK as well as income from associated companies of MSEK 4 (7).

Items affecting comparability impacted the result by MSEK -39 (-52) for the year with MSEK -13 (-14) in cost of goods sold, MSEK -47 (-38) reported in selling and administrative expenses and the gain on the divestment in Spain of MSEK 21 reported in other operating income and expenses. The remainder is related mainly to personnel reductions as part of the structural changes to enable future profitability as well as changes in management.

## Operating Profit (EBIT)

Operating Profit (EBIT) was MSEK 265 (301), equalling an operating margin of 5.2% (6.2). EBIT per quarter in 2018 was MSEK 58, MSEK 52, MSEK 88 and MSEK 67 respectively.

## EBIT and EBITA by quarter



## EBITA

The internal financial performance follow-up for the Business Units and the Group, as from the second quarter 2018, focuses on EBITA as measure of performance. EBITA is defined as Operating profit (EBIT) before amortisation and impairment of acquisition related intangible assets, excluding items affecting comparability.

MSEK	2018	2017
Net sales	5,128	4,861
Cost of goods sold excl. IAC	-3,673	-3,433
<b>Gross profit excl. IAC</b>	<b>1,455</b>	<b>1,428</b>
Selling and administrative expenses excl. IAC	-1,141	-1,089
Other operating income and expenses, net, excl. IAC	-10	14
Add back: Amortisation and impairment of acquisition related intangibles	40	22
<b>EBITA</b>	<b>344</b>	<b>375</b>

EBITA was MSEK 344 (375), equalling an EBITA margin of 6.7% (7.7).

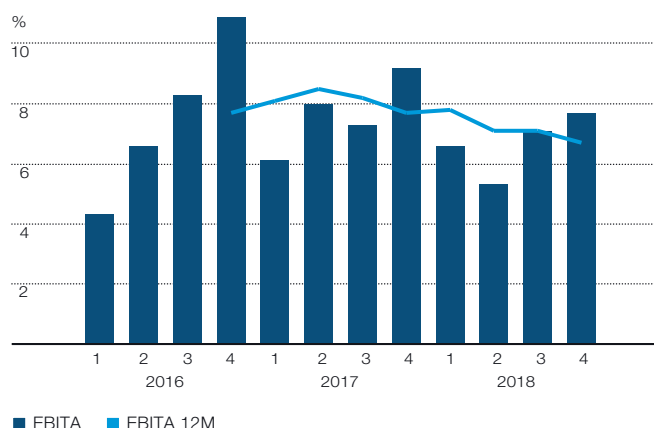
Changes in the year, as compared to previous year, can be explained by:

## MSEK

<b>EBITA 2017</b>	<b>375</b>
Sales growth	31
Structure	27
Currency	2
Other	-91
<b>EBITA 2018</b>	<b>344</b>

- The sales growth of 3% impacted operating profit with MSEK 31.
- Savings from implemented productivity measures were MSEK 27.
- Currency effects were MSEK 2, of which translation effect was MSEK 5 and transaction effect was MSEK -3.
- Other effects of MSEK -91 came mainly from the negative gross margin mix, as well as the negative development of general cost changes, partly offset by income from associated companies and profit from the sale of facility in South Africa.

## EBITA margin by quarter



## Financial Income and Expenses, net

Net financial items totalled MSEK -53 (-54), which included increased interest expenses on external financing, which were offset by positive currency developments.

## Income Taxes

Tax expense was MSEK -92 (-95) resulting in an effective tax rate of 43% (38). The higher effective tax rate compared to the previous year was negatively impacted by current losses not recognised, as well as final adjustments to prior year tax returns and write-downs of deferred tax assets. The weighted average statutory tax rate in the jurisdictions of the underlying business was some 30%.

## Consolidated Balance Sheets

MSEK	Note	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	11	1,408	1,596
Other intangible assets	11	306	314
Property, plant and equipment	12	282	345
Deferred tax assets	10	195	322
Other long-term assets		50	17
<b>Total non-current assets</b>		<b>2,241</b>	<b>2,594</b>
<b>Current assets</b>			
Inventories	13	717	902
Total customer receivables	14	1,018	1,413
Current tax receivables		113	85
Other short-term assets	18	198	209
Cash and cash equivalents		569	498
<b>Total current assets</b>		<b>2,615</b>	<b>3,107</b>
<b>TOTAL ASSETS</b>		<b>4,856</b>	<b>5,701</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of Parent Company		1,087	1,834
Equity attributable to non-controlling interests		—	32
<b>Total equity</b>		<b>1,087</b>	<b>1,866</b>
<b>Non-current liabilities</b>			
Long-term financial liabilities	19	1,863	1,396
Provisions for post-employment benefits	16	375	494
Deferred tax provisions	10	50	66
<b>Total non-current liabilities</b>		<b>2,288</b>	<b>1,956</b>
<b>Current liabilities</b>			
Accounts payable		594	742
Current tax liabilities		113	69
Short-term provisions	17	55	80
Short-term financial liabilities	19	45	108
Other short-term liabilities	18	674	880
<b>Total current liabilities</b>		<b>1,481</b>	<b>1,879</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,856</b>	<b>5,701</b>

## Comments on the Consolidated Balance Sheets

### Intangible Assets

Intangible assets changed by MSEK –196 (–12) during the year, of which MSEK –299 (0) was caused by impairments related to divestments and MSEK 78 (–39) by currency. Amortisation was MSEK 53 (51) of which MSEK 19 (22) comes from acquisition related intangible assets. Capital expenditures on intangible assets were MSEK 72 (74) related to product and software development.

### Property, Plant and Equipment

Property, plant and equipment changed by MSEK –63 (–2) during the year, of which MSEK –59 (0) was caused by impairments related to divestments and MSEK 8 (–6) by currency. Depreciation was MSEK 61 (66). Investments in property, plant and equipment amounted to MSEK 65 (76) relating to the Safe Storage facilities in the Netherlands and Entrance Control facilities in the UK.

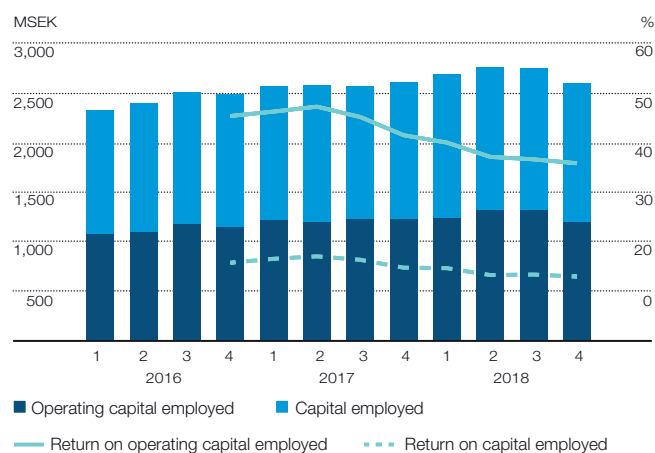
### Net Operating Working Capital Development

Net operating working capital decreased to MSEK 610 (822), representing 11.7% (12.1) of net sales calculated on an average basis.

Net operating working capital	2018	Avg. as % of sales	2017	Avg. as % of sales
Inventories	717	13.3%	902	14.4%
Total customer receivables	1,018	19.9%	1,413	22.8%
Accounts payable	–594	10.9%	–742	12.4%
Other operating assets/liabilities	–531	10.5%	–751	12.7%
<b>Total</b>	<b>610</b>	<b>11.7%</b>	<b>822</b>	<b>12.1%</b>

Excluding the effect of divested balances, accounts receivables and inventories accounted for the majority of the net working capital decrease, with currency effect being minor.

### Operating capital employed



### Long and Short-Term Financial Liabilities

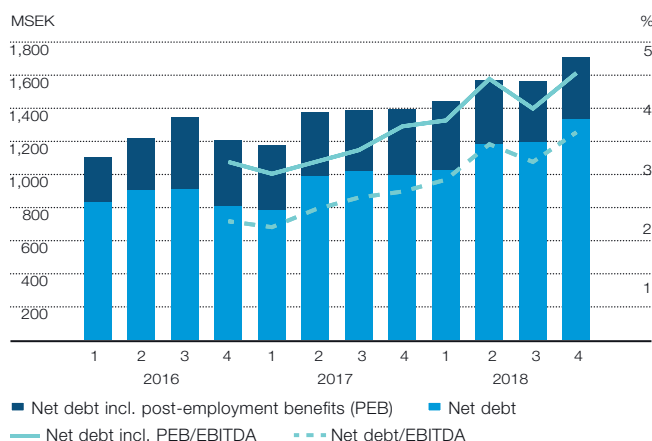
The Group's long- and short-term financial liabilities amounted to MSEK 1,908 (1,504) whereof MSEK 17 (64) related to bank overdraft facilities and the remainder to borrowings from financial institutions. Total credit facilities amounted to MSEK 2,591 (2,501) of which MSEK 682 (997) remained unused at the end of 2018.

### Net Debt

Net debt amounted to MSEK 1,339 (999) at the end of 2018. Excluding provisions for post-employment benefits, net debt increased to MSEK 1,714 in 2018 from MSEK 1,403 in 2017 where the majority is explained by divested cash balances, currencies and dividend payments.

Net debt/EBITDA ratio (net leverage) increased from 2.5 at the end of 2017 to 3.5 at the end of 2018.

### Net debt/EBITDA



### Post-Employment Benefits

The Group's provisions for post-employment benefits were MSEK 375 (494) representing a decrease of MSEK 119 of which MSEK 90 is due to divested balances. The remaining decrease is mainly caused by the changes in financial assumptions in the Group's UK pension plan, as well as pension payments.

### Equity

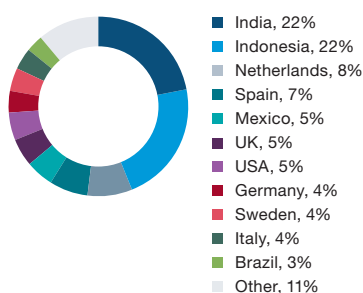
Equity amounted to MSEK 1,087 (1,866) at year-end representing a decrease of MSEK –779. Net profit decreased to MSEK –683 (160) with MSEK –803 coming from the loss from discontinued operations and MSEK 120 from continuing operations. Dividends paid amounted to MSEK –92 (–92).

Currency translation adjustments contributed positively with MSEK 14 (negatively with –74), including the effects of hedging on net investments. Actuarial gains, gross of MSEK 33 (–24) together with their related tax effect of MSEK –7 (4), also caused a net increase in equity.

### Employees

At the end of 2018, the number of registered employees was 4,449 (4,267). The average number of employees was 4,363 (4,258) in continuing operations.

### Average no. of employees per country



## Consolidated Statements of Cash Flow<sup>1)</sup>

MSEK	Note	2018	2017
<b>OPERATING ACTIVITIES</b>			
Operating profit		-410	304
Adjustment for non-cash items:			
Depreciation		61	66
Amortisation and impairments		74	51
Impairments and write-downs, discontinued operations		526	—
Other non-cash items		76	31
Post-employment benefit payments		-47	-44
Income taxes paid		-80	-86
Interest and other financial items		-45	-51
Changes in working capital:			
Inventories		3	-83
Total customer receivables		108	-112
Accounts payable		7	9
Other operating assets and liabilities, net		-31	-14
<b>Net cash flow from operating activities</b>		<b>242</b>	<b>71</b>
<b>INVESTING ACTIVITIES</b>			
Capital expenditure for intangible assets	11	-72	-74
Capital expenditure for property, plant and equipment	12	-65	-76
Sale of property, plant and equipment		19	5
Acquisition related payments	3	-59	—
Divestment related payments	3, 4	-235	—
<b>Net cash flow from investing activities</b>		<b>-412</b>	<b>-145</b>
<b>Net cash flow after investments, before financing</b>		<b>-170</b>	<b>-74</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		1,385	1,483
Repayments of loans		-995	-1,417
Change in short-term loans		-48	9
Other financing items		-16	32
Sale of treasury shares		1	—
Dividends		-92	-92
<b>Net cash flow from financing activities</b>		<b>235</b>	<b>15</b>
<b>Net cash flow</b>		<b>65</b>	<b>-59</b>
Cash and cash equivalents at the beginning of the year		498	581
Net cash flow		65	-59
Translation differences		6	-24
<b>Cash and cash equivalents at the end of the year</b>		<b>569</b>	<b>498</b>

<sup>1)</sup> Includes cash flows from discontinued operations, see Note 4.

### CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES AND NET DEBT

MSEK	Closing balance 2018	Cash changes	Non-cash changes	Divested operations	Translation differences	Opening balance 2018
Long-term loans, including short-term portion	1,891	390	61	—	—	1,440
Short-term loans	17	-47	—	—	—	64
Other short-term financial assets (-)/liabilities (+)	0	-17	24	—	—	-7
<b>Total liabilities from financing activities</b>	<b>1,908</b>	<b>326</b>	<b>85</b>	<b>—</b>	<b>—</b>	<b>1,497</b>
Cash and cash equivalents	-569	-291	—	226	-6	-498
<b>Net debt</b>	<b>1,339</b>	<b>35</b>	<b>85</b>	<b>226</b>	<b>-6</b>	<b>999</b>
Post-employment benefits, net	375	-47	6	-96	18	494
<b>Net debt including post-employment benefits</b>	<b>1,714</b>	<b>-12</b>	<b>91</b>	<b>130</b>	<b>12</b>	<b>1,493</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 Flow from Operating Activities

Net cash flow from operating activities was MSEK 242 in 2018 compared to MSEK 71 in 2017. The improved cash flow mainly relates to the improvement of working capital.

Non-cash items isolate the more significant items included in the operating profit that are not representing a cash flow or where the items are a part of cash flows shown separately elsewhere in the cash flow statement. The largest of these are the impairments and write downs related to discontinued operations.

Interest and other financial items included interest received of MSEK 18 (17) and interest paid of MSEK -45 (-41). The Group's interest paid increased mainly due to increased loan activity related to the divestment.

Changes in working capital in total (which represent the changes in local currency) were MSEK 87 (-200), an improvement of 287 MSEK. This is mainly a result of focused activities related to overdue collections and inventory optimisation.

## Cash Flow from Investing Activities

Capital expenditures on intangible assets totalled MSEK 72 (74) of which the majority related to product and software development. Capital expenditures on property, plant and equipment were MSEK 65 (76) reflecting decreased level of investments. Additionally, 2018 included a positive cash flow effect of MSEK 13 from sale of a facility in South Africa.

Cash flow from investing activities included a net of MSEK -235 of divestment related payments, mainly related to France, Belgium and Luxembourg, and MSEK -59 related to the minority buy-out in both Brazil and Mexico, as well as an earn-out.

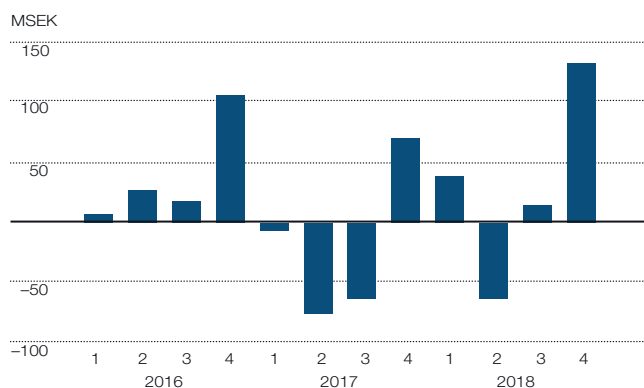
## Free Cash Flow

Free cash flow is shown in the following table:

MSEK	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018	2017
Operating profit	26	-412	48	-72	-410	304
Depreciation	15	16	17	13	61	66
Amortisation and impairment, acquisition related intangibles	6	5	16	13	40	22
Impairments and write-downs, discontinued operations	—	413	—	113	526	—
Amortisation, other intangible assets	8	9	9	8	34	29
Other	-28	-24	-43	-1	-96	-150
Change in working capital	33	-35	1	88	87	-200
<b>Operating cash flow</b>	<b>60</b>	<b>-28</b>	<b>48</b>	<b>162</b>	<b>242</b>	<b>71</b>
Investing cash flow excluding acquisitions	-21	-35	-33	-29	-118	-145
<b>Free cash flow</b>	<b>39</b>	<b>-63</b>	<b>15</b>	<b>133</b>	<b>124</b>	<b>-74</b>

Free cash flow for the year 2018 amounted to MSEK 124 compared to MSEK -74 in 2017. Free cash flow per quarter is MSEK 39, MSEK -63, MSEK 15, MSEK 133 respectively during 2018. Free cash flow per share 2018 was SEK 1.62 compared to SEK -0.97 for 2017.

## Free cash flow by quarter

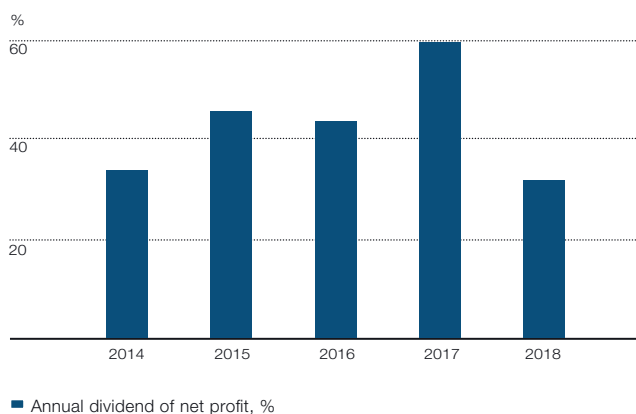


## Cash Flow from Financing Activities

Cash flow from financing activities totalled MSEK 235 (15). Total loan repayments for the year were MSEK -995 and new borrowings were MSEK 1,385. Other financing flows included changes in bank overdrafts and realised currency swaps related to the long-term loans.

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

## Dividend in percent of net profit



## Cash and Cash Equivalents

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



## Consolidated Statements of Changes in Equity

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 1 January 2018	385	988	-4	-214	679	1,834	32	1,866
Net profit	—	—	—	—	-683	-683	0	-683
Other comprehensive income								
Translation differences	—	—	—	16	—	16	0	16
Hedging of net investments	—	—	—	-2	—	-2	—	-2
Cash flow hedges	—	—	3	—	—	3	—	3
Actuarial gains and losses	—	—	—	—	33	33	—	33
Income taxes	—	—	—	—	-7	-7	—	-7
Subtotal	—	—	3	14	26	43	0	43
Transactions with shareholders								
Sale of treasury shares	—	—	—	—	1	1	—	1
Acquisition of non-controlling interest	—	—	—	—	-16	-16	-32	-48
Share-based remuneration	—	—	—	—	0	0	—	0
Dividends	—	—	—	—	-92	-92	—	-92
Subtotal	—	—	—	—	-107	-107	-32	-139
Closing balance 31 December 2018	385	988	-1	-200	-85	1,087	0	1,087

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 1 January 2017	385	988	-8	-143	640	1,862	28	1,890
Net profit	—	—	—	—	153	153	7	160
Other comprehensive income								
Translation differences	—	—	—	-71	—	-71	-3	-74
Hedging of net investments	—	—	—	0	—	0	—	0
Cash flow hedges	—	—	5	—	—	5	—	5
Actuarial gains and losses	—	—	—	—	-24	-24	—	-24
Income taxes	—	—	-1	—	4	3	—	3
Subtotal	—	—	4	-71	-20	-87	-3	-90
Transactions with shareholders								
Share-based remuneration	—	—	—	—	-2	-2	—	-2
Dividends	—	—	—	—	-92	-92	—	-92
Subtotal	—	—	—	—	-94	-94	—	-94
Closing balance 31 December 2017	385	988	-4	-214	679	1,834	32	1,866

# Notes – Consolidated Financial Statements

Amounts in MSEK unless otherwise stated

## Note 1 Critical Accounting Policies

### Basis of Presentation (IAS 1)

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

The Annual Report of the Parent Company, Gunnebo AB, has been signed by the Board of Directors on 15 March 2019. 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 11 April 2019.

### 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 limited number of subsidiaries controlled by Gunnebo where ownership is less than 100% or where control is exercised through contractual rights. Additionally, the Group has minor holdings where the Group exercises significant influence rather than control. These companies are referred to as Associated companies and are accounted for using the equity method.

### Business Combinations and Goodwill (IFRS 3)

All business combinations are accounted for in accordance with the purchase method. At the date of acquisition, the acquired assets, assumed liabilities and contingent liabilities (net identifiable assets) are measured at fair value, which requires the use of estimates. The most significant acquired net assets are intangibles, such as product development, customer relationships, 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 Business Unit level, where such information is provided to the CODM by Safe Storage, Cash Management, Entrance Control and Integrated Security. 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	
			2018	2017	2018	2017
Australia	1	AUD	6.49	6.55	6.32	6.42
Brazil	1	BRL	2.39	2.68	2.32	2.49
China	1	CNY	1.31	1.26	1.31	1.26
EU	1	EUR	10.26	9.64	10.28	9.85
UK	1	GBP	11.59	11.00	11.35	11.10
Indonesia	1,000	IDR	0.61	0.64	0.62	0.61
India	100	INR	12.72	13.12	12.82	12.86
USA	1	USD	8.69	8.55	8.97	8.23

### Revenue from Contracts with Customers (IFRS 15)

The Group has initially applied IFRS 15 from 1 January 2018. In connection with its implementation project, the Group evaluated all revenue streams by mapping deliverables within the Business Units Safe Storage, Cash Management, Entrance Control and Integrated Security. The deliverables identified in these Business Units are similar globally, include both product and services, and are relatively non-complex and with a few exceptions, are short-term in nature. The majority involve a fixed quantity of goods at a fixed price, where revenue is recognised at the point in time that the customer obtains control, typically at delivery to an agreed-upon site or after installation. The Group strives to obtain advance payments from customers prior to performance to cover costs of materials. Otherwise, invoicing occurs when all performance obligations in the contract are fulfilled.

The Group to a lesser degree, also has short-term contracts involving more integration/customisation and which are built to a certain extent on customer site. Revenue is recognised over time for these contracts using a cost based percentage of completion. Invoicing occurs periodically according to a contractually agreed timetable.

The Group sells separate maintenance and extended warranty contracts for its products. These are separate deliverables where the revenue is recognised over the duration of the contract, most often using a straight-line approach. The Group strives to invoice one year in advance for these contracts, otherwise a periodic invoicing is performed. Returns and refunds are not offered as they are not customary in the market for security products.

The effect of initially applying IFRS 15 is described under New or Amended IFRS Standards and New Interpretations in 2018.

### 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

## Note 1 cont.

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.

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

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

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

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

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

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

## Intangible assets with indefinite useful lives

Goodwill and brand name with indefinite useful lives have been allocated to the cash generating units (CGUs) and are tested for impairment annually and whenever an indication of impairment exists. CGUs are defined as the business units, 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 three-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 Business Units. A terminal value is then calculated based on the Gordon Growth model, which includes a terminal growth factor representing the real growth rate and expected inflation. Forecasts of future operating cash flows are adjusted to present value by an appropriate discount rate, taking into account the long-term risk-free government bond rate, a market risk premium, a country risk premium where applicable, and the systematic risk of the Group at the date of evaluation.

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

## Inventories (IAS 2)

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

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

## Income Taxes (IAS 12)

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

## Current taxes

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

## Deferred taxes

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

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

## Financial Assets and Financial Liabilities (IFRS 7, IFRS 9)

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 benefit 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 11 of the Group)
- Judgement on the realisability of deferred tax assets (Note 10 of the Group)
- Important assumptions when calculating post-employment benefit obligations (Note 16 of the Group)

### Brexit

Gunnebo follows Brexit developments on a regular basis in order to assess any impact the process may have on the business and in order to be able to take measures if needed.

### New or Amended IFRS Standards and New Interpretations in 2018

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

#### Revenue from Contracts with Customers (IFRS 15)

IFRS 15, Revenues from Contracts with Customers was implemented at 1 January 2018 using the cumulative effect option with no practical expedients. Under this option, no adjustment was made to the opening balance sheet as of 1 January 2018, as the accounting for revenues under the new requirements were already consistent with the Group's policies. The implementation of IFRS 15 had no material impact for the Group, and consequently no reconciliation information is required.

#### Financial Instruments (IFRS 9)

The Group has adopted IFRS 9 Financial instruments, which replaces IAS 39 as from 1 January 2018. IFRS 9 had no significant impact on the Group's financial position and/or performance. The use of hedge accounting is very limited, see information in Note 20. Additionally, impairment losses (doubtful accounts) (see Note 14) on accounts receivable are not currently, nor have historically been, significant and continues to be accounted for in accordance with the Group's previous accounting policy.

There are no other new or amended standards and new interpretations that would have a material impact on the Group's financial statements in 2018.

### 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. The Group's assessment of the impact of these new standards and interpretations is set out below.

#### Leasing (IFRS 16)

IFRS 16 Leases replaces IAS 17 and is effective as from 1 January 2019. The new standard requires a lessee to recognise a right of use (ROU) asset and a financial lease liability. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

The Group has identified that its most significant lease values relate to buildings and office space, while leases for vehicles are the most numerous. Leases also exist for production and office equipment.

The Group intends to use the modified retrospective method at the transition date where the value of the ROU assets equal the financial lease liabilities. Additionally, the Group expects to utilize the expedients for excluding short-term leases. This means practically that lease contracts shorter than 12 months or ending within 12 months at the date of transition are considered short-term and excluded from the value of the lease liability and ROU asset.

Using this transition method and expedients, the Group estimates that the value at 1 January 2019, for the ROU asset and the financial lease liability to be approximately MSEK 250. Disaggregated lease information is under final review and such information will be presented in the Group's first quarter report. Discount rates were determined per country and per asset class considering the length of lease contract.

Going forward, straight line lease expenses will be replaced by depreciation of the ROU asset and interest expenses on the lease liability. Consequently, there will be a slight positive impact on the Group's operating profit while a slight increase within financial net. The cash flow statement will reflect a shift from net cash from operating activities to net cash used in financing activities, while cash flow in total will remain unchanged.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Note 2 Operating Segments

During the year, the Group changed its internal organisational structure to focus primarily on Business Units rather than regions. The Group's internal financial reporting and follow-up have been aligned with this change. Consequently, segment information is presented based on four Business Units: Safe Storage, Cash Management, Entrance Control and Integrated Security. Each of these are described on pages 16–31.

Previously published segment information was based on the geographic regions EMEA, Asia-Pacific and Americas and all such information has been restated.

Net sales, MSEK	2018	2017
Safe Storage	1,826	1,708
Cash Management	1,090	1,031
Entrance Control	1,048	894
Integrated Security	1,164	1,228
<b>Total</b>	<b>5,128</b>	<b>4,861</b>

The internal financial performance follow up for the Business Units uses EBITA as a measure to assess the performance of the segments. This excludes discontinued operations. Financial income and expenses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Group functions refer to central functions and services within corporate management, business development, human resources & sustainability, legal & compliance, finance, IT, logistics and brand management and communications.

MSEK	2018	2017
Safe Storage	151	126
Cash Management	122	120
Entrance Control	176	145
Integrated Security	1	107
<b>Subtotal business unit EBITA</b>	<b>450</b>	<b>498</b>
Group functions	-106	-123
<b>EBITA</b>	<b>344</b>	<b>375</b>
Amortisations and impairments of acquisition related intangible assets	-40	-22
Items affecting comparability (IAC)	-39	-52
<b>Operating profit (EBIT)</b>	<b>265</b>	<b>301</b>
Financial income and expenses, net	-53	-54
<b>Profit before taxes from continuing operations</b>	<b>212</b>	<b>247</b>

### Safe Storage

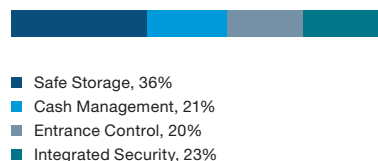
Net sales amounted to MSEK 1,826 (1,708), resulting in sales growth of 4% (-8). The positive sales development during the year comes from continued good sales to banks and strong sales development for ATM safes. EBITA amounted to MSEK 151 (126), resulting in a margin of 8.3% (7.4). The margin development is explained by sales growth and productivity measures coming through.

### Cash Management

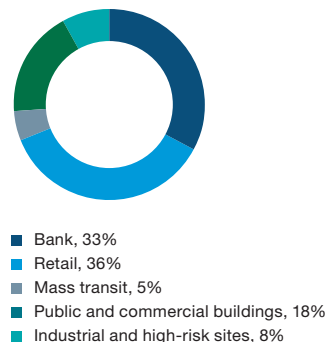
Net sales amounted to MSEK 1,090 (1,031), resulting in sales growth of 2% (8). The positive development during the year comes from a continued strong sales development within closed cash handling, SafePay, in the Nordics and good development of sales through CIT partners on several European markets as well as in the Middle East.

EBITA amounted to MSEK 122 (120), resulting in a margin of 11.2% (11.6). The margin development is explained by product mix and exchange rates.

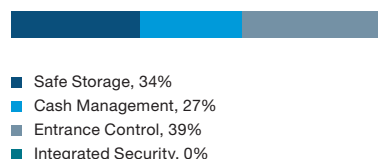
## Sales by Business Unit



## Sales by customer segment



## EBITA by Business Unit



## Depreciation and amortisation by Business Unit



2018



2017

- Safe Storage, 24 MSEK (30)
- Cash Management, 37 MSEK (37)
- Entrance Control, 14 MSEK (11)
- Integrated Security, 32 MSEK (11)
- Central Functions, 6 MSEK (4)

## Capital expenditure by Business Unit



2018



2017

- Safe Storage, 20 MSEK (31)
- Cash Management, 25 MSEK (25)
- Entrance Control, 22 MSEK (16)
- Integrated Security, 19 MSEK (14)
- Central Functions, 31 MSEK (42)



### Entrance Control

Net sales amounted to MSEK 1,048 (894), resulting in sales growth of 13% (10). The strong development of sales is mainly related to the growing investment in public transportation globally, the adaptation of process automation in the airport environment worldwide and the increasing use of access control solutions to office buildings outside Europe.

EBITA amounted to MSEK 176 (145), resulting in a margin of 16.8% (16.2). The improved EBITA is explained by the strong business growth and productivity improvements.

### Integrated Security

Net sales amounted to MSEK 1,164 (1,228), resulting in sales growth of –5% (–6). Good sales development in Australia, India, the Nordics, Germany, Italy and Mexico did not fully compensate for lower sales in other markets.

EBITA amounted to MSEK 1 (107), resulting in a margin of 0.1% (8.7). The lower EBITA can be explained by low productivity and weak sales of fire projects in South-East Asia.

The Business Units are also measured on their Operating Capital Employed, which is defined as total customer receivables, inventories, accounts payables, as well as other short-term assets and short-term liabilities that are not tax- or financial-related. Hence all assets and liabilities are allocated except financial and tax items.

Capital expenditure includes intangible assets and property, plant and equipment.

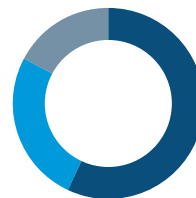
	2018	2017
Safe Storage	491	444
Cash Management	258	284
Entrance Control	181	196
Integrated Security	268	304
<b>Operating capital employed from Business Units</b>	<b>1,198</b>	<b>1,228</b>
Group functions	1	8
Goodwill	1,408	1,373
<b>Capital employed</b>	<b>2,607</b>	<b>2,609</b>

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

Geographical disclosure	Net sales by market		Non-current assets	
	2018	2017	2018	2017
Sweden	223	181	185	162
Australia	230	167	18	19
Canada	185	199	87	87
China	198	169	5	7
Germany	258	235	258	246
India	413	364	63	64
Italy	248	201	25	17
Spain	345	305	192	196
UK	318	333	60	72
USA	629	573	499	462
Other – Europe, Middle East & Africa	1,512	1,448	167	166
Other – Asia-Pacific	318	390	296	286
Other – Americas	251	296	142	156
<b>Total</b>	<b>5,128</b>	<b>4,861</b>	<b>1,997</b>	<b>1,940</b>

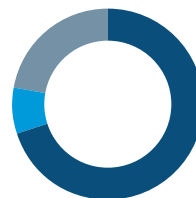
### Sales by region 2018

#### Safe Storage



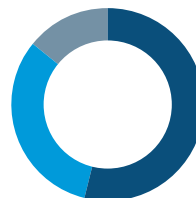
■ EMEA, 57%  
■ Asia-Pacific, 26%  
■ Americas, 17%

#### Cash Management



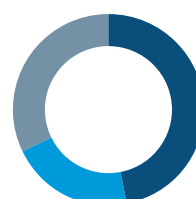
■ EMEA, 70%  
■ Asia-Pacific, 8%  
■ Americas, 22%

#### Entrance Control



■ EMEA, 54%  
■ Asia-Pacific, 32%  
■ Americas, 14%

#### Integrated Security



■ EMEA, 47%  
■ Asia-Pacific, 21%  
■ Americas, 32%

### Note 3 Acquisitions and Divestments

#### Earn-out paid

During the year, an earn-out relating to the acquisition in 2015 of Grupo Sallén Tech S.L. in Spain was paid in the amount of MSEK 15.

#### Acquisitions of Non-Controlling Interests

During the year, the Group increased its ownership interests in certain subsidiaries, with the most significant being the acquisition of the remaining 19,5% of the issued shares of Gunnebo Gateway Brazil S.A. for an amount of MSEK 42.

The effect on the equity attributable to the owners of Gunnebo during the year is summarised as follows:

MSEK	2018	2017
Carrying amount of non-controlling interests acquired	32	—
Consideration paid to non-controlling interests <sup>1)</sup>	–48	—
Excess of consideration paid recognised within equity	–16	—

<sup>1)</sup> Of which MSEK –4 is not yet paid and included within other operating liabilities.

#### Divestments

Apart from the sale of the French, Belgium and Luxembourg businesses, Gunnebo completed two minor divestments during 2018 at an aggregate cash consideration of MSEK 21, of which MSEK 10 is not yet received and is included within other short-term assets.

For details regarding the sale of the French, Belgium and Luxembourg businesses, refer to Note 4, Discontinued operations.

### Note 4 Discontinued Operations

On 17 July 2018, the Group announced its intention to divest its business in France, Belgium and Luxembourg. The subsidiaries were sold on 3 December 2018. Accordingly, these businesses were reported as discontinued operations. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The divestment included the French sales company, French production facilities in Baldenheim and Bazancourt as well as the Belgian and Luxembourg sales companies. The business employed approximately 920 people.

#### Discontinued Operations in the Income Statement

This Disposal Group represents a major geographical area, and as such was classified as discontinued operations. Consequently, in the consolidated income statement, all revenue and expenses relating to the Disposal Group were excluded from the results of continuing operations and were shown as a single line item on the income statement under the row "Net results from discontinued operations". All previously published income statement information has been restated to show this classification.

Net results from discontinued operations included six legal companies, elimination of intercompany amounts, adjustments for divestment related expenses and adjustments for sales and costs that will remain in continued operations.

MSEK	2018	2017
Net sales	976	1,130
Operating expenses excl. depreciation and amortisation	–1,057	–1,103
<b>EBITDA</b>	<b>–81</b>	<b>27</b>
Depreciation and amortisation	–22	–24
<b>EBIT</b>	<b>–103</b>	<b>3</b>
Financial income and expenses, net	–2	–3
<b>Profit/loss before taxes</b>	<b>–105</b>	<b>0</b>
Income taxes	10	8
<b>Results from operating activities</b>	<b>–95</b>	<b>8</b>
Loss on divestment	–708	—
<b>Net profit/loss from discontinued operations</b>	<b>–803</b>	<b>8</b>

The loss on divestment is specified below. It is based on a purchase price which was symbolic and the effect of transactions required in connection with closing. The following assets and liabilities were consequently derecognized from the consolidated statement of financial position as of 3 December 2018.

Specification of loss on divestment	2018
Current assets, mainly accounts receivable	515
Deferred tax liabilities	–15
Provision for post-employment benefits	–96
Current liabilities	–522
Cash and cash equivalents	226
<b>Subtotal divested balances</b>	<b>108</b>
Impairments	417
Write-down deferred tax assets	135
Divestment costs	48
<b>Total loss on divestment</b>	<b>708</b>
Cash balances divested companies	226
Divestment costs paid	20
<b>Total cash impact on divestment</b>	<b>246</b>

Impairments included MSEK –232 related to goodwill, MSEK –104 related to other intangibles and plant and equipment, and MSEK –81 related to inventory.

#### Cash flow information of the discontinued operations

The following table presents the net cash flows of operating, investing and financing activities reported in the Consolidated cash flow statements.

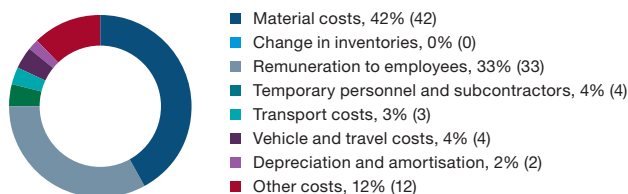
MSEK	2018	2017
Cash flow from operating activities	–31	9
Capital expenditure for intangibles, property, plant and equipment	–20	–22
Divestment related payments	–246	—
<b>Cash flow from investing activities</b>	<b>–266</b>	<b>–22</b>
Cash flow from financing activities	—	—

## Note 5 Expenses by Nature

	Continuing operations		Discontinued operations	
	2018	2017	2018	2017
Material costs	2,067	1,936	89	109
Change in inventories	12	-5	9	14
Remuneration to employees	1,545	1,428	550	558
Temporary personnel and subcontractors	205	175	142	151
Transport costs	137	114	37	37
Vehicle and travel costs	176	176	46	49
Depreciation and amortisation	113	93	22	24
Other costs	619	657	184	185
<b>Total operating expenses<sup>1)</sup></b>	<b>4,874</b>	<b>4,574</b>	<b>1,079</b>	<b>1,127</b>

<sup>1)</sup> Sum of goods sold, selling expenses and administrative expenses.

### Expenses by nature



## Note 6 Remuneration to Group Key Management

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

Remuneration paid in the calendar year 2018 to the Board of the Parent Company amounted to TSEK 2,030 (2,130), of which TSEK 155 (130) comprises remuneration for committee work. Women occupy 50% (43) of the Board of Directors at year end.

TSEK	2018	2017
Martin Svalstedt, Chairman	500	475
Tore Bertilsson (resigned 2017)	—	150
Göran Bille	280	280
Anna Borg Sæther (elected 2017)	265	125
Charlotte Brogren	250	250
Bo Dankis (resigned 2018)	125	250
Eva Elmstedt	300	290
Mikael Jönsson	310	310
<b>Total</b>	<b>2,030</b>	<b>2,130</b>

## Remuneration to Members of the Gunnebo Group Executive Team (GET)<sup>5)</sup>

TSEK	2018			2017		
	CEO	Other members in GET (8) <sup>4)</sup>	Total	CEO	Other members in GET (9) <sup>4)</sup>	Total
Salary	6,910	22,292	<b>29,202</b>	6,775	21,861	<b>28,636</b>
Bonus <sup>1)</sup>	508	2,233	<b>2,741</b>	—	—	—
Long-term incentive programs <sup>2)</sup>	1,033	1,430	<b>2,463</b>	—	—	—
Other benefits <sup>3)</sup>	121	2,863	<b>2,984</b>	111	2,650	<b>2,761</b>
Pension cost	2,411	5,300	<b>7,711</b>	2,673	4,191	<b>6,864</b>
<b>Total</b>	<b>10,983</b>	<b>34,118</b>	<b>45,101</b>	<b>9,559</b>	<b>28,702</b>	<b>38,261</b>

<sup>1)</sup> Includes only cash-based short-term variable salary expensed for the bonus year 2018.

<sup>2)</sup> Relates to share-based incentive program LTIP 2015.

<sup>3)</sup> Other benefits mainly include housing allowances and car.

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

<sup>5)</sup> Women occupy 22% (20) of Group Executive Team.

### Pensions, Severance Pay and Performance-Related Pay

The retirement age for the CEO is 65. The pension solution is premium-based and the pension cost amounts to 35% of salary, including performance-related pay. The CEO is entitled to receive a pension from the age of 63.5. If the CEO resigns the notice period is 6 months. The CEO 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 CEO, constitute GET), the notice period is a maximum of one year, during which salary and other benefits are payable. Members of the GET living outside of Sweden may be offered notice periods that are competitive in the country where they live, preferably equivalent to the notice periods applicable in Sweden. If the senior executive resigns the notice period is 6 months. No severance pay is awarded. The retirement age is 65. A premium-based pension plan is in place for senior executives in Sweden (five people). The agreed premium provision may amount to a maximum of 35% of the basic salary, depending on age and salary level.

The variable salary shall be dependent upon the individual's achievement of specific quantitative business objectives and shall, with respect to the CEO, not exceed 90% of the fixed salary, of which 40% is derived from the maximum of long-term incentive programmes. With respect to other senior executives, the variable salary shall not exceed 70% of the fixed salary, of which 20% is derived from the maximum of long-term incentive programmes.

## Note 6 cont.

## Incentive Programmes

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

The expected pay-out under this programme is that matching shares of 103,580 can be allotted depending on the remaining employment condition being fulfilled by the participants and that the saving shares have remained in the employee's securities account during the whole vesting period.

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

In July 2018, 103,580 shares were transferred to the participants in the LTIP 2015 program. The share price at this date was SEK 28.10.

Amounts expensed in 2018 amounted to MSEK 0 (+2.2) including social charges of which MSEK 0 (+1.8) related to GET members. The provision in the balance sheet amounted to MSEK 0 (4.2) including social charges.

## Long-term share based incentive programme (LTI 2017/2021)

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

## Long-term share based incentive programme (LTI 2018/2022)

The AGM approved the implementation of a long-term share based incentive programme (LTI 2018/2022) comprising 21 participants employed within the Group, including the CEO. Under this programme, the participants will receive, subject to the performance and development of three different performance conditions during the financial year 2018, shares free of charge on the allotment day, which will occur after the 2022 Annual General Meeting but before 30 June 2022. The maximum number of shares that may be received shall correspond to 20 percent of the participant's actually paid salary 2018, however with certain limitations regarding the maximum number of shares that can be allotted to each participant. A maximum total of 259,651 shares may be allotted excluding shares to cover the cost of social security contributions. Additionally, allotment of shares is conditional upon the participant being employed within the Group until the expiration of 2021. No allotment will be made under this programme due to the non-achievement of the performance conditions.

## Note 7 Auditors' Remuneration

	2018	2017
<b>Remuneration to Deloitte</b>		
Auditing	6.5	6.1
Other audit work	0.2	0.1
Tax advice	1.1	0.7
Other services	0.2	0.1
<b>Total remuneration to Deloitte</b>	<b>8.0</b>	<b>7.0</b>
Audit remuneration to other auditing firms	1.0	1.3
<b>Total auditors' remuneration</b>	<b>9.0</b>	<b>8.3</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 8 Other Operating Income and Expenses, net

	2018	2017
Gains on sale of property, plant and equipment	12	2
Exchange rate gains	3	7
Exchange rate losses	-5	-5
Profit from associated companies	4	7
Gain on divestment of business	21	—
Write-down of acquisition related intangibles	-21	—
Other	-3	3
<b>Total</b>	<b>11</b>	<b>14</b>

Gains on sale of property, plant and equipment included MSEK 10 from the sale of facilities in South Africa. The gain on divestment of business of MSEK 21 was related to the divestment of a non-core monitoring service business in Spain and the write-down of acquisition related intangibles of MSEK -21 was related to the small divestment of an Integrated Security business in the UK.

Investments in associated companies were MSEK 12 (10). This included a 55% ownership in Gateway Security Portugal Ltda, a 48% ownership in Prodimo AB and a 49% ownership in Gateway Varesikring A/S.

## Note 9 Financial Income and Expenses, net

	2018	2017
<b>Financial income</b>		
Interest income	17	17
Exchange rate gains and other income	13	3
<b>Total</b>	<b>30</b>	<b>20</b>
<b>Financial expenses</b>		
Interest expense	-44	-38
Net financial cost on pensions	-12	-12
Exchange rate losses	-9	-2
Bank charges and guarantee costs	-11	-15
Other	-7	-7
<b>Total</b>	<b>-83</b>	<b>-74</b>
<b>Financial income and expenses, net</b>	<b>-53</b>	<b>-54</b>

## Note 10 Income Taxes

Tax expense	2018	2017
Current tax expense	-90	-93
Deferred tax expense	-2	-2
<b>Total</b>	<b>-92</b>	<b>-95</b>

Taxes charged to other comprehensive income includes MSEK -7 (+4) related to remeasurements of post-employment benefits and MSEK 0 (-1) related to cash flow hedges.

The tax expense excludes the tax income from discontinued operations of MSEK 10 (8) which has been included in loss from discontinued operations, see Note 4.

Reconciliation of Swedish tax rate with effective tax rate	2018	2017
Profit before taxes	212	247
Tax calculated using the statutory tax rate in Sweden - 22% (22%)	-47	-54
Effect of tax rates in foreign jurisdictions	-13	-14
Other, incl. non-deductible/ non-taxable items	14	-1
Current year losses for which no deferred tax asset is recognised	-16	-9
Valuation allowance	-9	-10
Change in tax rates	-1	9
Changes in estimates related to prior years	-15	-7
Withholding taxes	-5	-9
<b>Total</b>	<b>-92</b>	<b>-95</b>
Effective tax rate in %	43%	38%

On 14 June 2018, Sweden enacted major changes to its corporate income tax rules. The new law reduces the corporate income tax rate in two steps, from 22% to 21.4% from 1 January 2019 and to 20.6% from 1 January 2021. This change resulted in a loss of MSEK 1 related to the remeasurement of deferred tax assets of the Group's Swedish subsidiaries, being recognized during the year ended 2018.

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

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

	2018	
Deferred tax balances, net	Deferred tax assets	Deferred tax provisions
Non-current assets	—	46
Current assets	21	4
Provisions for post-employment benefits	47	0
Short-term provisions	10	—
Other	32	0
Tax loss carry-forwards	85	—
<b>Closing balance</b>	<b>195</b>	<b>50</b>

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

Change of deferred tax in temporary differences and unused tax losses	2018	2017
Opening balance, net	256	242
Recognised in net profit, continuing operations	-2	7
Recognised in net profit, discontinued operations	22	—
Divested deferred tax balance, net	10	—
Write-down of deferred tax assets	-135	—
Tax recognised in other comprehensive income	-7	4
Translation differences	1	3
<b>Closing balance, net</b>	<b>145</b>	<b>256</b>

### Tax Loss Carry-Forwards

At 31 December 2018 the Group had total tax loss carry-forwards of MSEK 1,846 (2,055). There is no expiration date for the utilization of approximately 94% of the tax loss carry-forwards.

Deferred tax assets regarding tax loss carry-forwards are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable within the near future. Deferred tax assets of MSEK 85 (177) related to tax loss carry-forwards of MSEK 502 (553), have been recognised in the balance sheet. These deferred tax assets include an amount of MSEK 73 (109) related to subsidiaries which have incurred taxable losses during the current period. Management believes that the loss carry-forwards will be utilised in the future mainly due to the following reasons: there is a history of pre-tax income; these subsidiaries will generate taxable income in the near term; there are viable tax strategies that could be implemented to accelerate taxable income in order to realise a portion of the recorded deferred tax assets; and a significant portion of the net operating losses has an indefinite life or do not expire in the near term.

## Note 11 Intangible Assets

	2018	
	Goodwill	Other intangible assets
<b>Acquisition costs</b>		
Opening balance	1,596	855
Capital expenditure	—	72
Divestments	-253	-187
Reclassifications	—	16
Translation differences	65	31
<b>Closing balance</b>	<b>1,408</b>	<b>787</b>
<b>Accumulated amortisations and impairments</b>		
Opening balance	—	541
Amortisation	—	53
Impairments	253	46
Divestments	-253	-177
Translation differences	—	18
<b>Closing balance</b>	<b>—</b>	<b>481</b>
<b>Net book value</b>	<b>1,408</b>	<b>306</b>



## Note 11 cont.

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

Other intangible assets include (indefinite useful life) acquisition-related brand name and customer relations with carrying amounts totalling MSEK 80 (74) and MSEK 55 (70) respectively. Additionally, it includes internally generated capitalised product development and software developed for internal use with carrying amounts totalling MSEK 92 (119) and MSEK 79 (51) respectively.

During the year, capital expenditure on product development projects totalled MSEK 46 (52).

Amortisation is included in cost of goods sold with MSEK –40 (–39), selling expenses with MSEK –3 (–3) and administrative expenses with MSEK –10 (–9), in the consolidated income statement.

Impairment losses included above are related to divestments made during the year, with the most significant being the divestment of the French, Belgium and Luxembourg businesses amounting to MSEK 232. See Note 4 Discontinued operations for further discussions regarding this divestment. Additionally, Other operating income and expenses from Continuing operations, includes an impairment loss of MSEK 21, resulting from the small divestment of an Integrated Security business in the UK.

**Impairment testing**

The table below shows the total carrying amount of goodwill and brand name (indefinite useful life) as allocated per cash generating unit (CGU) for the purposes of impairment testing. The brands amounted to MSEK 80 (74) and was included within the CGU Safe Storage, whereas Goodwill was allocated across multiple CGU's (Business Units).

CGUs	2018	2017
Cash Management	403	529
Entrance Control	291	411
Safe Storage	487	562
Integrated Security	307	168
<b>Carrying amount</b>	<b>1,488</b>	<b>1,670</b>

The recoverable amount of the CGU's was based on value in use, as described in Note 1, 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 impairments have been recognised during 2018 or 2017.

Value in use is calculated using the pre-tax discount rate of 9.1% (9.6) which equates to the Group's weighted average cost of capital, WACC. A sensitivity test was performed based on a 1 percentage point increase, as a reasonably possible adverse change. This would not result in any impairment.

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 using a flat operating margin over the forecast period, 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 12 Property, Plant and Equipment

	Buildings and land <sup>1)</sup>	Machinery	Equipment	Construction in progress	Total
<b>2018</b>					
<i>Acquisition costs</i>					
Opening balance	388	531	354	48	1 321
Capital expenditure	6	12	21	26	65
Disposals	–9	–13	–10	0	–32
Divestments	–228	–203	–115	–7	–553
Reclassifications	9	3	0	–27	–15
Translation differences	13	12	10	2	37
<b>Closing balance</b>	<b>179</b>	<b>342</b>	<b>260</b>	<b>42</b>	<b>823</b>
<i>Accumulated depreciation and impairment</i>					
Opening balance	283	401	292	—	976
Depreciation	10	26	25	0	61
Disposals	–6	–8	–8	0	–22
Divestments	–229	–204	–116	–13	–562
Impairments	13	13	20	13	59
Reclassifications	0	0	0	0	0
Translation differences	11	12	6	0	29
<b>Closing balance</b>	<b>82</b>	<b>240</b>	<b>219</b>	<b>—</b>	<b>541</b>
<b>Net book value</b>	<b>97</b>	<b>102</b>	<b>41</b>	<b>42</b>	<b>282</b>

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

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

Depreciation is included in cost of goods sold with MSEK –47 (–50), selling expenses with MSEK –3 (–4) and administrative expenses with MSEK –11 (–12) in the consolidated income statement.

## Note 13 Inventories

	2018	2017
Raw materials	190	242
Work in progress	38	39
Finished goods	431	525
Installation work in progress	58	96
<b>Total</b>	<b>717</b>	<b>902</b>

At 31 December 2018 the Group's obsolescence amounted to MSEK 74 (84).

The balances at 31 December 2017 included amounts related to Discontinued operations of total MSEK 184 being MSEK 73 Raw material, MSEK 9 Work in progress, MSEK 68 Finished goods and MSEK 34 Installation work in progress. Discontinued operations were divested at 3 December 2018 and the total inventory balance at that date was MSEK 131 which included impairment of MSEK 81. For details regarding the divested balances, refer to Note 4, Discontinued operations.

#### Note 14 Total Receivables from Customers and Contract Liabilities

	2018	2017
Accounts receivables	946	1,267
Contract assets:		
Unbilled revenues (point in time)	11	40
Percentage of completion (over time)	61	106
<b>Total receivables from customers</b>	<b>1,018</b>	<b>1,413</b>

The contract assets primarily relate to the Groups rights to consideration for products delivered yet not billed at the reporting date. Contract assets are transferred to receivables when invoicing occurs, which happens when all performance obligations under the contract are completed.

The balances at 2017 included amounts related to Discontinued operations being MSEK 315 Accounts receivables, MSEK 4 Unbilled revenue, and MSEK 45 Percentage of completion. Discontinued operations were divested at 3 December 2018 and the balances at that date were MSEK 266 Accounts receivables, MSEK 2 Unbilled revenue, and MSEK 34 Percentage of completion.

The ending balances at 2018 are expected to be invoiced completely within the next year.

Standard payment terms vary geographically, however the Group strives for 30 days.

	2018	2017
Accounts receivable, not yet due	748	1,063
Overdue, 1–30 days	189	199
Overdue, 31–60 days	48	80
Overdue, 61–90 days	19	32
Overdue, over 90 days	31	73
<b>Total</b>	<b>1,035</b>	<b>1,447</b>

	2018	2017
<b>Allowance for doubtful receivables</b>		
Opening balance	–34	–44
New provisions	–3	–6
Confirmed losses	2	7
Reversals	6	–
Divestments	12	–
Translation differences	0	1
<b>Closing balance</b>	<b>–17</b>	<b>–34</b>
<b>Net book value</b>	<b>1,018</b>	<b>1,413</b>

	2018	2017
<b>Contract liabilities</b>		
Advance payments (point in time)	147	127
Percentage of completion (over time)	33	58
Deferred revenue for service and extended warranty contracts (over time)	13	38
	<b>193</b>	<b>223</b>

Contract liabilities relate to consideration received in advance of the Group fulfilling their contractual promise for the delivery of products or services.

The balances at 2017 included amounts related to Discontinued operations being MSEK 21 Advance payments, MSEK 18 Percentage of completion, and MSEK 18 Deferred revenue. Discontinued operations were divested at 3 December 2018 and the balances at that date were MSEK 11 Advance payments, MSEK 24 Percentage of completion, and MSEK 16 Deferred revenue.

The percentage of the contract liability balances at 2017 recognised as revenue during 2018, excluding divested balances, were 90% for Deferred income, 75% for percentage of completion and 75% for advance payments from customers.

Remaining performance obligations at 31 December 2018 have an original expected duration of less than one year, and no further information is required by IFRS 15.

#### Note 15 Share Capital and Earnings per Share

	Number of shares			Share capital, MSEK
	Ordinary shares	C-shares	Total	
Opening balance 1 Jan, 2017	76,320,001	730,847	77,050,848	385
<b>Closing balance 31 Dec, 2017</b>	<b>76,320,001</b>	<b>730,847</b>	<b>77,050,848</b>	<b>385</b>
Conversion of C-shares into ordinary shares	128,580	–128,580	0	–
<b>Closing balance 31 Dec 2018</b>	<b>76,448,581</b>	<b>602,267</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 2018, 128,580 series C-shares, previously issued and repurchased within the context of Gunnebo's long-term incentive programme LTIP 2015, were converted into ordinary shares and used to settle the LTIP programme.

This resulted in an increase in the number of ordinary shares by 128,580 and a decrease in the number of series C-shares by the same amount.

#### Dividend Policy

The Board's proposed dividend should consider the long-term development, financial position as well as the investment needs of the Group. The Board's objective is that the dividend should in the long-term amount to 30–50% of net profit.

#### Dividend Payments

Dividends paid in 2018 were MSEK 92 (92). The Board has decided to propose a dividend per share of SEK 0.50 (1.20) for the year 2018. The total proposed dividend to be paid is MSEK 38 (92).

Earnings per share	2018	2017
Net profit attributable to shareholders of the Parent Company, MSEK	–683	153
Weighted average no. of shares outstanding	76,377,724	76,320,001
Weighted average no. of shares outstanding with dilution	76,429,639	76,389,239
<b>Basic earnings per share, SEK</b>	<b>–8.95</b>	<b>2.00</b>
<b>Diluted earnings per share, SEK</b>	<b>–8.94</b>	<b>2.00</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 excluding C-shares as these have no dividend rights. Diluted earnings per share are calculated by dividing net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares excluding C-shares as these have no dividend rights, after dilution. The Group's long-term share-based incentive programme (LTIP2015) causes the dilutive effect.

## Note 16 Post-Employment Benefits

<b>2018</b>							
<b>Amounts recognised in the consolidated balance sheet</b>	UK	Canada	Sweden	France	Germany	Other	<b>Total</b>
Defined benefit obligations (DBO)	600	131	117	—	45	92	985
Plan assets	-457	-132	0	—	0	-21	-610
<b>Total provisions for post-employment benefits</b>	<b>143</b>	<b>-1</b>	<b>117</b>	<b>—</b>	<b>45</b>	<b>71</b>	<b>375</b>
<b>2017</b>							
<b>Amounts recognised in the consolidated balance sheet</b>	UK	Canada	Sweden	France	Germany	Other	<b>Total</b>
Defined benefit obligations	636	130	109	94	43	97	1,109
Plan assets	-461	-130	—	-4	—	-20	-615
<b>Total provisions for post-employment benefits</b>	<b>175</b>	<b>0</b>	<b>109</b>	<b>90</b>	<b>43</b>	<b>77</b>	<b>494</b>

The Group operates a number of post-employment defined benefit pension plans and other long-term employee benefits, mainly in the UK, Canada, Sweden, France and Germany. Per the end of 2018, France has been divested and is no longer included above.

### UK

In the UK, pension commitments are mainly secured through payments into a 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 and is funded. The foundation's assets are managed by a board comprising representatives for Gunnebo and the employees who are members of the plan. The assets are managed in accordance with national legislation and in collaboration with professional advisors and fund managers. The weighted average remaining term of the DBO is 19 years.

### Canada

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

### Sweden

In Sweden, pension liabilities comprise 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 DBO 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 142% (154%) as of December 31, 2018. 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 the next reporting period for ITP 2 insurance covered by Alecta are MSEK 3.

### 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 DBO is 17 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, as well as other long-term service award, jubilee and healthcare plans. The weighted average remaining term of the DBO is 7 years.

Specification of changes in the net defined benefit obligation	2018			2017		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance	1 109	-615	494	1,160	-676	484
<i>Expenses:</i>						
Current service cost	18	—	18	17	—	17
Past service cost	8	—	8	—	—	—
Interest expense (+)/income (-)	30	-17	12	30	-17	13
Other	0	2	3	0	3	3
	<b>56</b>	<b>-15</b>	<b>41</b>	<b>47</b>	<b>-14</b>	<b>33</b>
<i>Remeasurements:</i>						
Return on plan assets excluding amounts included in interest income	—	15	15	—	-8	-8
Actuarial gains (-) and losses (+) arising from changes in demographic assumptions	-11	—	-11	19	—	19
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	-49	—	-49	10	—	10
Experience-based gains (-) and losses (+)	-6	—	-6	3	—	3
Other	11	—	11	—	—	—
	<b>-55</b>	<b>15</b>	<b>-40</b>	<b>32</b>	<b>-8</b>	<b>24</b>
<i>Cash flow:</i>						
Employee contributions to the plan	2	-2	0	2	-1	1
Employer contributions to the plan	—	-23	-23	—	-23	-23
Payment of pension benefits	-58	38	-20	-122	100	-22
	<b>-56</b>	<b>13</b>	<b>-43</b>	<b>-120</b>	<b>76</b>	<b>-44</b>
<i>Other:</i>						
Divestments	-93	3	-90	—	—	—
Translation differences	24	-11	13	-10	7	-3
<b>Closing balance</b>	<b>985</b>	<b>-610</b>	<b>375</b>	<b>1,109</b>	<b>-615</b>	<b>494</b>

Past service costs include a charge in relation to the equalisation of male and female guaranteed minimum pension ("GMP") entitlement following recent changes in UK legislation during the year.

Other remeasurements includes the effects of one of our Canadian plans has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

Of the present value of DBO, MSEK 756 (793) relates to funded pensions and other plans, and MSEK 228 (316) to non-funded pensions and other plans. The total benefit expense for defined benefit plans amounted to MSEK 40 (33), whereof MSEK 20 (20) has been charged to operating expenses and MSEK 13 (13) to financial expenses. Expenses related to defined contribution plans amounted to MSEK 57 (55). The Group expects to pay MSEK 45 (40) in contributions to its defined benefit plans in 2019.

#### Specification of plan assets

2018	UK	Canada	Sweden	France	Germany	Other	Total
Government bonds	151	42	—	—	—	10	203
Commercial papers	165	0	—	—	—	—	165
Shares	90	79	—	—	—	—	169
Real estate	5	—	—	—	—	—	5
Liquid funds	46	11	—	—	—	11	68
<b>Total</b>	<b>457</b>	<b>132</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>21</b>	<b>610</b>
2017	UK	Canada	Sweden	France	Germany	Other	Total
Government bonds	90	23	—	—	—	10	123
Commercial papers	148	19	—	—	—	—	168
Shares	219	84	—	4	—	—	306
Cash and cash equivalents	4	4	—	0	—	10	18
<b>Total</b>	<b>461</b>	<b>130</b>	<b>—</b>	<b>4</b>	<b>—</b>	<b>20</b>	<b>615</b>

Plan assets include no financial instruments in Gunnebo AB or assets used within the Group.

## Note 16 cont.

**Actuarial Assumptions**

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

2018	UK	Canada	Swe- den	France	Ger- many	Other
Discount rate	2.9%	4.0%	2.4%	n/a	1.8%	5.9%
Expected salary increase rate	n/a	3.5%	2.8%	n/a	0.0%	3.7%
Inflation	3.5%	2.5%	2.0%	n/a	2.0%	2.1%
2017	UK	Canada	Swe- den	France	Ger- many	Other
Discount rate	2.5%	3.5%	2.5%	1.4%	1.9%	5.0%
Expected salary increase rate	n/a	3.5%	2.5%	2.3%	0.0%	6.1%
Inflation	3.4%	2.5%	1.8%	2.0%	2.0%	3.5%

**Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant 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	-210	225
Expected salary increase rate	47	-40
Inflation	71	-66

## Note 17 Provisions

2018	Restruct- uring	Litigation	Warranty	Other	Total
Opening balance	4	20	52	4	80
Divestment of operations	-9	-19	-12	0	-41
Reclassifications	—	—	—	-1	-1
Provisions	12	6	19	1	38
Utilised	-6	-2	-13	0	-21
Reversed	—	-1	-2	0	-3
Translation differences	1	0	2	-1	3
<b>Closing balance</b>	<b>2</b>	<b>4</b>	<b>46</b>	<b>3</b>	<b>55</b>

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

The Group conducts its normal course of business on a global basis which includes operating in both well developed countries as well as politically unstable countries. From time to time, the Group becomes a party in legal disputes. These are monitored and assessed continuously during the year by management. The provision for litigation represents management's best estimate of the future cash flows necessary to settle these at the end of 2018, although the timing of the settlement is uncertain. These estimates take into consideration the nature of the litigation, the legal process in the applicable jurisdiction, the progress of the cases, the opinions of internal and external legal counsel and advisers regarding the outcome of the case and experience with similar cases.

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

## Note 18 Other Short-Term Assets and Liabilities

Other short-term assets	2018	2017
Other short-term receivables	115	107
Prepaid insurance premiums	6	7
Prepaid rent	9	9
Accrued interest	2	1
Derivatives	0	7
Other prepaid items	66	78
<b>Total</b>	<b>198</b>	<b>209</b>

Other short-term liabilities	2018	2017
Other short-term liabilities	102	214
Holiday pay liability	68	116
Accrued salaries	79	100
Social security charges	33	65
Contract liabilities*	193	212
Accrued interest	2	4
Other accrued items	197	169
<b>Total</b>	<b>674</b>	<b>880</b>

\* Refer to Note 14 for a further description of contract liabilities.



## Note 19 Financial Risk Management and Financial Instruments

### Financial Risk Management

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

### Risk Description and Risk Management

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

#### Liquidity risk

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

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

#### Financing risk

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

Credit facilities totalled MSEK 2,591 (2,501) at the end of the year, of which MSEK 1,909 (1,504) was drawn. The average duration of the agreed credit facilities was 4.25 years (5.5). The long-term credit facilities chiefly comprise of

a syndicated loan agreement of MEUR 140 which falls due in June 2022. In addition, the Group has a bilateral term loan for MEUR 75 which falls due in April 2024. Furthermore, there are a number of other short- and long-term credit facilities totalling MSEK 364 (383). Individual subsidiaries can have external financing when taxes and other regulations in certain countries make it unfavourable to take up loans from foreign group companies.

Loan maturity structure	Credit facility	Of which drawn
2019	364	45
2020	0	0
2021 and later	2,227	1,863
<b>Total</b>	<b>2,591</b>	<b>1,908</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 3 (6) months and the average rate of interest on the loan portfolio<sup>1)</sup> was 1.7% (1.6).

<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 19 before and MSEK 17 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 1, which affects other comprehensive income.

		Less than 6 months	6–12 months	1–2 years	2–3 years	Total contracted cash flow
Contracted maturity dates for financial assets and liabilities						
Accounts receivable		1,018	—	—	—	1,018
Cash and cash equivalents		569	—	—	—	569
Bank loans and overdraft facilities <sup>1)</sup>		-1,925	-16	-32	-32	-2,005
Accounts payable		-594	—	—	—	-594
Derivatives						
- Interest-rate swap agreements	outflow	-1	—	-3	—	-4
- Currency forward contracts not included in hedge accounting	outflow	-908	—	—	—	-908
	inflow	908	—	—	—	908
Total		-933	-16	-35	-32	-1,016

<sup>1)</sup> The amounts are nominal and include interest. Rollover dates on borrowing under the Group's syndicated credit facilities fall within 6 months but the guaranteed credit facilities do not mature until 2022 and 2024.

For financial liabilities with a long contracted term but a short/variable fixed interest, the variable interest has been adopted as the quoted interbank rate as of 31 December 2018. The base currency of the currency forward contract has been remeasured at the applicable closing rate as of 31 December 2018 while the future flows of the other type of currency are measured at the contracted rate.

## Note 19 cont.

## Currency risk

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

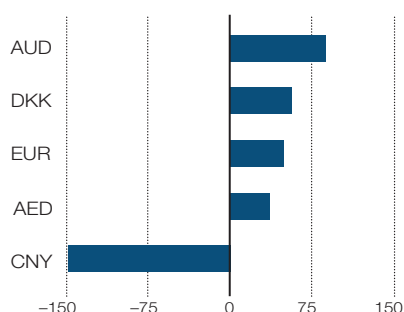
Total currency effects resulted in a positive impact on operating profit of MSEK 2 of which MSEK –3 relates to transaction effects and MSEK 5 to translation effects.

## Transaction exposure

The Group has income and purchase cost in several currencies and is therefore exposed to exchange rate fluctuations. This currency risk is called transaction exposure and has an impact on the Group's operating profit. In accordance with the finance policy, the Group does not ordinarily hedge transaction exposure. Hedging may, however, be carried out for large projects and for a large, stable, currency flow, provided the exposure is deemed considerable and the hedging can be done at a reasonable cost. Any hedging should usually not be for more than 12 months. The Group has not hedged transaction exposure in currencies in 2018 or 2017.

The commercial currency flow in 2018 after net calculations of opposite flows amounts to MSEK 134 (198) on an annual basis. The largest transactional currency flows are shown in the chart below. The Group is a net seller of AUD, DKK, EUR and AED while a net buyer of CNY.

Net currency flows 2018, MSEK



## Translation exposure (net investments)

Upon consolidation, the net assets of foreign subsidiaries are translated into the Swedish krona, which result in translation differences impacting other comprehensive income and accumulate in equity. In order to limit the negative effects of translation differences on the Group's equity, hedging may be done through borrowing and currency derivative contracts, provided the exposure is deemed considerable and the hedging can take place at a reasonable cost. The net assets of foreign subsidiaries amounted to MSEK 288 (1,518) on 31 December 2018.

One net investment hedge exists where the currency effect in other comprehensive income was MSEK –2 (0).

## Translation exposure (income statement)

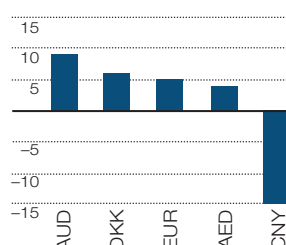
Exchange rate fluctuations also affect Group profit when income statements of foreign subsidiaries are translated into the Swedish krona. Expected future profit in foreign subsidiaries are not hedged against exchange rate fluctuations.

## Sensitivity analysis:

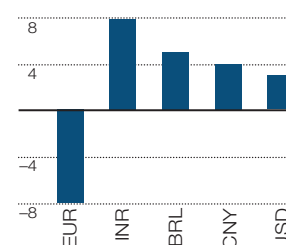
A 10% depreciation of the value of the Swedish krona against all other currencies would increase profit before tax by a total of approximately MSEK 27, of which approximately MSEK 13 would be netted transaction exposure. The remaining MSEK 14 is attributable to translation exposure (income statement).

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

Transactional effect of 10% weaker SEK against top five currencies, MSEK



Translational effect of 10% weaker SEK against top five currencies, MSEK



A 10% depreciation of the Swedish krona against all other currencies would result in an increase in equity of approximately MSEK 29, with the largest effect coming from the INR.

## Credit Risk

## Financial credit risk

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

## Customer credit risk

An instruction has been established regulating the management of customer credit within the Group. Each subsidiary is responsible for checking and controlling credit risk with customers. The rules applicable for issuing credit locally are documented in local credit policies regulating credit limits, payment terms and collection procedures. Lease agreements and customer financing packages are approved by Gunnebo Treasury.

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

	2018	2017
Accounts receivable	1,018	1,413
Other short-term receivables	64	56
Cash and cash equivalents	569	498
<b>Maximum exposure to credit risk</b>	<b>1,651</b>	<b>1,967</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, liabilities and related forward currency contracts are all valued at the closing exchange rate through the income statement.

### Interest rate swaps

Interest rate swaps are used to hedge the interest payments on borrowings. Hedge accounting is applied and the nominal value of outstanding interest rate swap agreements designated as cash flow hedges amounted to MSEK 206 (591) on 31 December 2018.

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 2018 was MSEK 3 (5).

The nominal amounts of all derivative instruments are as follows:

	2018	2017
<b>Interest rate swap agreements</b>		
Term of less than 1 year	206	394
Term 1–2 years	0	197
Term 2–5 years	0	0
<b>Interest rate swap agreements total</b>	<b>206</b>	<b>591</b>
Currency forward contracts <sup>1)</sup>	908	797
<b>Total</b>	<b>1,114</b>	<b>1,388</b>

<sup>1)</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.

Financial assets	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets measured at fair value<sup>1)</sup></b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>7</b>
- of which derivatives for which hedge accounting does not apply	2	2	7	7
<b>Other financial assets<sup>2)</sup></b>	<b>1,587</b>	<b>1,587</b>	<b>1,911</b>	<b>1,911</b>
<b>Total financial assets</b>	<b>1,589</b>	<b>1,589</b>	<b>1,918</b>	<b>1,918</b>
<b>Financial liabilities</b>				
<b>Financial liabilities measured at fair value<sup>3)</sup></b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>5</b>
- of which derivatives for which hedge accounting does not apply	2	2	1	1
- of which interest rate swap agreements for which hedge accounting of cash flows applies	1	1	4	4
<b>Other financial liabilities<sup>4)</sup></b>	<b>2,503</b>	<b>2,503</b>	<b>2,246</b>	<b>2,246</b>
- of which financial liabilities for which hedge accounting does not apply	2,297	2,297	1,655	1,655
- of which financial liabilities for which hedge accounting of cash flows applies	206	206	591	591
<b>Total financial liabilities</b>	<b>2,505</b>	<b>2,505</b>	<b>2,251</b>	<b>2,251</b>

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

<sup>2)</sup> Assets included in accounts receivable and 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.

	Gross	Netting agreement	Net
Assets	2	-1	1
Liabilities	-3	1	-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 22% (33). Another of the Group's aims is to achieve a return of 15% on capital employed. The return on capital employed (excluding items affecting comparability) for 2018 was 12.8% (14.6).

The Group's borrowing is unsecured. The borrowing is however limited by financial obligations in the loan agreements in the form of covenants. These mainly relate to the key ratios of interest coverage ratio and net debt/EBITDA. With regard to the prevailing terms in the loan agreements, available credit facilities amounted to MSEK 132 (271) at the end of the year as all financial commitments in the form of covenants was fulfilled.

### Fair Value Disclosures

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

#### Financial instruments measured at fair value

For all assets and liabilities measured at fair value, which comprise derivative instruments, the fair value has been established based on measurement techniques which are, in all essentials, based on observable market data. According to the fair value hierarchy of IFRS 13, such measurement methods are referred to as Level 2.

#### Other financial assets and liabilities

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

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

**Note 20** Contingent Liabilities

	2018	2017
Guarantees	255	295
<b>Total</b>	<b>255</b>	<b>295</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.

**Note 21** Operating Lease Contracts

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

2019	108
2020	71
2021	45
2022	24
2023	16
2024 and later	12
<b>Total</b>	<b>276</b>

The operating lease contracts related to mainly leased buildings and office space, vehicles, and production equipment. The year's cost for leased assets amounted to MSEK 162 (119) of which MSEK 19 related to discontinued operations.

**Note 22** Personnel

Average number of employees per country	2018	of which men	2017	of which men
Sweden	187	133	179	125
Australia	43	38	46	39
Austria	4	4	0	0
Brazil	140	106	136	102
Canada	124	94	128	100
China/Hong Kong	118	88	107	82
Denmark	66	55	67	55
Finland	4	3	4	3
France	7	4	7	4
Germany	171	144	183	147
Hungary	8	5	7	6
India	961	929	887	855
Indonesia	738	650	758	658
Italy	157	128	152	125
Malaysia	32	21	31	20
Mexico	234	211	241	219
Netherlands	354	328	334	311
Norway	20	19	19	18
Oman	8	7	8	7
Poland	56	46	51	41
Portugal	34	27	36	29
Saudi Arabia	1	1	2	2
Singapore	21	12	22	12
South Africa	64	41	78	50
South Korea	16	13	17	14
Spain	304	234	280	216
Switzerland	30	23	31	23
Turkey	1	1	1	1
UAE	22	16	21	15
UK	228	167	242	178
USA	210	167	183	144
<b>Total continuing operations</b>	<b>4,363</b>	<b>3,715</b>	<b>4,258</b>	<b>3,601</b>
Total discontinued operations	843	682	929	753
<b>Total</b>	<b>5,206</b>	<b>4,397</b>	<b>5,187</b>	<b>4,354</b>

Of the average number of employees in continuing operations 648 (657) were female. The average number of employees abroad in continuing operations was 4,176 (4,079).

**Note 23** Related Parties

Information on remuneration to members of the Board and the Group key management is provided in Note 6 of the Group. A list of Group companies is found in Note 11 of the Parent Company. There were no other transactions with related parties.

## Parent Company

The Group's Parent Company, Gunnebo AB (publ), is a Swedish public limited company registered with the Swedish Companies Registration Office under the company registration number 556438-2629. The Board has its registered office in Gothenburg in Sweden. The Company's shares are listed on NASDAQ, Stockholm, MidCap.

Gunnebo AB is a holding company which has the main task of owning and managing shares in other Group companies, as well as providing group-wide functions and services within corporate man-

agement, business development, human resources & sustainability, legal & compliance, finance, IT and brand management, communications & investor relations. Net revenue for 2018 amounted to MSEK 266 (239), representing services invoiced to subsidiaries. Profit after financial items was MSEK 5 (11), which included both dividends and write-down of shares in subsidiaries. Net profit amounted to MSEK 65 (78). Group contributions had a positive impact on net profit of MSEK 81 (119).

## Parent Company Income Statements

MSEK	Note	2018	2017
Net revenue	2	266	239
Administrative expenses	2, 6, 9, 10	-257	-221
<b>Operating profit</b>		<b>9</b>	<b>18</b>
Financial income and expenses, net	3	-4	-7
<b>Profit after financial items</b>		<b>5</b>	<b>11</b>
Appropriations	4	81	119
<b>Profit before taxes</b>		<b>86</b>	<b>130</b>
Income taxes	5	-21	-52
<b>Net profit</b>		<b>65</b>	<b>78</b>

## Parent Company Statements of Comprehensive Income

MSEK	2018	2017
Net profit	65	78
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>65</b>	<b>78</b>



## Parent Company Balance Sheets

MSEK	Note	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6	72	63
Property, plant and equipment		2	3
Investments in Group companies	11	1,585	1,585
Deferred tax assets	5	12	20
<b>Total non-current assets</b>		<b>1,671</b>	<b>1,671</b>
<b>Current assets</b>			
Receivables from Group companies		118	59
Prepaid expenses and accrued income		16	20
Cash and cash equivalents		0	2
<b>Total current assets</b>		<b>134</b>	<b>81</b>
<b>TOTAL ASSETS</b>		<b>1,805</b>	<b>1,752</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Restricted equity</b>			
Share capital (77 050 848 shares with a quota value of SEK 5)		385	385
Statutory reserve		539	539
Development reserve		51	40
<b>Total restricted equity</b>		<b>975</b>	<b>964</b>
<b>Unrestricted equity</b>			
Share premium reserve		456	452
Retained earnings		27	54
Net profit		65	78
<b>Total unrestricted equity</b>		<b>548</b>	<b>584</b>
<b>Total equity</b>		<b>1,523</b>	<b>1,548</b>
<b>Current liabilities</b>			
Liabilities to Group companies		206	150
Accrued expenses and deferred income	7	76	54
<b>Total current liabilities</b>		<b>282</b>	<b>204</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,805</b>	<b>1,752</b>

## Parent Company Statements of Cash Flow

MSEK	Note	2018	2017
<b>OPERATING ACTIVITIES</b>			
Operating profit		9	18
Adjustment for depreciation		7	4
Interest expenses to subsidiaries		-8	-11
Taxes paid		-4	-4
<b>Net cash flow from operating activities</b>		<b>4</b>	<b>7</b>
<b>Cash flow from changes in working capital</b>			
Change in operating receivables		-63	-5
Change in operating liabilities		21	3
<b>Total change in working capital</b>		<b>-42</b>	<b>-2</b>
<b>Net cash flow from operating activities</b>		<b>-38</b>	<b>5</b>
<b>INVESTING ACTIVITIES</b>			
Dividends from subsidiaries		3	280
Investments in subsidiaries	11	—	-276
Capital expenditure for intangible assets	6	-34	-60
<b>Net cash flow from investing activities</b>		<b>-31</b>	<b>-56</b>
<b>FINANCING ACTIVITIES</b>			
Change in interest-bearing liabilities		39	31
Group contributions received		119	126
Group contributions paid		—	-13
Sale of treasury shares		1	—
Dividends		-92	-92
<b>Net cash flow from financing activities</b>		<b>67</b>	<b>52</b>
<b>Net cash flow</b>		<b>-2</b>	<b>1</b>
Cash and cash equivalents at the beginning of the year		2	1
<b>Cash and cash equivalents at the end of the year</b>		<b>0</b>	<b>2</b>

## Parent Company Statements of Changes in Equity

MSEK	Restricted equity			Unrestricted equity		Total
	Share capital	Statutory reserve	Development reserve	Share pre-mium reserve	Retained earnings	
<b>Opening balance 1 January 2018</b>	<b>385</b>	<b>539</b>	<b>40</b>	<b>452</b>	<b>132</b>	<b>1,548</b>
<b>Comprehensive income</b>						
Net profit	—	—	—	—	65	65
Other comprehensive income	—	—	—	—	—	—
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>65</b>	<b>65</b>
<b>Transactions with shareholders</b>						
Share-based remuneration, incl. sale of treasury shares	—	—	—	4	–2	2
Change in development reserve	—	—	11	—	–11	0
Dividends	—	—	—	—	–92	–92
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>11</b>	<b>4</b>	<b>–105</b>	<b>–90</b>
<b>Closing balance 31 December 2018</b>	<b>385</b>	<b>539</b>	<b>51</b>	<b>456</b>	<b>92</b>	<b>1,523</b>

MSEK	Restricted equity			Unrestricted equity		Total
	Share capital	Statutory reserve	Development reserve	Share pre-mium reserve	Retained earnings	
<b>Opening balance 1 January 2017</b>	<b>385</b>	<b>539</b>	<b>—</b>	<b>452</b>	<b>187</b>	<b>1,563</b>
<b>Comprehensive income</b>						
Net profit	—	—	—	—	78	78
Other comprehensive income	—	—	—	—	—	—
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>78</b>	<b>78</b>
<b>Transactions with shareholders</b>						
Share-based remuneration	—	—	—	—	–1	–1
Change in development reserve	—	—	40	—	–40	0
Dividends	—	—	—	—	–92	–92
<b>Subtotal</b>	<b>—</b>	<b>—</b>	<b>40</b>	<b>—</b>	<b>–133</b>	<b>–93</b>
<b>Closing balance 31 December 2017</b>	<b>385</b>	<b>539</b>	<b>40</b>	<b>452</b>	<b>132</b>	<b>1,548</b>

# Notes – Parent Company

## Note 1 Parent Company's Accounting Principles

The financial statements of the Parent Company are prepared in accordance with the Annual Accounts Act and The Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. In accordance with RFR 2, IFRS is applied to the greatest extent possible under Swedish legislation, but full compliance is not possible. The areas in which the Parent Company's accounting policies differ from the Group's are described below.

For a description of the Group's accounting policies including effects of new IFRS standards, see note 1 of the Group.

### Group Contribution

According to RFR 2, group contributions paid by the Parent Company to subsidiaries are recognised as an increase in the carrying amount of the participations in the receiving subsidiaries. The Swedish Financial Reporting Board has also introduced an alternative rule which means group contributions, both received and paid, may be recognised as an appropriation. Gunnebo has decided to apply the alternative rule.

## Note 2 Revenues and Expenses by Nature

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 & sustainability, legal & compliance, finance, IT, brand management, communication and investor relations. Net revenue for 2018 amounted to MSEK 266 (239) representing services towards subsidiaries, whereof 49 MSEK (42) is related to IT services and 217 MSEK (197) relates to management and brand fees. Operating expenses of MSEK -257 (-221) are specified below.

	2018	2017
Remuneration for employees	75	65
Temporary personnel and subcontractors	32	35
Amortisation and depreciation	7	4
Other costs	143	117
<b>Total operating expenses</b>	<b>257</b>	<b>221</b>

## Note 3 Financial Income and Expenses, net

	2018	2017
<i>Financial income</i>		
Dividends from subsidiaries	3	280
<i>Financial expenses</i>		
Impairment of investments in subsidiaries	—	-276
Interest expenses to subsidiaries	-7	-11
<b>Total</b>	<b>-4</b>	<b>-7</b>

## Note 4 Appropriations

	2018	2017
Group contributions received	99	119
Group contributions paid	-18	—
<b>Total</b>	<b>81</b>	<b>119</b>

## Note 5 Income Taxes

	2018	2017
Current tax expense	-14	-4
Deferred tax expense	-7	-48
<b>Total</b>	<b>-21</b>	<b>-52</b>
<b>Reconciliation of Swedish tax rate with effective tax rate</b>	<b>2018</b>	<b>2017</b>
Profit before tax	86	130
Tax using the Swedish tax rate (22%)	-19	-29
Non-deductible impairment	—	61
Tax-exempt dividend income	-1	-62
Withholding tax	-4	-4
Other, including adjustment of prior year taxes	3	-18
<b>Total</b>	<b>-21</b>	<b>-52</b>

At 31 December 2018, the Parent Company had total tax loss carry-forwards of MSEK 0 (37) with no expiration date for utilisation. Deferred tax assets in the balance sheet relate primarily to tax loss carry-forwards and pensions amounting to MSEK 0 (8) and MSEK 12 (12) respectively.

## Note 6 Intangible Assets

	2018	2017
Opening balance acquisition costs	92	32
Capital expenditure	34	60
Disposal	-20	—
<b>Closing balance</b>	<b>106</b>	<b>92</b>
Opening balance accumulated amortisation	29	25
Amortisation	5	4
<b>Closing balance</b>	<b>34</b>	<b>29</b>
<b>Net book value</b>	<b>72</b>	<b>63</b>

Intangible assets mainly comprise software for internal use and product development costs. During the year, capital expenditure on product development projects totalled MSEK 4 (16) and the remainder related to software development. During the year the intangible product development project was disposed within the Group to the book amount of MSEK 20 (-).

## Note 7 Accrued Expenses and Deferred Income

	2018	2017
Holiday pay liability	5	5
Social security charges	17	13
Accrued salaries	2	5
Other items	52	31
<b>Total</b>	<b>76</b>	<b>54</b>

## Note 8 Contingent Liabilities

	2018	2017
Guarantees	2,114	1,809
<b>Total</b>	<b>2,114</b>	<b>1,809</b>

Refers mainly to guarantees for subsidiaries. There are no pledged assets.

## Note 9 Personnel

In 2018, the total expense for salaries and other remuneration was MSEK 45 (38). Amounts expensed for social security charges was MSEK 30 (27), which included pension costs of MSEK 12 (11).

The average number of employees in the Parent Company was 42 (39), whereof 16 female (18).

There are three women on the Board of the Parent Company and two in the executive management team at the end of 2018.

Information on remuneration to key management, see note 6 of the Group.

## Note 10 Auditors' Remuneration

The audit fees of the Parent Company amounted to MSEK 1 (1) during 2018.

For a description of the auditors' remuneration, see note 7 of the Group.

## Note 11 Investments in Group Companies

	2018	2017
Opening book value	1,585	1,585
Investments in subsidiaries	—	276
Impairment of investments in subsidiaries	—	—276
<b>Closing book value</b>	<b>1,585</b>	<b>1,585</b>

Directly held investments in Group companies	No. of shares	Holding, %	Company registration number (SE)	Reg. office	Country	Country code	Main activities <sup>1)</sup>	Book value 2018	Book value 2017
Gunnebo Holding GmbH	1	100		Garching	Germany	DE	O	0	0
Gunnebo Holding ApS	1,000	100		Skovlunde	Denmark	DK	O	91	91
Gunnebo India Private Ltd	8,059,880	100		Mumbai	India	IN	M, S	116	116
Gunnebo Holding AB	1,000	100	556573-7508	Gothenburg	Sweden	SE	O	90	90
Gunnebo Nordic AB	251,000	100	556041-2362	Gothenburg	Sweden	SE	S	388	388
Gunnebo Treasury AB	1,000	100	556465-2765	Gothenburg	Sweden	SE	O	900	900
<b>Total</b>								<b>1,585</b>	<b>1,585</b>

<sup>1)</sup> M=Manufacturing, S=Sales/service, O=Other incl. treasury, dormant and/or holding activities.

Subsidiaries' holdings in Group companies	Holding, %	Company registration number (SE)	Country	Country code	Main activities
Gunnebo Middle East FZE	100		United Arab Emirates	AE	S
Gunnebo Australia Pty Ltd	100		Australia	AU	S
Gunnebo Österreich GmbH	100		Austria	AT	S
Gunnebo Gateway Brasil S.A.	100		Brazil	BR	S
Gunnebo Gateway Brasil Servicos Ltda	100		Brazil	BR	S
Gunnebo Canada Inc.	100		Canada	CA	S
Gunnebo (Suisse) SA	100		Switzerland	CH	S
Gunnebo Security (China) Co. Ltd	100		China	CN	M, S
Gunnebo CZ s. r. o.	100		Czech Republic	CZ	S
Gunnebo Cash Automation GmbH	100		Germany	DE	O
Gunnebo Deutschland GmbH	100		Germany	DE	S
Gunnebo Logistics GmbH	100		Germany	DE	S
Gunnebo Markersdorf GmbH	100		Germany	DE	M
Rosengrens GmbH	100		Germany	DE	S
A/S Gunnebo Nordic	100		Denmark	DK	S
Grupo Sallén Tech S.L.	100		Spain	ES	M, S
Gunnebo España SA	100		Spain	ES	S
Perimentral Sallén Technologies S.L.	100		Spain	ES	S
Sallén France SAS	100		France	FR	S
Gunnebo Entrance Control Ltd	100		England	GB	S
Gunnebo UK Ltd	100		England	GB	S
Gunnebo Magyarország Kft.	100		Hungary	HU	S
Gunnebo Hong Kong Ltd	100		Hong Kong	HK	S
PT Chubb Safes Indonesia	100		Indonesia	ID	M
PT Gunnebo Indonesia Distribution	100		Indonesia	ID	S
Gunnebo Services India Private Ltd	100		India	IN	S
Gunnebo Entrance Control S.p.A.	100		Italy	IT	M
Gunnebo Italia S.p.A.	100		Italy	IT	S
Gunnebo Korea Co. Ltd	100		South Korea	KR	S
Diseños Inteligentes de Seguridad S.A. de C.V.	100		Mexico	MX	S
Gunnebo México S.A. de C.V.	100		Mexico	MX	S
Gunnebo Malaysia Sendirian Berhad	100		Malaysia	MY	S
Gunnebo Doetinchem BV	100		Netherlands	NL	M
Gunnebo Holding Nederland BV	100		Netherlands	NL	S
Gunnebo Nederland BV	100		Netherlands	NL	S
Gunnebo Logistics BV	100		Netherlands	NL	O
Gunnebo Nordic AS	100		Norway	NO	S
Gunnebo Polska Sp. z o.o.	100		Poland	PL	S
Gunnebo Portugal SA	100		Portugal	PT	S
Blåspanen Sverige AB	100		Sweden	SE	O
Gunnebo Cash Automation AB	100	556533-2078	Sweden	SE	S
Gunnebo Gateway AB	100	556480-7641	Sweden	SE	S
Gunnebo Business Solutions AB	100	556009-9458	Sweden	SE	S
Gunnebo Singapore Pte Ltd	100		Singapore	SG	S
Gateway Security Inc.	100		USA	US	S
Gunnebo Entrance Control Inc.	100		USA	US	S
Gunnebo Security Inc.	100		USA	US	O
Hamilton Products Group, Inc.	100		USA	US	M
Hamilton Safe Company, Inc.	100		USA	US	M
Safe LLC	100		USA	US	O
All Technologies Access and Parking (Pty) Ltd	100		South Africa	ZA	O
Gunnebo South Africa (Pty) Ltd	100		South Africa	ZA	S



## Proposed Distribution of Earnings

Unrestricted equity in the Parent Company at the disposal of the Annual General Meeting:

Share premium reserve	455,926,559
Retained earnings	26,419,305
Net profit	65,077,410
<b>Total</b>	<b>547,423,274</b>

The Board of Directors proposes:

that a dividend of SEK 0.50 per share be paid to shareholders <sup>1)</sup>	38,224,291
and that the remaining sum be carried forward	509,198,983
<b>Total</b>	<b>547,423,274</b>

<sup>1)</sup> For Euroclear Sweden AB-registered owners, the proposed record date for dividend payment is 15 April 2019. The number of dividend-bearing shares on the record day is expected to total 76 448 581.

Board statement: The Board has proposed that a dividend of SEK 0.50 per share be paid, i.e. a total of approximately MSEK 38. As a result of the dividend, unrestricted equity will change as shown above. The company and the Group are in a good position. There is more than enough scope for the proposed dividend in unrestricted equity. The equity ratio and liquidity will continue to be satisfactory after the proposed dividend. Considering this, the information in the Board of Directors' report and what is otherwise known by the

Board, the Board deems the proposed dividend justified with regard to the requirements placed by the operation's nature, scope and risks on the size of the company's and Group's equity and on the company's and Group's consolidation requirements, liquidity and position in general. None of the Parent Company equity on the closing day depends on assets and liabilities being measured at fair value according to Chapter 4 §14 of the Annual Accounts Act.

The Board and the President assure that the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and the International Financial Reporting Standards (IFRS), as adopted by the EU and provide a true and fair view of the financial position and results of the Group. The annual report has been prepared in accordance with generally accepted accounting standards and provides a true and fair picture of the financial position and result of the Parent Company. The Board of Directors' Report for the Group and the Parent Company provides a true and fair view of the development of the Group's and Parent Company's operations, financial positions and results and describes significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Gothenburg, 15 March 2019

Martin Svalstedt  
Chairman

Göran Bille  
Board member

Anna Borg Sæther  
Board member

Charlotte Brogren  
Board member

Eva Elmstedt  
Board member

Mikael Jönsson  
Board member

Micke Fridström  
Board member

Irene Thorin  
Board member

Henrik Lange  
President and CEO

Our audit report was submitted on 15 March 2019.  
Deloitte AB

Hans Warén  
Authorised Public Accountant

# Proposed Policy for Remuneration to Senior Executives

## Proposal by the Board of Directors to the Annual General Meeting 2019

These principles concern remuneration and other terms of employment for members of the Gunnebo Group Executive Team and are valid for employment agreements entered into after the approval of the principles by the Annual General Meeting and for changes to existing employment agreements made thereafter.

Gunnebo shall offer a level of remuneration and other terms of employment which enables the company to recruit and retain senior executives. The overall principles for salary and other remuneration to senior executives are thus that compensation shall be competitive and on market level.

The total remuneration to senior executives shall consist of fixed salary, variable remuneration including long-term incentive programmes, pension and other benefits.

The fixed salary shall take into account the individual's position, competence, areas of responsibility, performance and experience and shall normally be reviewed on an annual basis. The fixed salary shall constitute the basis for the calculation of the variable salary.

The variable salary shall be dependent upon the individual's achievement of specific quantitative business objectives and shall, with respect to the CEO, not exceed 90% of the fixed salary, of which 40% is derived from the maximum of long-term incentive programmes. With respect to other senior executives, the variable salary shall not exceed 70% of the fixed salary, of which 20% is derived from the maximum of long-term incentive programmes.

The Board shall, for each financial year, evaluate whether a share or share-price related incentive programme shall be proposed to the Annual General Meeting or not. It is the Annual General Meeting who decides upon such programmes. The Board has decided to propose to the Annual General Meeting to decide upon a new incentive programme for 2019.

Pension premiums for senior executives resident in Sweden are paid in accordance with a premium based plan. The premiums may, depending on age and salary level, amount to a maximum of 35% of the base salary. Senior executives resident outside Sweden may be offered pension benefits that are competitive in the countries where the senior executives are resident, preferably defined-contribution plans. The retirement age shall be 65.

Additional benefits consist of company car and private health insurance.

For senior executives resident in Sweden, the termination period in case of termination by the company shall be 12 months and 6 months in case of termination by the senior executive. Severance pay is not applied. Senior executives resident outside Sweden may be offered notice periods for termination that are competitive in the countries where the senior executives are resident, preferably notice periods comparable to the notice periods applied to senior executives resident in Sweden.

The Board reserves the right to deviate from these principles if special reasons for such a deviation exist in any individual case.

Remuneration to senior executives already decided which has not become due for payment at the Annual General Meeting 2019 falls within the frames of these principles, except that SVP Americas, based on local market conditions, can receive a maximum variable salary not exceeding 95% of the fixed salary. Of which maximum 20% may arise from long-term incentive programmes. As previously agreed the CEO is entitled to 12 months' severance pay in case of termination by the company and that any variable salary to the CEO shall be treated as pensionable income and furthermore that the CEO is entitled to retirement at the age of 63.5.

No other deviations from the principles approved by the Annual General Meeting 2018 have been made.

## Auditor's Report

*This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original, the latter shall prevail.*

### **To the general meeting of the shareholders of Gunnebo AB (publ) corporate identity number 556438-2629**

#### **Report on the annual accounts and consolidated accounts**

##### *Opinions*

We have audited the annual accounts and consolidated accounts of Gunnebo AB (publ) for the financial year 2018, except for the corporate governance statement on pages 45–50 and the sustainability report on pages 32–41. The annual accounts and consolidated accounts of the company are included on pages 4–7, 16–17, 32–50, and 56–89 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 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance statement on pages 45–50 and the sustainability report on pages 32–41.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

##### *Basis for opinions*

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

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

##### *Key audit matters*

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

##### *Valuation of goodwill*

###### *Description of risk*

In the balance sheet for the group goodwill amounts to MSEK 1 408 as of 31 December 2018. The value of the goodwill is dependent on future earnings in the cash generating entities, to which the goodwill refers and is assessed for impairment at least once a year. The impairment test is based on assumptions of future cash flows and complex matters including a high degree of judgment such as assumptions for growth, profitability and cost of capital (WACC). Any changes in these assumptions may result in a need for impairment. Management has not identified any impairment need for 2018.

We have considered valuation of goodwill as a key audit matter as a result of its significance and sensitivity for changes in assumptions.

For further information, we refer to the section about accounting principles and areas for significant judgments and estimates on pages 63–65 and note 11 regarding intangible assets on page 71.

##### *Our audit procedures*

Our audit procedures included, but were not limited to:

- Review and testing of Gunnebo's procedures for impairment testing of goodwill and reconciliation of significant assumptions with budget and business plan
- Testing of management's assumptions, mainly related to the variables that have the greatest impact on the impairment testing such as growth, profitability and cost of capital (WACC) and performing sensitivity analyses for assessment of headroom for each cash generating unit
- Review of completeness in relevant disclosures to the financial statements
- Our valuation specialists have been involved in the audit procedures.

##### *Valuation of deferred tax assets*

###### *Description of risk*

In the balance sheet for the group, deferred tax assets amount to MSEK 195 as of 31 December 2018, of which MSEK 85 relate to tax losses carried forward. The value is dependent on to which extent it is probable that future earnings can be utilized against the accumulated tax losses. Incorrect judgments and assumptions may have a material impact on the group's result and financial position.

We have considered valuation of deferred tax assets a key audit matter since the valuation is mainly based on assumptions and judgments.

For further information, we refer to the section about accounting principles including important judgments and assumptions on page 63–65 and note 10 about taxes on page 71.

#### *Our audit procedures*

Our audit procedures included, but were not limited to:

- Review of Gunnebo's procedures for calculation of deferred tax assets and assessment of the reasonability of judgments regarding future earning capacity for applicable entities
- Review of completeness in relevant disclosures to the financial statements.

#### *Discontinued operations*

##### *Description of risk*

Gunnebo has since the second quarter 2018 reported discontinued operations in accordance with IFRS 5 – Assets held for sale and discontinued operations. The discontinued operations relate to the operations in France, Belgium and Luxembourg. Those operations were sold on 3 December 2018. In the income statement for 2018, the net profit/loss from discontinued operations amounts to MSEK -803, of which MSEK -708 is related to loss on divestment. Valuation of assets and liabilities classified as discontinued operations up until divestment is based on assumptions of future cash flows and related circumstances as well as expected transaction price, which are complex and include a high degree of estimates.

We have considered discontinued operations as a key audit matter, mainly as a result of the significance of the transaction but also due to a high degree of estimation if and when assets and liabilities qualify for classification as discontinued operations, the effect on the valuation when judgments on future assumptions change and the complexity in calculations. As the sale took place 3 December 2018 all estimates made are confirmed as of 31 December 2018.

For further information, we refer to note 4 regarding discontinued operations on page 68.

#### *Our audit procedures*

Our audit procedures included, but were not limited to:

- Review of that conditions for classification as discontinued operations were fulfilled
- Review of Gunnebo's calculation of the result of discontinued operations as well as the classification and valuation of assets and liabilities as discontinued operations
- Review of calculation of final loss against underlying sale and purchase agreement regarding operations sold in France, Belgium and Luxembourg
- Review of completeness and correctness in relevant disclosures to the financial statements.

#### *Other information than the annual accounts and consolidated accounts*

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–3, 8–15, 18–31, 51–55 and 90–103. 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 the 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 intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### *Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## 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 2018 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.

#### **The auditor's opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the statutory sustainability report on pages 32-41, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

#### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 45-50 has been prepared in accordance with the Annual Accounts Act.

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

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

Deloitte AB was appointed auditor of Gunnebo AB (publ) by the general meeting of the shareholders on 12 April 2018 and has been the company's auditor since 3 April 2008.

Gothenburg, 15 March 2019  
Deloitte AB  
*Signature on Swedish original*

Hans Warén  
Authorised Public Accountant



# Information for the Capital Market

Gunnebo strives to give all stakeholders as fair a view as possible of the Group's business and financial results. The goal is to provide owners and the stock market with information that supports these parties in the process of evaluating Gunnebo's business.

Gunnebo's objective is to provide the market with open, consistent and transparent financial information. All external and internal communication should be fair and appropriate. Relevant information should 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 and annual reports as well as the corporate website [www.gunnebogroup.com](http://www.gunnebogroup.com). 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 Thursday 11 April 2019 at Stenhammarsalen, the Concert Hall, in Gothenburg.

## Registration

Shareholders who wish to participate in the Annual General Meeting must have their names entered in the register of shareholders maintained by Euroclear Sweden by no later than Friday 5 April 2019, and must notify the AGM of attendance by no later than Friday 5 April 2019, 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 5 April 2019.

## Dividend

The Board proposes to the AGM a dividend of SEK 0.50 per share (1.20) for the 2018 financial year.

## Invitation to the 2019 Annual General Meeting

Gunnebo's Annual General Meeting will be held at 4:00pm CET on Thursday 11 April 2019 at Stenhammarsalen, the Concert Hall, in Gothenburg.

## Registration

Shareholders who wish to participate in the Annual General Meeting must have their names entered in the register of shareholders maintained by Euroclear Sweden by no later than Friday

5 April 2019 and must notify the AGM of attendance by no later than Friday 5 April 2019, 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 Friday 5 April 2019.

## IR Policy

The goal of Gunnebo's Investor Relations activities is to provide all stakeholders with as fair a view as possible of the Group's operation and financial results through communication activities.

In addition to day-to-day communication, contact with the financial market takes place in connection with the interim reports and the AGM, and through meetings with analysts, investors and journalists at seminars or individual meetings. Trustful contact with the market's various stakeholders presupposes a smoothly functioning internal reporting system that provides fast and accurate reporting from all the Group's businesses.

Gunnebo keeps important financial information confidential until simultaneously and consistently disclosed to the stock market and to NASDAQ Stockholm. All external financial information about Gunnebo is handled centrally. Financial interim reports are commented on by the President and CEO, the Chief Financial Officer or the SVP Marketing & Communication. One of these people is always available in connection with the publication of interim reports.

Confidence in the Gunnebo share is based on compliance with NASDAQ Stockholm's rules for listed companies and on Gunnebo's ability and willingness to provide clear and relevant information to the market.

## Activities 2018

In November 2018, Gunnebo arranged a Capital Markets Day in Stockholm. It was attended by around 40 analysts, fund managers, investors and journalists. The day focused on giving an update on the Group's strategic agenda and an overview of the Business Units. All presentations were recorded and all material is available on [www.gunnebogroup.com](http://www.gunnebogroup.com).

In 2018, Gunnebo has had an ongoing dialogue with the analysts that follow the Group. There is also a frequent dialogue with analysts from several other major banks that do not publish frequent analyses of the Gunnebo share. In addition, over 20 telephone conferences and face-to-face meetings were held with analysts and investors.

The Group also held two roadshows, in Helsinki and Paris, participated in seminars, breakfast, lunch and dinner meetings as well as in several 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 new financial targets aim to contribute to a good return for the company's shareholders and focus on profitable growth. The Group aims to achieve an annual sales growth of 5% a year, an EBITA of more than 10%, a net debt/EBITDA ratio of less than 2.5 and an annual dividend of 30–50% of the net profit.

## The Capital Structure of the Group

One of Gunnebo's long-term financial goals is to have a net debt/EBITDA ratio of less than 2.5. The ratio at the end of the year was 3.5.

Gunnebo's borrowing is unsecured. Borrowing is limited, however, by financial obligations in the loan agreements in the form of covenants. The Group's long-term credit framework on 31 December 2018 amounted to MSEK 2,209 and ensures that financing is available on market terms until the end of June 2022 (MSEK 1,438) and April 2024 (MSEK 771).

## 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 30–50% of the net profit. The proposed dividend for 2018 is SEK 0.50 per share, which equals 32% of the net profit from continuing operations.

## 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)

### Erik Penser

Robert Tovi  
+46 8 463 8066  
[robert.tovi@penser.se](mailto:robert.tovi@penser.se)

## Financial Information and Reports 2019/2020

### 11 April 2019

Annual General Meeting 2019

### 26 April 2019

Interim Report  
January–March 2019

### 19 July 2019

Interim Report  
January–June 2019

### 22 October 2019

Interim Report  
January–September 2019

### 7 February 2020

Year-End Release for 2019

### 21 April 2020

Interim Report  
January–March 2020

# 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 2018 Gunnebo had 10,221 shareholders. The percentage of foreign ownership amounted to 22.9%. 13.3% of the Swedish share capital was owned by Swedish natural persons, which means that 63.8% was owned by Swedish legal entities or foreign legal entities or natural persons.

## Share Capital and Votes

On 31 December 2018 Gunnebo had a share capital of MSEK 385 divided into 77,050,848 shares, of which 602,267 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 15 on page 73.

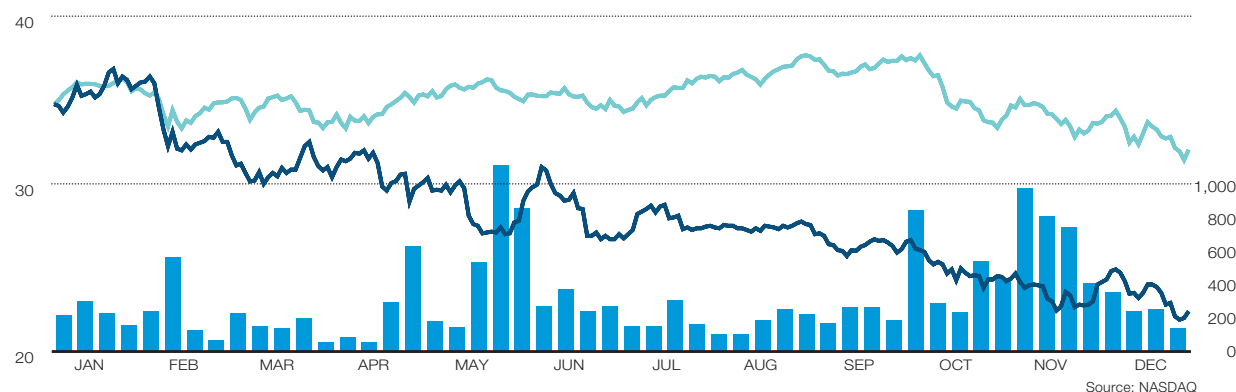
## Share Price

At the end of the year the Gunnebo share was trading at SEK 22.40 which is a decrease during the year of 34%. During the same period, Stockholm Stock Exchange's OMX 30 Index decreased by 11%. The lowest share price paid during the year was SEK 21.45 (27 December) and the highest was SEK 37.10 (18 January).

## Trading and Market Value

A total of 16,752,807 shares (19,856,299) were traded in 2018 at a value corresponding to MSEK 459 (811). The average volume traded each trading day was 67,011 shares (79,109), equating to TSEK 1,837 (3,233). The market value on 28 December 2018 was MSEK 1,726.

## The Gunnebo Share 2018



## The Gunnebo Share 2014–2018

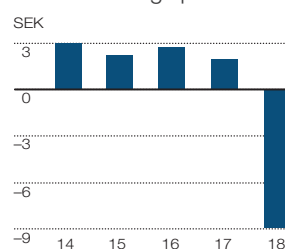


Largest shareholders, grouped	No. of shares issued	Votes
Stena Adactum	19,802,329	25.9%
Vätterledens Invest, with associates	13,049,871	17.1%
IF Skadeförsäkringar	8,105,715	10.6%
Brown Brothers/Fidelity Funds	5,255,467	6.9%
Ålandsbanken	2,114,122	2.8%
Ålandsbanken in the owner's place	2,032,109	2.7%
Ohman Funds	1,809,210	2.4%
Santander Securities	756,000	1.0%
BNY Mellon	739,981	1.0%
Handelsbanken Liv	720,833	0.9%
Other	22,062,944	28.6%
<b>Total ordinary shares</b>	<b>76,448,581</b>	<b>99.9%</b>
Gunnebo AB, C-shares	602,267	0.1%
<b>Total shares issued</b>	<b>77,050,848</b>	<b>100.0%</b>

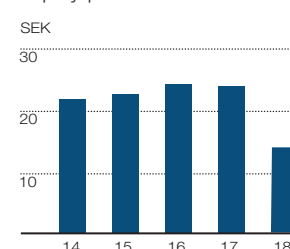
Shareholders by size	No. of shareholders	No. of out- standing shares	Votes, %
1–500	6,520	1,098,146	1.4
501–1,000	1,591	1,319,499	1.7
1,001–5,000	1,641	3,902,977	5.1
5,001–10,000	241	1,824,704	2.4
10,001–50,000	153	3,319,845	4.4
50,001–	75	64,983,410	85.0
<b>Total outstanding shares</b>	<b>10,221</b>	<b>76,448,581</b>	<b>100.0</b>

Changes in share capital, MSEK	Change	Share capital	Total no. of shares
1991 Formation		4	4,000
1992 Split 100:1		4	400,000
1992 New share issue	+96	100	10,000,000
1995 New share issue	+50	150	15,000,934
1995 Conversion	+3	153	15,280,783
1996 Conversion	+10	163	16,275,819
1997 New share issue	+4	167	16,715,819
1997 Conversion	+27	194	19,351,121
1998 Conversion	+4	198	19,813,150
1998 New share issue	+2	200	19,973,150
1999 Conversion	0	200	19,982,310
1999 New share issue	+6	206	20,625,881
2000 Conversion	+6	212	21,204,528
2001 Conversion	0	212	21,211,198
2003 Conversion	+7	219	21,889,974
2004 Split 2:1	0	219	43,779,948
2005 New share issue	0	219	43,854,548
2006 New share issue	+4	223	44,578,523
2007 New share issue	+5	228	45,513,359
2009 New share issue	+151	379	75,855,598
2013 New share issue	+1	380	75,914,098
2014 New share issue	+1	381	76,173,501
2015 New share issue	0	381	76,185,001
2016 New share issue	+1	382	76,320,001
2016 New share issue C-shares	+3	385	77,050,848

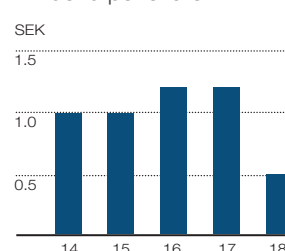
### Diluted earnings per share



### Equity per share

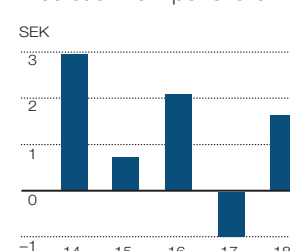


### Dividend per share



<sup>1)</sup> Board proposal

### Free cash flow per share



No. of shares	2018	2017	2016	2015	2014
Closing no. of shares, x 1,000	77 051	77,051	77,051	76,185	76,174
Average no. of shares incl. C-shares, x 1,000	77 051	77,051	76,837	76,180	75,979

Data per share	2018	2017	2016	2015	2014
Diluted earnings per share, SEK	-8.94	2.00	2.70	2.18	2.98
Equity per share, SEK	14.22	24.03	24.40	22.65	21.93
Free cash flow per share, SEK	1.62	-0.97	2.09	0.73	2.94
Dividend, SEK <sup>1)</sup>	0.50	1.20	1.20	1.00	1.00

Share price related share data	2018	2017	2016	2015	2014
Share price at year-end (last price paid), SEK	22.40	33.70	38.60	45.00	37.70
Highest price during the year (price paid), SEK	37.10	51.50	45.30	46.10	43.70
Lowest price during the year (price paid), SEK	21.45	30.60	36.80	34.70	33.30
Market value at year-end, MSEK	1,726	2,597	2,974	3,428	2,872
P/E ratio, times <sup>2)</sup>	neg.	17	14	21	13
Dividend yield, % <sup>1)3)</sup>	2.2	3.6	3.1	2.2	2.7

<sup>1)</sup> The Board proposes a dividend of SEK 0.50 per share for the year 2018.

<sup>2)</sup> Listed price on 31 December divided by diluted earnings per share.

<sup>3)</sup> Dividend in relation to listed price on 31 December.

# Seven-Year Review

	Continuing operations			Including discontinued operations			
	2018	2017	2016	2015	2014	2013	2012
<b>Income statement, MSEK</b>							
Net sales	5,128	4,861	4,892	6,052	5,557	5,271	5,236
Cost of goods sold	-3,686	-3,447	-3,462	-4,278	-3,911	-3,689	-3,666
<b>Gross profit</b>	<b>1,442</b>	<b>1,414</b>	<b>1,430</b>	<b>1,774</b>	<b>1,646</b>	<b>1,582</b>	<b>1,570</b>
Other operating expenses, net	-1,177	-1,113	-1,131	-1,454	-1,294	-1,360	-1,391
<b>Operating profit (EBIT)</b>	<b>265</b>	<b>301</b>	<b>299</b>	<b>320</b>	<b>352</b>	<b>222</b>	<b>179</b>
Financial income and expenses, net	-53	-54	-51	-43	-35	-75	-66
<b>Profit before taxes</b>	<b>212</b>	<b>247</b>	<b>248</b>	<b>277</b>	<b>317</b>	<b>147</b>	<b>113</b>
Income taxes	-92	-95	-92	-109	-90	-45	-89
<b>Net profit</b>	<b>120</b>	<b>152</b>	<b>156</b>	<b>168</b>	<b>227</b>	<b>102</b>	<b>24</b>
<b>EBITA / EBITDA</b>							
Net sales	5,128	4,861	4,892				
Cost of goods sold excl. IAC	-3,673	-3,433	-3,447				
<b>Gross profit excl. IAC</b>	<b>1,455</b>	<b>1,428</b>	<b>1,445</b>				
Selling and administrative expenses excl. IAC	-1,141	-1,089	-1,104				
Other operating income and expenses, net, excl. IAC	-10	14	14				
Add back: Amortisation and impairment of acquisition related intangibles	40	22	24				
<b>EBITA</b>	<b>344</b>	<b>375</b>	<b>379</b>				
Add back: Items affecting comparability (IAC)	-39	-52	-56				
Add back: Other amortisation and depreciation	73	71	75				
<b>EBITDA</b>	<b>378</b>	<b>394</b>	<b>398</b>				
<b>Key ratios, %</b>							
Sales growth, %	3	-1					
Gross margin excl. IAC, %	28.4	29.4	29.5	29.7	30.2	30.6	30.3
S&A excl. IAC in % of net sales	22.3	22.4	22.6	23.1	23.9	25.0	25.3
EBITDA margin, %	7.4	8.1	8.1	7.1	7.9	5.9	5.2
EBITA margin, %	6.7	7.7	7.7				
EBIT margin, %	5.2	6.2	6.1	5.3	6.3	4.2	3.4
Return on operating capital employed, MSEK	35.8	41.5	45.4				
Return on capital employed, MSEK	12.8	14.6	15.6				
<b>Liquidity information</b>							
Net debt incl. post-employment benefits, MSEK	1,714	1,403	1,208	1,212	1,039	1,088	1,026
Net debt, MSEK	1,339	999	813	850	614	727	684
Net debt incl. post-employment benefits/EBITDA, times	4.5	3.6	3.0	2.8	2.4	3.5	3.7
Net debt/EBITDA, times	3.5	2.5	2.0	2.0	1.4	2.4	2.5
<b>Employees</b>							
Average number of employees	4,363	4,258	4,481	5,518	5,629	5,656	5,563

	Continuing and discontinued operations						
	2018	2017	2016	2015	2014	2013	2012
<b>Balance sheet, MSEK</b>							
Intangible assets	1,714	1,910	1,922	1,812	1,675	1,494	1,502
Property, plant and equipment	282	345	347	358	304	304	327
Deferred tax assets	195	322	332	304	339	307	263
Other long-term assets	50	17	14	14	16	17	60
Inventories	717	902	825	777	785	691	672
Total customer receivables	1,018	1,413	1,317	1,150	1,125	1,039	1,015
Other current assets	311	294	312	273	225	173	186
Cash and cash equivalents	569	498	581	496	447	392	350
<b>Total assets</b>	<b>4,856</b>	<b>5,701</b>	<b>5,650</b>	<b>5,184</b>	<b>4,916</b>	<b>4,417</b>	<b>4,375</b>
Equity	1,087	1,866	1,890	1,747	1,694	1,463	1,533
Financial liabilities	1,908	1,504	1,403	1,353	1,067	1,126	1,082
Provision for post-employment benefits	375	494	484	362	425	361	342
Deferred tax liabilities	50	66	90	93	66	64	65
Accounts payable	594	742	739	635	660	555	508
Other liabilities	842	1,029	1,044	994	1,004	848	845
<b>Total equity and liabilities</b>	<b>4,856</b>	<b>5,701</b>	<b>5,650</b>	<b>5,184</b>	<b>4,916</b>	<b>4,417</b>	<b>4,375</b>
<b>Cash flow statement, MSEK</b>							
Cash flow from operating activities before changes in working capital	155	271	356	305	246	218	156
Cash flow from changes in working capital	87	-200	-122	-119	25	-7	-20
<b>Cash flow from operating activities</b>	<b>242</b>	<b>71</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	124	-74	159	56	223	144	21
<b>Investments and depreciation, MSEK</b>							
Capital expenditure, MSEK	137	150	106	135	78	72	116
Depreciation and amortisation, MSEK	114	117	123	108	88	84	87
<b>Share data</b>							
Basic earnings per share, SEK	-8.95	2.00	2.71	2.18	2.98	1.29	0.26
Diluted earnings per share, SEK	-8.94	2.00	2.70	2.18	2.98	1.29	0.26
Equity per share, SEK	14.22	24.03	24.40	22.43	21.93	19.06	20.02
Free cash flow per share, SEK	1.62	-0.97	2.09	0.73	2.94	1.90	0.28
Dividend, SEK <sup>1)</sup>	0.50	1.20	1.20	1.00	1.00	1.00	1.00

<sup>1)</sup> The Board proposes a dividend of SEK 0.50 per share for the year 2018.



# Reconciliation of Key Performance Measures

Reconciliation of Gunnebo's key performance measures which are not defined according to IFRS are presented below. The following key performance measures relate to continuing operations unless otherwise noted. As the numbers in the table contain rounded figures minor differences may exist.

MSEK	2018	2017
<b>EBITA / EBITDA</b>		
Net sales	5,128	4,861
Cost of goods sold excl. items affecting comparability (IAC)	-3,673	-3,433
<b>Gross profit excl. IAC</b>	<b>1,455</b>	<b>1,428</b>
Selling and administrative expenses excl. IAC	-1,141	-1,089
Other operating income and expenses, net, excl. IAC	-10	14
Add back: Amortisation and impairment of acquisition related intangibles	40	22
<b>EBITA</b>	<b>344</b>	<b>375</b>
Add back: Items affecting comparability	-39	-52
Add back: Other amortisation and depreciation	73	71
<b>EBITDA</b>	<b>378</b>	<b>394</b>
<b>Gross profit</b>		
Net sales	5,128	4,861
Cost of goods sold (COGS)	-3,686	-3,447
<b>Gross profit</b>	<b>1,442</b>	<b>1,414</b>
Minus: Items affecting comparability in COGS	-13	-14
<b>Gross profit excl. IAC</b>	<b>1,455</b>	<b>1,428</b>
<b>Gross margin, %</b>	<b>28.1%</b>	<b>29.1%</b>
<b>Gross margin excl. IAC, %</b>	<b>28.4%</b>	<b>29.4%</b>
<b>Selling and administrative expenses (S&amp;A)</b>		
Net sales	5,128	4,861
S&A	-1,188	-1,127
Minus: Items affecting comparability in S&A	-47	-38
<b>S&amp;A excl. IAC</b>	<b>-1,141</b>	<b>-1,089</b>
<b>S&amp;A in % of net sales</b>	<b>-23.2%</b>	<b>-23.2%</b>
<b>S&amp;A in % of net sales excl. IAC</b>	<b>-22.3%</b>	<b>-22.4%</b>
<b>Items affecting comparability (IAC)</b>		
IAC - Cost of goods sold	-13	-14
IAC - S&A	-47	-38
IAC - Other income and expenses	21	—
<b>Total IACs</b>	<b>-39</b>	<b>-52</b>
<b>Depreciation and amortisation</b>		
Amortisation and impairment of acquisition related intangibles	-40	-22
Other depreciation and amortisation	-73	-71
<b>Total depreciation and amortisation</b>	<b>-113</b>	<b>-93</b>
<b>EBIT</b>		
EBIT	265	301
Net sales	5,128	4,861
<b>EBIT margin, %</b>	<b>5.2%</b>	<b>6.2%</b>
<b>Operating capital employed<sup>1)</sup></b>		
Sum of PPE, intangibles, inventory, customer receivables and other short term assets less accounts payables and other short-term liabilities	1,198	1,256
Less: Tax and financial items	-1	20
Less: Group functions	1	8
<b>Operating capital employed</b>	<b>1,198</b>	<b>1,228</b>
Operating capital employed, average 5 quarters	1,256	1,199
Sum of Business Units EBITA	450	498
<b>Return on operating capital employed, %</b>	<b>35.8%</b>	<b>41.5%</b>

MSEK	2018	2017
<b>Capital employed<sup>1)</sup></b>		
Operating capital employed	1,198	1,228
Plus: Group functions	1	8
Plus: Goodwill	1,408	1,373
<b>Capital employed</b>	<b>2,607</b>	<b>2,609</b>
Capital employed, average 5 quarters	2,687	2,571
EBITA	344	375
<b>Return on capital employed, %</b>	<b>12.8%</b>	<b>14.6%</b>
<b>Equity</b>		
Total equity	1,087	1,866
Less: Equity attributable to non-controlling interests	0	32
<b>Equity attributable to shareholders of the Parent Company</b>	<b>1,087</b>	<b>1,834</b>
Total number of ordinary shares end of period	76,448,581	76,320,001
<b>Equity per share, SEK</b>	<b>14.22</b>	<b>24.03</b>
<b>Net debt</b>		
Net debt	1,339	999
Post-employment benefits, continuing operations	375	404
<b>Net debt including post-employment benefits</b>	<b>1,714</b>	<b>1,403</b>
EBITDA, continuing operations	378	394
<i>Net Debt / EBITDA</i>	<i>3.5</i>	<i>2.5</i>
<i>Net Debt including post-employment benefits / EBITDA</i>	<i>4.5</i>	<i>3.6</i>
<b>Free cash flow, continuing and discontinued operations</b>		
Net cash flow after investments before financing	-170	-74
Minus: Cash flows from acquisitions/divestments	294	—
<b>Free cash flow</b>	<b>124</b>	<b>-74</b>
Weighted average number of basic shares	76,377,724	76,320,001
<b>Free cash flow per share, SEK</b>	<b>1.62</b>	<b>-0.97</b>
<b>Proforma balance sheets<sup>2)</sup></b>		
Goodwill		1,373
Other intangible assets		275
Property, plant and equipment		284
Deferred tax assets		212
Other long-term assets		15
<b>Total non-current assets</b>		<b>2,159</b>
Inventories		718
Total customer receivables		1,049
Other short-term assets		260
Cash and cash equivalents		494
Assets of disposal group held for sale		1,021
<b>Total current assets</b>		<b>3,542</b>
<b>Total assets</b>		<b>5,701</b>
<b>Total equity</b>		<b>1,866</b>
Long-term financial liabilities		1,396
Provisions for post-employment benefits		404
Deferred tax liabilities		51
<b>Total non-current liabilities</b>		<b>1,851</b>
Accounts payable		582
Short-term financial liabilities		108
Other short-term liabilities		748
Liabilities of disposal group held for sale		546
<b>Total current liabilities</b>		<b>1,984</b>
<b>Total equity and liabilities</b>		<b>5,701</b>

<sup>1)</sup> Key figures for Operating capital employed and Capital employed are based on the Proforma balance sheet as shown below and excludes discontinued operations.

<sup>2)</sup> Considering the relative size of the Disposal Group, a proforma balance sheet is presented as per 31 December 2017. This proforma information reclassifies the assets and liabilities of the Disposal Group held for sale. All intercompany balances have been eliminated.

# Definitions

In the Annual Report, Gunnebo presents certain key performance measures that are not defined according to IFRS. The Group believes that these measures provide investors and the management with valuable supplementary disclosures, since they enable a valuation of the Group's financial results and position. Since not all companies calculate financials in the same way, these are not always comparable with measures used by other companies. Definitions of Gunnebo key performance measures which are not defined according to IFRS are presented below.

## Capital employed

Operating capital employed plus capital employed from the Group functions plus goodwill.

## Debt/equity ratio

Net debt in relation to equity.

## Dividend yield

Dividend in relation to listed price on 31 December.

## EBITA

Operating profit (EBIT) before amortisation and impairment of acquisition related intangible assets, excluding items affecting comparability.

## EBITA margin

EBITA as a percentage of net sales.

## EBITDA

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

## EBITDA margin

EBITA as a percentage of net sales.

## Equity per share

Equity attributable to the shareholders of the Parent Company divided by the number of shares excluding C-shares, as these have no dividend rights, at the end of the period.

## Equity ratio

Equity as a percentage of total assets.

## Free cash flow

Cash flow from operating activities and investing activities excluding cash flows related to acquisitions and divestments.

## Free cash flow per share

Free cash flow divided by weighted average number of shares excluding C-shares as these have no dividend rights.

## Gross margin

Gross profit as a percentage of net sales.

## Interest coverage ratio

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

## Items affecting comparability (IAC)

Items affecting comparability are defined as significant items affecting operating profit (EBIT) that are isolated in order to enable a complete understanding of the Group's financial performance and comparability between periods. Items affecting comparability mainly relate to restructuring activities or structural changes and would include costs for closure of businesses/locations and personnel reductions.

## Net debt

Total liabilities from financing activities less cash and cash equivalents at the end of the period.

## Net debt incl. post-employment benefits

Total liabilities from financing activities and provisions for post-employment benefits less cash and cash equivalents at the end of the period.

## Net debt/EBITDA

Net debt divided by EBITDA rolling 12 months.

## Net debt incl. post-employment benefits/EBITDA

Net debt including provisions for post-employment benefits divided by EBITDA, rolling 12 months.

## Operating capital employed

The capital employed that is utilized in the four Business Units. It consists of property, plant and equipment, other intangible assets, inventory, customer receivables and other short term assets less accounts payables and other short term liabilities, less short term taxes and financial items.

## Operating margin (EBIT)

Operating profit (EBIT) as a percentage of net sales.

## P/E ratio

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

## Return on capital employed

EBITA rolling 12 months as a percentage of average capital employed.

## Return on operating capital employed

EBITA rolling 12 months as a percentage of average operating capital employed.

## Sales growth

Growth in net sales excluding exchange rate effects.

## Contact Details

### Gunnebo AB, Head Office & Central Functions

Box 5181  
SE-402 26 Gothenburg  
Visiting Address:  
Johan på Gårdas gata 7

www.gunnebogroup.com  
Tel: +46 10 209 50 00  
E-mail: info@gunnebo.com  
President & CEO: Henrik Lange

**Finance & IT**  
Tel: +46 10 209 50 00  
CFO: Susanne Larsson

**Human Resources  
& Sustainability**  
Tel: +46 10 209 50 00  
SVP: Christian Carlsson

**Brand Management,  
IR & Communications**  
Tel: +46 10 209 50 00  
SVP: Karin Wallström Nordén

### Business Units

**Safe Storage**  
Tel: +46 10 209 50 00  
www.gunnebo.com/safe-storage  
SVP: Stefan Syrén

**Cash Management**  
Tel: +46 10 209 50 00  
www.gunnebo.com/cash-management  
SVP: Tomas Wängberg

**Entrance Control**  
Tel: +44 1825 746 120  
www.gunnebo.com/entrance-control  
SVP: Robert Hermans

**Integrated Security**  
Tel: +46 10 209 50 00  
www.gunnebo.com/integrated-security  
SVP: Stefan Syrén

### Europe

**Denmark**  
A/S Gunnebo Nordic  
www.gunnebo.dk  
Tel: +45 70 10 56 00  
E-mail: info@gunnebo.dk  
General Manager: Tom Christensen

**Germany**  
Gunnebo Deutschland GmbH  
www.gunnebo.de  
Tel: +49 89 2441 63500  
E-mail: info@gunnebo.de  
General Manager: Torsten Gross

**Italy**  
Gunnebo Italia S.p.A.  
www.gunnebo.it  
Tel: +39 02 267 101  
E-mail: info.it@gunnebo.com  
General Manager: Marco Depaoli

**Sweden**  
Gunnebo Nordic AB  
www.gunnebo.se  
Tel: +46 10 209 51 00  
E-mail: info@gunnebo.se  
General Manager: Morten Henriksen

**Eastern Europe**  
Gunnebo Polska Sp. z o.o.  
www.gunnebo.pl  
Tel: +48 62 76 85 570  
E-mail: polska@gunnebo.com  
General Manager: Pavel Bobik

**Iberia**  
General Manager: Juan Yera

**Portugal**  
Gunnebo Portugal S.A.  
www.gunnebo.pt  
Tel: +351 218 315 600  
E-mail: info.pt@gunnebo.com

**Netherlands**  
Gunnebo Nederland BV  
www.gunnebo.nl  
Tel: +31 203 988 988  
E-mail: info.nl@gunnebo.com  
General Manager: Patrick van Aart

**Switzerland**  
Gunnebo Suisse SA  
www.gunnebo.ch  
Tel: +41 22 363 7777  
E-mail: info.ch@gunnebo.com  
General Manager: Andreas Schick

**France**  
Sallén France S.A.S.  
www.gunnebo.fr  
Tel: +33 1 34 65 65 34  
E-mail: info@gunnebo.fr  
General Manager: Myriam Bevilion

**Spain**  
Gunnebo España S.A.  
www.gunnebo.es  
Tel: +34 902 100 076  
E-mail: info.es@gunnebo.com

**Norway**  
Gunnebo Nordic A/S  
www.gunnebo.no  
Tel: +47 22 90 03 00  
E-mail: info@gunnebo.no  
General Manager: Morten Henriksen

**UK & Ireland**  
Gunnebo UK Ltd  
www.gunnebo.co.uk  
Tel: +44 1902 455 111  
E-mail: enquiries.uk@gunnebo.com  
General Manager: Andrew Willdig

### Americas SVP: Daniel Schroeder

**Brazil**  
Gunnebo Gateway S.A.  
www.gunnebo.com.br  
Tel: +55 11 3732 6626  
E-mail: info.br@gunnebo.com  
Country Manager:  
Rubens Bulgarelli Filho

**Mexico**  
Gunnebo México, S.A. de C.V.  
www.gunnebo.mx  
Tel: +52 5531 4621  
Country Manager: Jordi Riart

**Canada**  
Gunnebo Canada Inc.  
www.gunnebo.ca  
Tel: +1 905 595 4140  
E-mail: info.ca@gunnebo.com  
Country Manager: Bruce Archer

**USA**  
Hamilton Safe Inc.  
www.hamiltonsafe.com  
www.gunnebo.us  
Tel: +1 513 874 3733  
E-mail: info.sales@hamiltonsafe.com  
President Hamilton: John Stroia

### Asia-Pacific, Middle East & Africa SVP: Sacha de La Noë

**Australia, New Zealand**  
Gunnebo Australia Pty Ltd  
www.gunnebo.com.au  
Tel: +61 2 9852 0700  
E-mail: info.au@gunnebo.com  
E-mail: info.nz@gunnebo.com  
Country Manager: Michael Brookes

**India**  
Gunnebo India Ltd  
www.gunnebo.in  
Tel: +91 22 67 80 35 00  
E-mail: info@gunnebo.in  
Country Manager: Sabyasachi Sengupta

**South Africa**  
Gunnebo South Africa (Pty) Ltd  
www.gunnebo.co.za  
Tel: +27 11 878 23 00  
E-mail: info.za@gunnebo.com  
VP Sub-Saharan Africa:  
Thomas Porquet

**Singapore**  
Gunnebo Singapore Pte Ltd  
www.gunnebo.sg  
Tel: +65 6270 6698  
E-mail: info.sg@gunnebo.com  
Country Manager:  
Ravindran Gengadaran

**China**  
Gunnebo Security (China) Co. Ltd  
www.gunnebo.cn  
Tel: +86 21 5466 2978 (Sales and  
Purchasing)  
Tel: +86 512 5033 8950 (Factory)  
E-mail: info.cn@gunnebo.com  
Country Manager: Chris Dai

**Indonesia**  
Gunnebo Indonesia Distribution  
www.gunnebo.co.id  
Tel: +62 2960 5999/900  
Managing Director: Narinder Arora

**South-East Asia**  
Regional Manager:  
Ravindran Gengadaran

**South Korea**  
Gunnebo Korea Co. Ltd  
www.gunnebo.co.kr  
Tel: +82 2 6124 6450  
E-mail: info.kr@gunnebo.com  
Country Manager: Jay Shon

**Middle East**  
Gunnebo Middle East FZE  
www.gunnebo.ae  
Tel: +971 4 701 7837  
E-mail: info.ae@gunnebo.com  
Regional Manager: Jacob Touma

**Malaysia**  
Gunnebo Malaysia Sdn Bhd  
www.gunnebo.com.my  
Tel: +60 3 8024 3050  
E-mail: info.my@gunnebo.com  
Country Manager: Ravindran Gengadaran

## Disclaimer

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## Gunnebo Annual Report 2018

Gunnebo AB (publ) is a leading, global security provider offering a range of sustainable security products, services and software to retail, mass transit, public and commercial buildings, industrial and high-risk sites, and banks. Gunnebo operates within four core Business Units: Safe Storage, Cash Management, Entrance Control and Integrated Security. In 2018, Gunnebo's continuing operations had a turnover of MSEK 5,100 generated by 4,500 employees located in 25 countries across Europe, the Middle East, Africa, Asia-Pacific and the Americas.

