

Annual Report 2019

Innovation. Flow. Control.



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

Cover photo: Seamless integration of entrance control in an office building lobby.

SafeStore Auto...

...is a safe deposit locker system that combines next-generation automated technology and advanced customer identification features to enable round-the-clock accessibility – without compromising highest security. The system is used in housing, banks and storage solutions.

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 2019 financial year. The Annual Report is presented on pages 2, 8–11, 30–40 and 44–88. The Annual Report has been audited by Gunnebo's auditors. See the Auditor's Report on pages 89–91.

The Sustainability Report, examined by the auditors, can be found on pages 44–51.

The Corporate Governance Report, examined by the auditors, can be found on pages 34–40.



Innovation. Flow. Control.

The Gunnebo Group's Business Units are missioned to support their customers by delivering innovative products, software and services to better control the flow of valuables, cash and people.

Entrance Control shapes the future of people flow management and advances the way public and private buildings control access and flow by creating innovative passage barriers and detection systems for a more intuitive and secure user experience.

Safe Storage develops innovative solutions for the protection of valuables at home, in transit and at work and helps businesses and people control access to those valuables more effectively.

Cash Management creates an efficient and secure flow of cash for retailers, banks and CIT companies by delivering smart solutions which automate cash handling and optimise the cash cycle.

Ten Strong Brands



2019 in Brief

Financial Highlights

- Order intake amounted to MSEK 5,485 (5,218), an increase of 5% (2% in constant currencies) year-on-year
- Net sales amounted to MSEK 5,459 (5,128), a growth of 6% (3% in constant currencies) year-on-year
- EBITA amounted to MSEK 321 (334) and the EBITA margin to 5.9% (6.5)
- Items affecting comparability (IAC) amounted to MSEK -91 (-29)
- Operating profit (EBIT) amounted to MSEK 192 (265)
- Free cash flow amounted to MSEK 197 (124) and free cash flow per share amounted to SEK 2.41 (1.62)
- A dividend of SEK 0.00 per share (0.50), is proposed

Business Highlights

- The Business Unit structure fully implemented. With this, the regional organisation structures ceased to exist at year-end 2019.
- Cost-efficiency programme launched in July and implemented according to plan, full effect from half year 2020
- Acquisition and integration of Czech entrance control company, Cominfo
- Rights issue of some MSEK 360 completed in Q3
- Strategic overview of business operations within Business Unit Integrated Security
- New President & CEO in November and a new, leaner Group Executive Team as of 1 January 2020

Key Ratios

	2019	2018
Net sales, MSEK	5,459	5,128
EBITA, MSEK	321	334
EBITA, %	5.9	6.5
Amortisation and impairment from acquisition related intangibles	-47	-40
Items affecting comparability (IAC)	-91	-29
EBIT	192	265
Net profit	45	120
Earnings per share, SEK	0.55	1.57
Free cash flow	197	124
Net debt/EBITDA, times	3.0	3.5
Dividend per share (*proposed), SEK	0.00*	0.50

The background of the entire image is a large, white cruise ship, the MSC Grandiosa, viewed from a low angle looking up. The ship's name "MSC GRANDIOSA" is printed in large, dark blue letters on the white hull. The ship's structure, including railings and windows, is visible. In the upper right corner, there are two inset images. The top inset shows a person standing next to a compact, black and white SafeDeposit machine on a ship's deck. The bottom inset shows a larger, blue and white Closed Cash Handling machine with a screen, also on a ship's deck.

MSC GRANDIOSA

SafeDeposit and Closed Cash Handling...

...combined here on MSC cruise ship, the Grandiosa, as a solution for efficiently and securely managing the cash used to charge special payment cards.



Comments by the CEO

A Year of Change to Build a Stronger Gunnebo

Today, Gunnebo consists mainly of the three Business Units Entrance Control, Safe Storage and Cash Management. All have a global footprint with capacity to deliver complex solutions to satisfy the needs of customers, both large and small.

During the year, we demonstrated our capability in several complex projects. Within Entrance Control to airports and high-risk sites and within Cash Management to cash-in-transit companies around the world. We have also started to optimise the go-to-market model which for Safe Storage has resulted in a shift from direct to indirect sales in important markets in Europe.

The new organisational structure was finalised and implemented while we continued to develop our business and offerings. Feedback from our customers on the new organisation has been positive, and employee surveys show increased engagement from our employees. During the year we implemented and integrated the acquisition of Cominfo into Business Area Entrance Control. In July 2019 we also launched a

cost-efficiency programme, which is now being realised according to plan and will take full effect from the second half of 2020. In addition, we carried out a rights issue, which contributed some MSEK 360 in the third quarter. When I assumed the role of President & Group CEO in November I presented a leaner, more focused management team to lead the Group into the future.

Performance

For the full year, we had a sales growth of 3% in constant currencies, and an EBITA in line with last year resulting in a margin of 5.9%. Even if this is far from satisfactory, it is still a decent result, considering all ongoing changes. We ended the year with a net debt/EBITDA of 3.0, an improvement of 0.5 compared to last year, and generated a strong free cash flow of MSEK 197 mainly due to focus on our working capital.

Development by Business Unit

Entrance Control had a strong year with an increase in net sales of 21% in constant currencies. The integration of Cominfo goes according to plan, and the expected synergies have been confirmed.

Safe Storage reported 6% sales growth in constant currencies. As part of the cost-efficiency programme, the Business Unit will address the cost structure in Europe. Safe Storage has begun its journey to change its route-to-market in Europe to a partnership model. In parallel, market testing of new, innovative products aimed at driving growth is now ongoing in several customer segments. We expect some of these projects to already contribute to sales in 2020.

Cash Management had a challenging year where net sales contracted by 9% in constant currencies. However, a stronger cost focus and launch of several new products have set the stage for increased sales and improved margins ahead.

Integrated Security is a portfolio of local business operations that closed a weak 2019 with a 6% decline in net sales in constant currencies. Profitability improved over the year due to cost actions, but has not reached a satisfactory level. In the ongoing strategic

review, customer and product synergies with other Business Units have been identified. To capture these synergies, some 20% of the Integrated Security business operations will be merged into Safe Storage and Entrance Control as of 1 January 2020. At the same time, the Business Unit will change name to Other Business, which better reflects the

In Focus 2020

As newly appointed President & CEO, I can see how Gunnebo's employees, products, brand portfolio, sustainability agenda and international market presence will allow us to further strengthen our customer service and grow our sales while improving profitability in the coming years. We are active in exciting

“ Our employees, products, brand portfolio, sustainability agenda and international market presence will allow growth

Business Unit's diversified operations. The new reporting structure and historical key ratios will be presented in the first quarter of 2020. The strategic review of the remaining business operations in Other Business will continue during 2020.

Engaged and Motivated Employees

2019 has been a year of change where all employees in the European sales organisation adapted to new ways of working in the Business Unit organisation. During the fourth quarter we took the last step and converted Asia-Pacific, Middle East & Africa and Americas into the Business Unit structure. To do this change – and still manage to keep the momentum of sales growth – is a true achievement. A big thank you to our 4,200 employees who have been very positive driving forces in making this change happen!

market segments and geographic markets with an annual growth rate ranging from 3% to 6%. The Cominfo acquisition shows Gunnebo's capability to further strengthen our market position through strategic acquisitions. While addressing cost levels, we continue investing in customers and innovation – the keys to long-term growth.

I am convinced that both our customers and other stakeholders will start to see positive effects of the change during 2020. I look forward to leading Gunnebo going forward, together with the executive team and the Group's employees, with our target set on profitable growth.

Finally, I would like to thank all our shareholders, customers and business partners for your trust and valuable contribution during our change journey, and to Gunnebo's continued development.

Gothenburg, March 2020
Stefan Syrén, President & CEO

Group Strategy & Main Initiatives 2019

Gunnebo's strategy is to develop products and solutions to **create a safer world** by delivering innovative products, software and services to better control the flow of valuables, cash and people.

2019 has to a large extent been about implementing the strategic plan that was established in 2018. Following a thorough review of the Group's business where the end customer and product offering were put in the centre, certain non-core businesses were divested. This was followed by the launch of a new way to drive and govern the business, through a new customer-centric organisation built by product offering in Business Units.

All Business Units are managed according to the same governance model, where each Business Unit has the strategic responsibility and full accountability for their respective value chains – from identifying customer needs to service as well as the full profit and loss responsibility. Clear customer focus and the decentralised ownership by Business Unit will enable Gunnebo to drive profitable growth.

► Read more on pages 12-29 about each Business Unit.

The Security Market

Development and growth in the global security market comes from increased needs for security and protection, urbanisation, development of infrastructure, increased wealth and higher standard of living, technology-

driven growth and connectivity as well as compliance with legislation and regulations.

To capture the market growth generated from these global trends, the Business Units Entrance Control, Safe Storage and Cash Management will adapt product offerings to the customers' specific needs and optimise value chain through tailored go-to-market models. Business Unit Integrated Security is made up of a number of local businesses, each with its own market conditions having their own strategic direction.

Group Strategic Priorities and Outcome 2019

The Group has identified four overarching strategic priorities, which the Business Units' strategies aim to fulfil:

Shareholder value

By delivering sustainable, profitable growth, Gunnebo shall deliver value for its shareholders through dividend payments and increased shareholder value.

Outcome 2019: After the introduction of the customer-centric organisation, Gunnebo is ready to deliver the next phase of its development. The Group will to a greater extent develop new customer offerings and take

advantage of the opportunities offered by acquisitions and divestments.

With this in mind, and considering that the company completed a new share issue of some MSEK 360 in 2019, of which MSEK 250 has been used for acquisitions, the Board estimates that a continued strengthening of the Group's balance sheet will increase the company's ability to act in the coming year. The Board therefore proposes a dividend of SEK 0.00 (0.50) per share for the financial year 2019. This divergence from the long-term dividend policy should be regarded as temporary.

Satisfied customers

By providing products, services and software giving peace of mind, Gunnebo shall strive to exceed customer expectations.

Gunnebo is measuring customer satisfaction in different ways, per Business Unit and geography.

Engaged employees

Gunnebo shall provide its employees with opportunities to develop personally and professionally.

Outcome 2019: In the fourth quarter of 2019, the Group conducted a new employee engagement survey. One of the key

Historical Timeline

The name Gunnebo comes from the village of Gunnebo in eastern Småland, a province in southern Sweden, where, in 1764, Hans Hultman opened a forge and started to produce nails and chains. This relatively limited business grew steadily until Gunnebo Bruks Nya AB was founded in 1889, which had several metalworking factories. Gunnebo Bruks Nya AB later became known as Gunnebo Industries.

1995

Gunnebo Industries is acquired by HIDEF, a venture capital company founded by the Swedish government in 1991. HIDEF changes its name to Gunnebo AB and is listed on the Stockholm Stock Exchange for the first time. The new company focuses on delivering security solutions globally.

1995–2005

Acquisitions

Gunnebo AB enters into an expansive decade and acquires almost 50 companies from around the world, the majority of which specialise in security solutions.

2005

Gunnebo Industries, at the time the Gunnebo Engineering division, is distributed to Group's shareholders and is listed on the Stockholm Stock Exchange.



Mission. Create a safer world.



Vision. Be a leading global provider of a safer future.

metrics – employee engagement – shows an improvement compared to the global survey done in 2017. This signals that, despite organisational changes due to the implementation of a Business Unit structure, employees welcome simplified ways of working, clear responsibilities and a stronger platform for personal development and performance.

Sustainable business

Gunnebo shall drive sustainable and ethical business activities throughout its value chain. *Outcome 2019:* Since the base-year 2016, a majority of the non-financial targets have been developing in the right direction. However, it is already now clear that the Group will not achieve all targets at year-end 2020. During 2020, the non-financial targets will be reviewed and activity plans for further development of the sustainability agenda will be communicated.

▷ Read more about sustainability on pages 44–51.

Strategic Activities in 2019

Business unit structure implemented

The transformation of Gunnebo into a Group with customer focus by product offering in Business Units started mid-2018 with embedding the European sales companies into the Business Unit structure. In a second step, during second half of 2019, the sales

companies in Region Asia-Pacific, Middle-East & Africa and Region Americas were embedded into the Business Unit organisations. With this, the regional organisation structures ceased to exist at year-end 2019.

Acquisition of Cominfo s.a.

Gunnebo announced the closing of the acquisition of Czech Entrance Control company, Cominfo, on 2 July. The acquisition is in line with the Group’s strategic agenda and is further strengthening Business Unit Entrance Control. Cominfo is a very good strategic fit for Entrance Control since it extends the geographical footprint and product offering. Moreover, there are synergies within production and R&D.

Cominfo has an annual sales of some MSEK 140 and a profitability in line with Entrance Control. The acquisition has been consolidated into the Group’s accounts as of the third quarter 2019.

Cost-efficiency programme launched

With the Business Unit structure implemented, Gunnebo will have a leaner end-to-end business model. The speed of change was accelerated in July, when the Group announced a cost-efficiency programme that will generate annual cost savings of some MSEK 100, with full effect from half year 2020. The programme will bring non-recur-

ring charges of some MSEK 60 where the majority, MSEK 53, has been taken in 2019.

The programme comprises a mix of overhead reductions in Europe, mainly within the Business Units Safe Storage and Integrated Security as well as management changes in the Group Executive Team and the dismantling of regional structures in Asia-Pacific and the Americas as of year-end.

Rights issue

At an extraordinary general meeting in August, the Group’s shareholders approved the Board of Director’s resolution on a rights issue of some MSEK 360, which was oversubscribed and successfully closed at the end of September. The capital was used for the acquisition of Cominfo s.a. and to further improve the net debt.

New President and CEO

In November, Henrik Lange, who had been President and CEO of the Group since June 2015, handed over the leadership to Stefan Syrén. Stefan took up the position as President and CEO in addition to his responsibilities as SVP Business Unit Safe Storage and SVP Business Unit Integrated Security. Robert Hermans was appointed Executive Vice President alongside his role as SVP Entrance Control.

2006–2008

Integration

Gunnebo AB begins the process of integrating the acquisitions made over the previous 12 years.

2009–2015

Footprint Extension

The overriding vision, “To be the leading global provider of a safer future”, is defined for the Group. Following the establishment of a sales company in China in 2010, the Group continues to develop its market presence in growth markets through the establishment or acquisition of Gunnebo Brazil (2011), Gunnebo Malaysia (2012), Hamilton, United States (2012), Gunnebo South Korea (2013) and Sallén, Spain (2015).

2016–2018

Profitable Growth

Gunnebo begins the implementation of the strategy for profitable growth, aiming at shifting the Group into an operating company with global processes, standardised and lean ways of working, customer focus, as well as a good profitability and cash flow focus.

2018–

Focus on Customers

Implementation of the profitable growth strategy continues. By year-end 2018, the measures had led to a transition to a customer-centric focus built around the product offering. As a result, the Group’s operations in France, Belgium and Luxembourg were divested during 2018. The strategy also led to new financial targets and the implementation of a new organisational structure by product offering in Business Units. In July 2019, the entrance control company Cominfo a.s. was acquired as part of the strategy to grow the Business Unit Entrance Control.

Business Model

Gunnebo's business model identifies the underlying market drivers that form the basis for creating focused strategies by Business Unit. By delivering on these strategies, value is created for the Group's stakeholders.

Market Drivers

Market drivers provide input to the Business Unit strategies and offerings. They help clarify where value can be created and generate business opportunities. The following underlying market drivers are common denominators for all four Business Units and support continued long-term growth in the security industry:

Increased Security Awareness

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

Urbanisation

A growing proportion of the global population live 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 must improve security to ensure compliance.

Strategy Execution in Business Units

Gunnebo's strategy is to develop solutions to create a safer world. This is done by delivery of innovative products, software and services to better control the flow of valuables, cash and people. By delivering on this strategy, value is created for the Group's stakeholders:

- Shareholder value
- Engaged employees
- Satisfied customers
- Sustainable business

Entrance Control

Mission: Provide innovative entrance control systems designed for an intuitive user experience.

Vision: Shape the future of people flow management.



Safe Storage

Mission: Protect valuables and to provide peace of mind at home, in transit and at work.

Vision: Become the number one protector of valuables in selected markets through industry leading innovation.



Stakeholder Value Creation

The Business Units' strategies individually lay out the priorities and activities that will ensure fulfilment of the Group strategy.

By creating Business Units by product offering – designed by customer needs and go-to-market model, they can develop specific offerings for their respective customer segments. This is how Gunnebo will win in the marketplace.

Cash Management

Mission: Be the experts in the complete payment cycle providing cost-effective and secure solutions through innovative business models.

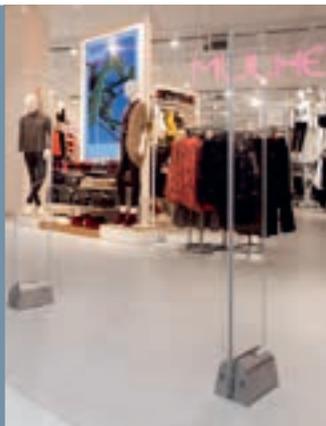
Vision: Lead and co-develop the future customer payment cycle by offering best-in-class up-time and peace of mind.



Integrated Security

Integrated Security is made up of a number of local businesses.

The strategy for each business is to achieve the Group's target for profitability and growth.



Our Business

Shareholders

The profits the Group generates is for the benefit of its shareholders through dividend payments and increased share value. Dividend: **MSEK 38**

Customers

The Group's revenues represent the market value of the value Gunnebo delivers to its customers. Turnover: **MSEK 5,459**

Suppliers

Through building strategic supplier partnerships throughout the value chain, the Group supports job creation beyond its own business. Cost of material, transport, vehicles, travel and other costs: **MSEK 3,196**

Creditors

A long-term sustainable net debt/EBITDA ratio and improved profitability allow for strong, long-lasting relationships with financing partners. Cost of credit facilities and interest: **MSEK 66**

Our People

Employees (4,256)

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 Group's customers. Remuneration and social security charges to employees, subcontractors and consultants: **MSEK 1,817**

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 115**

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.

Non-Financial Targets 2020

Gunnebo’s non-financial targets were adopted in 2016, with 2016 as base. The targets support sustainable, profitable growth. By taking a long-term approach to sustainability, with clearly defined targets ensures that Gunnebo’s 4,200 employees create a sustainable, attractive offering for the Group’s customers and partners resulting in value for the shareholders.

▷ Read more about Sustainability on pages 44–51.

		Target 2020	Aggregated Outcome 2016–2019
Environment	Energy & Climate		
	Reduce the use of electricity at manufacturing units and major sales units	-8%	+0.3%
	Reduce CO ₂ emissions from manufacturing units and sales units	-15%	-2.5%
	Reduce CO ₂ emissions from own fleet on average	-20%	-4.6%
	Waste		
	Increase recycling from non-hazardous waste in production	+8%	+0.3%
Supply Chain	Environmental Management		
	All manufacturing units ISO 14001 certified	100%	89%
Occupational Health	All major suppliers comply with the Group’s Code of Conduct	100%	93%
	All manufacturing units OHSAS 18001 or ISO 45001 certified	100%	78%

Financial Targets

Gunnebo's financial targets* focus on profitable growth that will contribute to a good return for the company's shareholders.

* For definitions of the financial targets, please see page 100.

	Target	Outcome 2019
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Sales Growth

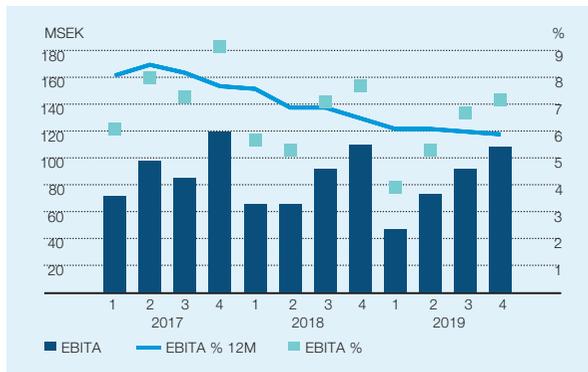
With focus on the Business Units, the Group is structured to capture growth in the market



5% 3%

Profitability

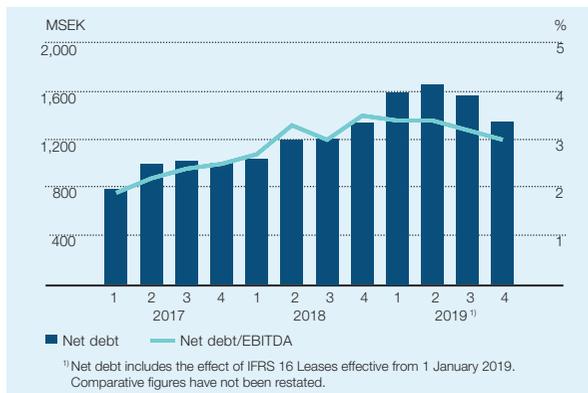
EBITA target defined by Business Unit ensures dedicated focus on driving improvements



>10% 5.9%

Net Debt/EBITDA

A level of less than 2.5 will ensure the Group's long-term financial strength



<2.5 3.0

¹⁾ Net debt includes the effect of IFRS 16 Leases effective from 1 January 2019. Comparative figures have not been restated.

Offering

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

Entrance Control

Controlling and regulating access at key entry points

24%

of Group sales



Safe Storage

Protecting valued items from burglary, fire and explosion

37%

of Group sales





Cash Management
Creating an efficient
and secure cash cycle

19%
of Group sales



Integrated Security
Each business to achieve
the Group's target for
profitability and growth

20%
of Group sales

Business Unit Entrance Control

Market Drivers and Trends

- Growth of urban populations driving inner city developments for metro and systems for bus rapid transport (BRT)
- Increased cross-border movement of people gives airport constraints with increased number of travellers
- Staff and visitors increasing universal mobility
- Increased process efficiency and opening hours
- Growing terrorism and crime threats, actual and perceived
- Major investments in critical infrastructure such as power plants, airports and military sites

Strategic Priorities

- Broad offering from crash-rated outdoor range for high security to indoor access and flow control
- Specialised ranges for airport and metro with focus on passenger experience
- Process optimisation through automation with healthy ROI thanks to durability and reliability
- Scalable manufacturing capacity to deliver large projects with tight lead time
- Ergonomic design to simplify human machine interaction
- Customisation capacity for integration of third-party devices
- Data analytics capability for development of process optimisation tools
- Biometric-ready offering for easy integration in the upcoming identification ecosystems
- Software platform for flow management to enhance operational efficiency

Entrance Control is about protecting people, assets and buildings through controlling access using passage barriers and detection systems.

Gunnebo provides a wide range of entrance control gates including tripod turnstiles, speed gates, full-height turnstiles and security revolving doors to regulate the flow of people into, out of and around a site such as office buildings and high-risk sites. The offering also includes solutions specifically designed for metro and railway application (ticket validation gates) and airports (passenger process automations such as automated boarding, anti-return, immigration and pre-security gates). Moreover, Gunnebo also provides high-security outdoor perimeter protection solutions in certain geographical areas.

“ Gunnebo has a global market share of 12%, making it the second largest player worldwide

The Global Market for Pedestrian Entrance Control

The market for pedestrian entrance control has an estimated CAGR market growth of around 5% up to 2023, in a market that has a value of BSEK 7.5. On this market, Gunnebo has a market share of 12%, making it the second largest player globally.

Geographically, the highest growth rates are 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 rapid transport systems (BRTs) are the segments expected to have highest increase in demand. Public and commercial buildings and in particular office and government buildings remain the main portion of the market and are expected to grow. In the coming years segments such as education, leisure and entertainment as well as high security are also expected to show an increase in demand.

Performance 2019

Entrance Control reported a strong growth in net sales of 21% in constant currencies. The integration of Cominfo is going according to plan, and the expected synergies have been confirmed. Entrance Control keeps growing with innovative solutions in the mass transit segment and several new orders have been won with airports. This has been possible due to Gunnebo's ability to deliver global projects with large volumes and excellent quality.

For the full year, the Business Unit reported an EBITA of MSEK 204 (176), resulting in an EBITA margin of 15.6% (16.8). Entrance Control has been able to both grow and invest in future growth during the year, which explains the slightly lower EBITA margin compared to last year.



Mission. Provide innovative entrance control systems designed for an intuitive user experience.



Vision. Shape the future of people flow management.

Product Offering: Speedgates, tripod turnstiles, airport products, full-height turnstiles



Entrance Control in Figures

MSEK **1,307**

Net sales

21%

Sales growth

15.6%

EBITA margin



EMEA 51%
Asia-Pacific 34%
Americas 15%

Sales by region

Market Structure

MSEK **7,400**

Market value, 2018

5%

Market growth, 2016–2023

12%

Market share, 2018

Alvarado, Automatic Systems,
Dormakaba, Magnetic Autocontrol,
Integrated Design Limited, Boon Edam

Selected competitors

Sales Model and Customer Structure

Sales model

Direct: 10%
Indirect: 90%, through system
integrators and distributors

Market segments

Public and commercial build-
ings, stadia, high-risk sites,
metro and airports

Selected customers

Honeywell, JP Morgan, LG, Shell,
Siemens, Stockholms Lokaltrafik
(SL) and Swedavia Airports

Brands

GUNNEBO **elkoeta**
cominfo

Share of Group



24%

Net sales



47%

EBITA

Key ratios

	2019	2018
Net Sales, MSEK	1,307	1,048
Sales Growth, %	21	13
EBITA, MSEK	204	176
EBITA, %	15.6	16.8

Manufacturing Units

Zlin (CZ), Lavis (IT), Halol (IN), Kunshan (CN)



Customer Case

Swedavia Increases Customer Satisfaction by 18% by Implementing Gunnebo Entrance Control Solutions

// Swedavia, Sweden

Background

Swedavia owns, operates and develops a network of 10 Swedish airports from Malmö in the south to Kiruna in the north. The company was formed in 2010 and is wholly owned by the Swedish government.

During 2018, 42 million passengers flew to and from Swedavia's airports. Stockholm Arlanda and Gothenburg Landvetter airports have the most passengers, with close to 34 million between them during 2018. Arlanda has experienced passenger growth for more than 100 consecutive months.

Challenges

Air travel is on the rise. The airline industry predicts that passenger numbers will double by 2027 to more than 8 billion globally.

Swedavia is a world leader in operating climate-smart airports. It has an objective to emit zero fossil carbon dioxide from its own operations by the end of 2020.

Innovation is one of Swedavia's four core values, and the company is constantly working to create a seamless and stress-free travel experience. One result of this is the introduction of self-boarding gates.

Solution

Swedavia is installing around 240 Gunnebo BoardSec boarding gates and PreSec pre-security gates at its airports. Almost half of these are at Arlanda, a further 13% at Landvetter, 10% at Malmö, and a further



30% at seven regional Swedavia Airports. By the end of 2019, most of the installations had been completed.

Results

The new gates have already improved the passenger experience at Swedish airports, reducing queues and giving people more quality time at the airport. The gates are integrated with all types of boarding cards, including digital passes in mobile phones.

Quotes

"These automated systems have now given our passengers at Arlanda 20–30% more

time to spend with our service offerings at the airport."

Johan Monie, Business Process Manager at Arlanda Airport

"Bromma Airport now has an even speedier, smoother passenger process with these systems. Passenger satisfaction has actually increased by 18% since their introduction."

Susanne Strand, Passenger & Customer Experience Manager at Bromma Airport

Facial Recognition ID Innovates the Airline Industry

Aena is the world's number one airport operator in terms of passenger traffic. Over 263 million passengers passed through Spanish airports in 2018.

Iberia is Spain's biggest airline. With 144 aircraft, Iberia offers a vast range of destinations: a total of 138 cities in Europe, the Americas, Africa, the Middle East and Asia.

Challenges

Iberia and Aena want to improve their passenger experience. Through their "Airport 4.0" strategy, they are seeking to implement cutting-edge airport services with the highest standards of security, safety, quality, efficiency and care for the environment.

Solution

This Proof of Concept (POC) for facial recognition ID provides a voluntary option for passengers at Terminal 4 of Madrid-Barajas airport to register via an app on a mobile device, or from a kiosk at the airport.

Registration is based on identification technology that recognises unique and non-transferable physical features, together with identity documentation such as ID card or passport.

Once they have registered, passengers' biometric information is integrated into the Gunnebo speedgates at the entrance to airport pre-security and at the aircraft board-



ing gate. This enables travellers to board the plane without showing their boarding pass or identity documentation at any point.

Aena and Iberia have worked on this project in partnership with IECISA, Gunnebo and Thales. Starting in December 2019, the POC will last between 6 months and a year.

Results

Already this POC has improved the customer experience at the airport by integrating all the ID processes into one mobile phone app, reducing the time spent queuing at pre-security and at the boarding gates.

Moreover, passenger security is improved thanks to facial recognition technology that

matches with identity documentation. This gives more time for security staff to focus on those passengers that require special needs or attention, and reduces the turnaround time for aircraft at the airport, thereby improving efficiency.

Quote

"Facial recognition and the recording of biometric profiles via our application are a part of our connected operations project and will enable our customers to have a better experience. This is the main reason behind Iberia's commitment to innovation."

Gabriel Perdiguerro

Transformation Director, Iberia Airlines



Robert Hermans, SVP Entrance Control: You have delivered an impressive profitable sales growth of 21% in 2019. How come you have been so successful?

"The growth we have experienced this year is the result of long-term strategic investments in our product portfolio and a strong marketing agenda towards growing customer segments as airport, metro and public and commercial buildings. With our global footprint we have the capability to make large and complex deliveries to global customers. This capability will continue to drive our growth.

"In July, we acquired Cominfo, which has been a targeted company

for a long time. This has also been a good contribution to our growth for 2019."

Most of the products you provide come from your own production. How do you ensure production scalability as growth continues?

"With the acquisition of Cominfo, completed in July 2019, we extend not only our geographical footprint but also production capacity. So we are ready to continue to grow!"

Business Unit Safe Storage

The mission of Safe Storage is to protect cash, valued items and data from burglary, fire and explosion, as well providing peace of mind at home, in transit and at work.

Market Drivers and Trends

- Demand for safes and vaults to protect valuables growing outside the banking sector
- Changing needs of what individuals and businesses want to protect drives customisation
- Cybersecurity growing in importance
- Safe storage products integrating technology for more connectivity
- Greater security concerns, due to terrorism and a more uncertain world order for all public and high-risk sites

Strategic Priorities

- Customer-driven solutions through a new, proprietary innovation model
- Capture growth within Safe Storage by product offering and sales through distribution partners
- Support bank customers in their change process
- Grow the business by entering new, targeted market segments with tailor-made solutions
- Develop solutions for intellectual property and data protection
- Provide enhanced competence in security and high-risk site protection

A wide range of safe storage products is available from the Gunnebo brands, including modular strong rooms and vault doors, mechanical and automated safe deposit lockers, high-security electronic locks and locking systems, safes and filing cabinets, globally marketed through the renowned brands Chubb safes, Hamilton and Steelage. These brands have been providing customers with peace of mind for centuries. Gunnebo's offering in Safe Storage also includes high-security server cabinets (SecureIT) that protect sensitive IT equipment not only against intrusion, manipulation and willful damage, but also from intelligence gathering and high-energy electromagnetic pulse attacks.

“ Innovation will drive future growth in an expanding market

The products are certified by independent certification bodies which guarantee a specific level of protection 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.

The Global Market for Safe Storage

The market for safe storage is very fragmented with only a few players acting on more than one continent. The market is also fragmented in terms of offering, stretching from high-graded products down to basic metal safes. Total market value is estimated at some 32 BSEK where Europe, Middle East and Africa represents 39%, Asia-Pacific 33% and Americas 28%. The annual CAGR market growth is estimated at 6% until 2022.*

*Source: Global Safes & Vaults Market 2018–2022

Performance 2019

Safe Storage reported sales growth of 6% in constant currencies. As part of the cost-efficiency programme, the Business Unit will continue reviewing the cost structure in Europe. Safe Storage has begun its journey to change its route-to-market in Europe to a partnership model. In parallel, market testing of new, innovative, products aimed at driving growth is now ongoing in several customer segments. Some of these projects are already expected to contribute to sales in 2020.

For the full year, the Business Unit's EBITA amounted to MSEK 144 (151), resulting in a margin of 7.1% (8.3). The lower margin is explained by a cost level in Europe which was too high and costs for setting up the new Business Unit global structure. The overall cost structure is being addressed by the cost-efficiency programme launched in July 2019.

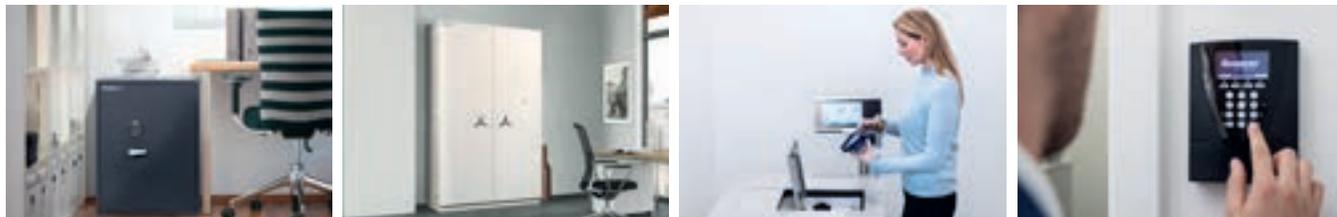


Mission. To protect valuables and to provide peace of mind at home, in transit and at work.



Vision. Become the number one protector of valuables in selected markets through industry leading innovation.

Product Offering: Safes, vaults and vault doors, security cabinets, automated safe deposit lockers, high-security locking systems



Safe Storage in Figures

MSEK **2,019**

Net sales

6%

Sales growth

7.1%

EBITA margin



EMEA 56%
Asia-Pacific 27%
Americas 17%

Sales by region

Market Structure

MSEK **32,000**

Market value, 2019

6%

Market growth, 2019–2022

7%

Market share, 2019

FireKing, Godrej, Tristar,
Liberty, Promet, Wertheim,
Robur, Phoenix safe, Invest Rem
Selected competitors

Sales Model and Customer Structure

Sales model

Direct: complex projects, ATM safes and service

Indirect: safes, cabinets and service

Market segments

Bank, public sector, homes, retail, commercial offices, pharma, distribution, warehouses storing high-value goods and high-risk sites

Selected customers

JP Morgan Chase & Co, Manappuram, Nova Vaults, SEB, Watsons Personal Care, FamilyMart, Indonesia National Museum, National Center for Research on Human Evolution

Brands

GUNNEBO **Chubb**safes
STEELAGE **ROSENGRENS**
HAMILTON

Share of Group



37%

Net sales



33%

EBITA

Key ratios

	2019	2018
Net Sales, MSEK	2,019	1,826
Sales Growth, %	6	4
EBITA, MSEK	144	151
EBITA, %	7.1	8.3

Manufacturing Units

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





Customer Case

Asia's Largest SafeStore Auto Installation Signals Market Potential

// Singapore G Pte Ltd

In the spring of 2019, Gunnebo installed a large automated safe deposit locker system, SafeStore Auto, in Singapore, as demand for instant access to secure storage grows with wealthy people investing in precious metals and gems. The project clearly signals a potential market outside the banking sector, which has been the traditional customer segment for these innovative devices.

With 4,251 boxes, this SafeStore Auto installation is by far the largest in Asia. The client, Singapore G Pte Ltd, held a lavish opening ceremony attended by bankers, business people, the media and high net

worth individuals.

Singapore G leases office space and storage and is marketing the deposit boxes to wealthy people. As this is already the second major SafeStore Auto installation in Singapore, it certainly underlines the potential to grow in this area, especially with service providers outside the banking industry.

The project was a logistical challenge with very tight deadlines. Installing the solution required 12 shipping containers from three different factories from all over the world.

Moreover, the installation took place on the third storey of an existing building,

with floor loading constraints, stringent fire regulations and the need to reposition and strengthen walls. Gunnebo's global engineering team – known for reliability and professionalism – built the main structure, supported by a local partner and Gunnebo staff from Singapore and Malaysia.

Quote

"It was a tough challenge, but we managed to do it – and even ahead of schedule! The owner was very happy with Gunnebo."

*Eric Lim, Channel Sales Manager,
Safe Storage*

Why Self-Service is a Fast-Moving Trend in Safe Deposit Lockers

The growing number of self-service environments has increased customer expectations for round-the-clock accessibility for valuables. Particularly in the area of safe deposit lockers as users expect high tech solutions today. So how should businesses which offer safe deposit lockers address this?

Safeguarding client valuables in safe deposit lockers (SDLs) is a service offered by banks as well as hotels, cruise ships, casinos and many other operators in the hospitality industry. Security and client convenience are their top priorities.

A new generation of safe deposit lockers combining automated technology and advanced identification features, developed by Gunnebo, has emerged providing the flexibility required for most convenient 24/7 self-deposit or retrieval of valuables.

Designed to offer extended services to users, automated self-service SDLs are also modular enough to fit into small, medium or large spaces. Flexible, compact and portable, these new systems fulfil the needs of

banks, hotels, homes or offices who want to create self-service areas.

The Benefits of Self-Service SDLs

Customers are not the only ones to benefit from fully automated safe deposit lockers. Managers in the banking, hospitality or service industries also have much to gain from a high-tech safe deposit locker solution.

A first-class customer service for the protection of valuables helps increase turnover and client satisfaction by:

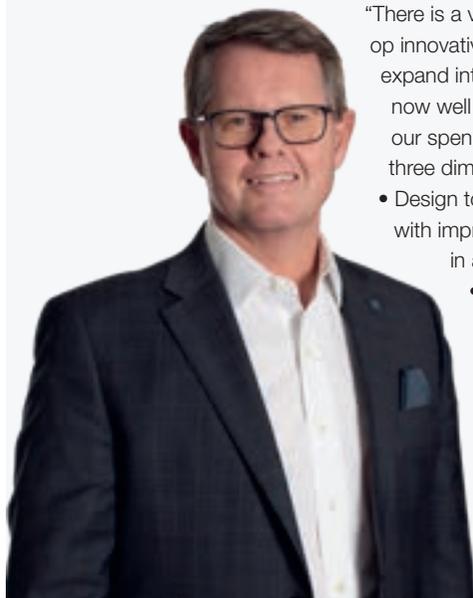
- Freeing up staff for more value-added activities as customers no longer need to be accompanied into the vault room to deposit or retrieve their belongings,
- Optimising space allocation as self-service SDL areas require less room,
- Providing increased ROI opportunities since 24/7 availability allows for increased rental fees,
- Differentiating the brand by delivering an innovative self-service environment and attracting a new generation of users not previously interested in safe-deposit lockers,



- Reducing back-office administration thanks to an automated registration process and system monitoring,
- Providing customers with a service with uncompromised security,
- Generating usage data which can be used to improve the customer experience.

This is an edited version of a post originally published on Gunnebo's blog.

Stefan Syrén, SVP Safe Storage: Innovation is key for Safe Storage going forward. What activities have been carried out in 2019, and when will we start to see the results?



“There is a very big opportunity for us to develop innovative solutions for our customers and expand into new customer segments. We are now well on our way. In 2019, we increased our spend on innovation, which we now do in three dimensions:

- Design to cost, aiming at continuing to work with improving the way we build our products in a smarter way,
- Leveraging on local successes and scale them up to become global,
- Introducing new offering to new customer segments and/or taking key offerings into new market segments through innovative business models.

We expect the results to come through from 2020 and onwards.

This is just the beginning, we

will continue to invest heavily in innovation in the coming years as well.”

During 2019, you have shifted your route-to-market from direct to indirect through entering partnerships on several key markets in Europe. Why?

“Gunnebo should focus on being good at understanding customer demands and translate them into product innovation, product supply and management of safe storage project businesses. For product sales, we will continue to enter into partnerships on our key markets. This is how we have been successfully operating our Safe Storage business in markets such as US, India and South-East Asia for a long time. Now we will benefit from this knowledge in Europe as well.”

Business Unit

Cash Management

Market Drivers and Trends

- Increased focus on efficient management of cash due to high costs
- Focus on the total cost of ownership management
- As-a-Service infrastructure

Strategic Priorities

- Provide fit-for-purpose hardware, software and services to optimise the cash process
- Provide software that allows cash optimisation and central device management
- Offer new business models such as pay-per-use

Cash Management is about reducing the cost of handling notes and coins for banks and retailers. It is also about supporting cash-in-transit (CIT) service providers to expand their offering to retailers through providing software, hardware and services that increase efficiency and safety throughout the cash cycle.

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 seen as a provider with a comprehensive offering, for CIT service providers, banks and retailers both in front-end and back-office.

“ Our key differentiator today is software

The Global Cash Market

That cash is disappearing is – globally – still a myth. Between 2011 and 2018, cash in circulation relative to GDP has increased 9.6% across all continents. 85% of transactions globally are made in cash, 79% in Europe*.

Traditionally, cash has been managed by banks globally, but in recent decades, there has been a shift towards cash being managed by retailers. This has meant increased costs for bricks-and-mortar retailers, where the cost of cash often accounts for between 5% and 10% of total costs. A third player in the cash ecosystem is CIT companies, which provide services to facilitate the physical flow of cash between the bank and retailer.

*Source: Global cash report from paymentscardsandmobile.com

Performance 2019

Cash Management ended a challenging year where net sales fell by 9% in constant currencies. A stronger cost focus and the expected increase in sales of newly launched products set the stage for increased sales and improved margins ahead. Cash Management has launched several innovative products and pieces of software over the year. In 2020, the Business Unit presented a partnership with Loomis in the US, for which Gunnebo developed both products and software for Titan Z, Loomis' new retail solution for cash deposits. This shows that Gunnebo has the expertise and capacity required to develop and deliver hardware and software solutions to global partners.

For the full year, the Business Unit's EBITA amounted to MSEK 68 (122), resulting in a margin of 6.6% (11.2). The lower margin is mainly explained by the drop in sales volume in all regions while Gunnebo has continued to invest in growing customer segments. Gunnebo is taking measures targeting the profitability structure in the Business Unit.



Mission. Be the experts in the complete payment cycle providing cost-effective and secure solutions through innovative business models.



Vision. Lead and co-develop the future customer payment cycle by offering best-in-class uptime and peace of mind.

Product Offering: Closed cash management, recycling, cash deposit, cash management software



Cash Management in Figures

MSEK **1,034**

Net sales

-9%

Sales growth

6.6%

EBITA margin



EMEA 71%
Asia-Pacific 7%
Americas 22%

Sales by region

Market Structure

MSEK **15,000**

Market value, 2018

5%

Market growth, 2018–2020

7%

Market share, 2019

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

Selected competitors

Sales Model and Customer Structure

Sales model

Bank: direct, with partners and CIT.
Retail: direct, with partners, CIT
and banks

Market segments

Retail, bank and
other businesses
managing cash

Selected customers

Auchan, Carrefour, COOP, Rabobank,
Transguard, Emirates NBD, Coles,
Z-energy, Lojas Americanas, RaiaDrogasil

Brands

GUNNEBO **sallén**
HAMILTON

Share of Group



19%

Net sales



16%

EBITA

Key ratios

	2019	2018
Net Sales, MSEK	1,034	1,090
Sales Growth, %	-9	2
EBITA, MSEK	68	122
EBITA, %	6.6	11.2

Manufacturing Units

Binefar (ES), Cincinnati (US)



Customer Case

Cash Recycling Delivers Cash Process Efficiency

// Hermitage Amsterdam

Hermitage Amsterdam lies in the heart of the Dutch capital and ranks among the most visited museums in the Netherlands.

Unlike most museums, the Hermitage itself has no artwork or permanent collection. Instead it organises two exhibitions a year with items from the 3.5 million works of art housed by its parent museum, the Hermitage in St. Petersburg, Russia.

The Hermitage attracts an average of 420,000 visitors each year, including many students from schools who are offered free art lessons.



Managing Cash Payments

The Hermitage has grown in recent years particularly since the opening of a restaurant in 2015. Together with the ticket office and shop, this meant the addition of a third area where the museum was taking payments. Overall 25% of visitors were paying with cash – less than the national average of 40% (2018) – so it was essential for the Hermitage to organise cash operations efficiently.

A Partnership Built on Trust

“After we had decided to choose a cash recycling solution for the Hermitage, we started an investigation into the various options,” explains Finance Manager, Peter.

They compared five machines and judged them based on the following criteria:

- The machines had to be safe and robust (with an ECB certified safe),
- There had to be sufficient capacity for coins (cash registers),
- Only a CIT company should be able to open the cash recycler – no member of staff should have access to the safe,
- Within the system, it should be possible to make the money flows from different departments visible separately, for exam-

ple the cash flows from the museum shop and the museum entrance,

- The purchase price and the annual operating costs should not be too high and through a more efficient system, the museum should be able to make cost savings.

“After an extensive evaluation, we finally opted for Gunnebo’s SafeRecycling solution,” says Peter.

Separate Payment Areas

Since it was necessary for the museum to keep the cash coming in from the different payment areas separate, a Gunnebo SafeRecycling solution for notes and coins was the ideal option. Not only does it track the amount being deposited by employee, but this data is easily visible and can be checked online using Gunnebo’s CashControl software.

“Human error is not uncommon so cash automation naturally saves us time. With this system in place, proper control of the process is possible,” comments Peter.

The recycling system is accurate and cash differences come to light automatically.

“This saves a lot of time and frustration as you do not have to re-count the money manually,” he adds.

Cash Availability

When employees deposit cash, it is first sorted and then used to replenish the float. If there is an overflow of money, it is stored in the back office ready to be collected by CIT services. To make back-office processes as self-sufficient as possible – and to avoid having to order too many coins from the CIT company – staff return the overflow cassette with coins to the SafeRecycling unit.

“It is nice that the Gunnebo SafeRecycling solution has a large capacity, otherwise we would have to re-order coins much more often,” states Peter.

In the past, cash payments were also made by the Hermitage. There was an employee who managed the cash and made sure that cash was available. Because Gunnebo SafeRecycling can issue the deposited coins and notes, the museum has been able to cancel this internal cash register and effectively create its own ATM.

“Gunnebo’s great experience in retail solutions certainly played a major role in choosing supplier,” concludes Peter, “And I am still happy with our choice.”

The Benefits of Cash Recycling Are Hard to Ignore

Automated cash recycling is an excellent way of not only reducing operational costs but also improving the customer experience. For sites with multiple points of sale, such as museums, hotels, casinos and cruise ships, managing and processing cash is a serious challenge.

Portioning out cash, keeping cash registers stocked with change and counting up at the end of the day are necessary, functional tasks, but are costing businesses time and therefore a considerable amount of money.

As a functional task, manual cash handling is not adding any value and prevents staff from spending time on the floor with the customer.

Automated cash recycling significantly reduces time spent on such tasks (for a member of staff who usually counts cash manually, a cash recycling machine can easily save them 30 minutes or more) and it eliminates cash-counting errors. This in turn means less stress for employees and delivers a return on investment to businesses from savings on time, cash collection and bank charges.



This is an edited version of a post originally published on Gunnebo's blog.



Christian Weisser, SVP Cash Management: How has Cash Management's software offering evolved to meet business needs?

"Our key differentiator in the market today is software, and it will become even more critical in the future. Gunnebo already has one of the strongest software platforms on the market, and in order to support retailers, banks and cash-in-transit partners going forward we provide connectivity through common cloud-based platforms, which also allow remote service, and new business models not requiring up-front investments in hardware."

During 2019, Cash Management experienced a decline in sales and margins. What actions are taken to secure the Business Unit capture growth in the market with improved margins going forward?

"We are in the middle of a transition of our

business model, which has been made possible by the Business Unit structure. We are working on several levels to get back into profitable growth including new partnerships, an aggressive marketing activity plan and adjustment of the fixed cost structure."

Business Unit Integrated Security

Integrated Security consists of a number of local business operations, each with its own market conditions and having their own strategic direction.

Products and services in this Business Unit can generally be divided into the following areas:

- **Integrator business for electronic security** encompassing solutions for access control, intruder security and video surveillance. Business in this product area normally takes place in project form and Gunnebo generally sells, installs and services products purchased via third-party suppliers.

This business is carried out under the Gunnebo brand.

- **Electronic article surveillance (EAS) and loss prevention** encompassing anti-theft systems for the retail and fashion industries. The offering includes sales of third-party products as well as in-house developed products under the Gateway brand name.

Bundled into loss prevention solutions also including CCTV and access control the offering is sold under the Gunnebo brand.

- **Fire projects and fire safety** includes major projects to integrate fire security systems on larger sites. This business is sold under the Gunnebo brand.

Fire safety refers to sales of fire hydrants, fire extinguishers, protection panels and flexible sprinkler piping. Fire safety is sold under the Minimax brand in India.

- **Gunnebo Business Solutions** is the Group's common platform in software solutions being developed in the Business Units Entrance Control, Safe Storage and Cash Management. The common platform enables Gunnebo to offer Software-as-a-Service solutions. It also opens up the opportunity to offer new business models as subscriptions, including product-as-a-service. This development is customer-driven and is core for several of the ongoing innovation projects.

- **Gunnebo Retail Solutions** is a suite of software services focusing on digital store operations for retailers. The solution is based on the trend where shopping for the end customer is all about speed, convenience and flexibility. This creates a need for retail stores to become even more efficient and one key factor to get there is digitalisation.

Gunnebo Retail Solutions have committed to enable physical stores to stay competitive, by digitising store operations and keeping the store in full flow. It enables store operations to reach new levels of efficiency, by optimising current and new processes, allowing all of the store's systems to be managed in one application.

The solution is managed as a start-up within the Gunnebo Group and has won its first clients during the year.

Market Structure

Gunnebo estimates that the total market value for Integrated Security is over BSEK 400. The annual market growth during 2019, according to the Group's assessment, is 3%, and Gunnebo estimates itself to have a limited market share of under 1% globally, but a stronger position in certain geographies.

Strategic Review

In 2019, Gunnebo has made a strategic review of the Unit's business operations where customer and product synergies have been identified with other Business Units. This means that approximately 20% of the business operations will be merged into Safe Storage and Entrance Control in 2020. At the same time, the Business Unit will change name to Other Business, which better reflects the Business Unit's diversified operations. The new reporting structure and

historical key ratios will be presented in the first quarter report of 2020. The strategic review of the remaining business operations in Other Business will continue.

Performance 2019

Integrated Security ended a weak 2019 with a 6% decline in net sales in constant currencies. Profitability improved over the year but has not reached a satisfactory level. In the ongoing strategic review customer and product synergies have been identified with other Business Units. As a consequence of the strategic review, items affecting comparability and an impairment totalling MSEK –56 were linked to the Business Unit in the fourth quarter.

For the full year, EBITA amounted to MSEK 17 (1), resulting in an EBITA margin of 1.5% (0.1). The full year EBITA improvement was a result of the ongoing cost-efficiency measures taken to improve the performance of the local operations.



Strategy & Goal. The strategy for each individual business within Integrated Security is to optimise the customer offering within each business, with the common goal to achieve the Group's target for profitability and growth.

Product Offering: Electronic security, fire security, loss prevention and group-common digital platforms



Integrated Security in Figures

MSEK 1,099

Net sales

-6%

Sales growth

1.5%

EBITA margin



EMEA 39%
Asia-Pacific 21%
Americas 40%

Sales by region

Market Structure

BSEK 400

Market value, 2018

3%

Market growth, 2018

<1%

Market share, 2018

Brands

GUNNEBO

Minimax

gateway

Share of Group



20%

Net sales



4%

EBITA

Key ratios

	2019	2018
Net Sales, MSEK	1,099	1,164
Sales Growth, %	-6	-5
EBITA, MSEK	17	1
EBITA, %	1.5	0.1

Manufacturing Units

Halol (IN), Cincinnatti (US)





Customer Case

Complete Loss Prevention Solution Reduces Shrinkage

// RD, Drugstore Brand, Brazil

Background

RD, created in November 2011 from the merger between Raia S.A. and Drogasil S.A., is Brazil's leading drugstore brand with more than 2,000 shops in 23 states. It is also the leading chain in terms of revenue and combines an integrated portfolio of assets focused on health and well-being.

Growing Together with Gunnebo

The partnership with Gunnebo began in 2011 and has evolved gradually. With a base of 30.6 million active customers, the company has been aiming to increasingly improve in-store customer shopping experience.

RaiaDrogasil locations have adopted a more modern layout and the product mix

has been expanded by 14,000 items to meet changing consumer preferences.

No Compromise on Security

Throughout these changes, RaiaDrogasil has prioritised security and has worked with Gunnebo to minimise losses.

After nine years of in-store anti-theft protection, which has been expanded along with the company's expansion nationwide and supported by a maintenance contract managed through a customised web portal, the partnership between Gunnebo and RaiaDrogasil reaches the next level of security. During 2019, Gunnebo has developed the entire infrastructure and technology solutions for three loss prevention reference stores in São Paulo, where, besides the antennas and tags, there are alarms, video analytics (CCTV and Gatecash), people flow

counters and queue management systems. In addition, Gunnebo has provided an advertising solution integrated with the CCTV system to help drive sales.

Winning the Battle Against Inventory Losses

The intent of the project is to help store leaders further reduce inventory losses through better management with more technology. Gunnebo antennas and labels are present in 98% of the more than 2,000 stores installed in 23 states, 47% of them in São Paulo.

According to the company, in the last six years inventory losses have been falling by about 10% annually with the set management (procedures and processes), people (training and culture) and technology (equipment and software).



Customer Case

Border Control Crucial to National Security

// Spanish Ministry for Home Affairs

The rising threat posed by terrorism is a challenge faced around the world. During 2019, Gunnebo worked closely together with the Spanish Ministry for Home Affairs to address border control for the country.

The Spanish Ministry for Home Affairs is responsible for national security and as a part of this remit, needs to know who is entering the country. When the government identified a need to reinforce border security, Gunnebo was able to help.

The Ministry was specifically looking for technology able to identify black-listed individuals and also keep a track of the number of people entering and leaving Spain from and to countries outside of the European Union.

Gunnebo delivered an Integrated Security project securing six entrance points at the southern border by equipping the area with 35 facial recognition cameras

connected to a software platform for video analysis.

As a result, the Ministry can now immediately raise an alarm if someone tries to enter the country who is considered to be a threat. The facial capture technology also allows them to crosscheck daily on who has come into the country against those who have left to ascertain which people are still on Spanish soil.



Stefan Syrén, SVP Integrated Security: In 2019, Integrated Security did not achieve the Group's targets on growth and profitability. What measures will ensure the Business Unit is developing in the right direction 2020?

Integrated Security is a portfolio of different, standalone businesses. Some are performing well in line and above Group targets for growth and profitability, some are not. We are currently reviewing these different businesses, to define the strategy for each of them going forward. It is already now clear that around 20%

of the Unit has synergies with other Business Units in Gunnebo and will be integrated into Entrance Control and Safe Storage during Q1 2020. With this, the Unit will change name to Other Business and the strategic review of the remaining business operations will continue with increased focus.

Risk Management

To identify, evaluate, manage and monitor risks is a central role in the management and control of Gunnebo's business operations. With the shift into the Business Unit structure where the Business Units have a relative independence from the parent company and each other, the Group has increased its focus on Risk Management during the year.

The Group has operations in more than 20 markets, sales in a further 100 markets through partnerships and manufacturing operations at nine production sites in nine markets. Gunnebo has a relatively diverse customer base, acting in different market segments, niches and geographies.

The Group's business is diversified, which gives Gunnebo an underlying risk spread.

During 2019, the Group Executive Team has revisited its view on the Group's most significant risks, the result is presented in the risk table starting on next page.

Risk Management and Monitoring

Risk management within the Group is an important part of management of the Group. It aims to identify, evaluate and manage risks and, thereby, mitigate or monitor potential negative effects. The management teams in Gunnebo's Business 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 Business Unit management teams describe developments in their respective units as well as identified risks and mitigations. 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 to the Board of Gunnebo AB about the development of the Group's significant risks and the Board of Gunnebo AB has the overall responsibility for the Group's risk management and for deciding the Group's strategic direction.

Most Significant Risks

Gunnebo has chosen to group the risks into three areas:

- Risks related to the industry and the operations
- Legal risks
- Financial risks

Risks related to the industry and the operations

Risks related to the industry are strongly connected to Gunnebo's external dependencies such as demand and market conditions as well as industry risks such as technological and regulatory changes.

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, software, services and deliveries do not meet the required standards. Furthermore, they cover risks related to IT, customer credit risks and counterparty risks.

Legal risks

Legal risks relate to Gunnebo being a global operation that is subject to laws, regulations and rules pertaining to, for example, the environment, health and safety, trade restrictions, anti-competition regulations and currency regulations.

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 75, note 20.

Insurable Risks

Gunnebo has a group-wide insurance programme to protect the Group's insurable assets and activities. 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.

Crisis Management

Gunnebo strives to have a flexible structure of crisis management being capable to respond to any type of crisis quickly, decisively and in a coordinated manner.

Therefore, each local market and bigger plant has a crisis management team consisting of the General Manager/Country Manager/Plant Manager and an appointed deputy crisis manager. If and when a crisis has occurred the General Manager/Country Manager/Plant Manager shall extend the crisis management team with the HR manager and Communication/Marketing where applicable.

The crisis management team at Group level, consisting of SVP Human Resources & Sustainability (crisis manager), CFO (deputy crisis manager) and Director Investor Relations has the responsibility to secure that relevant employees at Gunnebo have the necessary knowledge and capabilities to handle incidents. In the event of a major incident, which can be considered to impact the Group as a whole, the Group's crisis management team, including the Board of Directors, is informed and assesses how to handle the event.

The Gunnebo Group's Most Significant Risks

Risk	Description	Type of Risk	Comment
Risks related to changed market conditions, changed economic climate and changes in customer behavior	Changed market conditions and trends as a consequence of, for example, changed extraneous circumstances and security conditions, a weaker economic climate, changed political prioritisations, new legislation as well as technical developments and digitalisation all have an impact on the demand for Gunnebo's products, services and software.	Industry & Operations	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.
Risks related to product development and other competition factors	In order to compete effectively, Gunnebo must implement new technology and regularly adapt and update its products, services and software as well as business models to prevailing technological and digital conditions and trends.	Industry & Operations	Gunnebo keeps track of the evolution of standards and their impact. The Group has put in place a product development process, with tollgates and validation steps. Starting with the initial specification, it covers the whole product lifecycle, including launching and phase-out.
Compliance related risks	Gunnebo's operations on the global security market and its geographic spread expose Gunnebo to risks related to sustainability factors such as human rights, employment conditions and corruption.	Legal	The Group's Code of Conduct, as well as policies and guidelines on compliance with applicable laws in certain areas, have been implemented. Compliance risks are managed through operational business decisions and operations regarding compliance to rules and regulations in all businesses throughout the Group on all levels, by all employees, and monitored through periodic risk workshops.
Risks related to outages and disruptions at its manufacturing units	These risks include, among other things, extreme weather conditions and natural disasters, fire, theft, systems failures, mechanical failures or equipment breakdown and similar risks. There is also a risk that, in the future, Gunnebo will be unable to build new plants or make investments in existing plants on favourable terms, or will be unable to rationalise production.	Industry & Operations	The manufacturing units are involved in an audit programme driven by the Group's insurance company. The insurance company regularly reviews the risks associated with each plant and helps to 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.
Project risks and contract-related risks	Gunnebo's business is conducted in part through sales of fixed quantities at a fixed price, and in part through projects where the contract sum can be significant and the projects extend over several years and include significant elements of integration, adaptation and service. Long and sometimes complex projects expose Gunnebo to risks and impose major demands for project planning and control as well as monitoring, to ensure that from time to time obligations and assessments regarding project costs and revenues provide a satisfactory basis for reporting of revenues, costs and profitability.	Industry & Operations	The implementation of the Business Unit organisational structure ensures that development, manufacturing, sales, service and back-office are aligned end-to-end, making Gunnebo more integrated and prepared to run complex projects in a cost-efficient, agile and transparent way. The Group authority matrix ensures overall governance.

The Gunnebo Group's Most Significant Risks (cont)

Risk	Description	Type of risk	Comment
Risks related to legal and administrative procedures	From time to time, Gunnebo is involved in civil law, work environment-related and administrative procedures which arise within the scope of its day-to-day operations. It may be difficult to foresee the risk, or possible outcome, of legal proceedings, disputes and matters.	Legal	Gunnebo has a well-established process for identifying, escalating and monitoring legal and administrative procedures, in order to track and resolve these risks.
Risks related to financing agreements	Gunnebo's basic financing includes financial covenants according to which Gunnebo is required to satisfy certain financial key ratios during the terms of the agreements, for example a covenant related to Gunnebo's indebtedness. If Gunnebo is unable to satisfy covenants in its financing agreements loans may be terminated and called in pursuant to the terms of the financing agreements.	Financial	Gunnebo has a close relationship to its core banks and provides regularly strategic and operational updates including discussions and agreements regarding financing consequences. Gunnebo works on its strategy execution and its consequence on profitability. Priorities and actions are taken and monitored to safeguard progress as plan. Net debt/EBITDA is one of the financial strategic targets and closely monitored, forecasted and acted upon.
Increased prices or shortages of important raw materials and components	Gunnebo uses a number of different raw materials and components in its manufacturing and is thereby exposed to risks associated with the price structure of, and access to, raw materials and components that are necessary for Gunnebo's production. Tariffs and other measures restricting trade that cover raw materials that Gunnebo uses in its production, or components included in Gunnebo's products, can also increase Gunnebo's production costs.	Industry & Operations	Production volume planning, productivity and proactive sourcing planning linked thereto, followed by dual sourcing strategy, enable certain flexibility in the manufacturing cost cake. Surcharge clauses are included in key customer agreements.
Risks associated with mergers, acquisitions and divestments	There is a risk that Gunnebo will be unable to carry out strategic mergers and acquisitions due to, for example, competition from other buyers or increased indebtedness. Mergers and acquisitions also give rise to risks related to the integration of new businesses and employees. In conjunction with mergers and acquisitions, it is important to retain key employees and to have a well-functioning and effective integration process.	Industry & Operations	Through a well-defined acquisition strategy and target assessment, established plans for integration supported by the Group's M&A process guidance, this risk is mitigated.
IT and information management related risks	Gunnebo is dependent on well-functioning IT infrastructure in order to manufacture, develop and sell its products, services and software. Accordingly, Gunnebo is exposed to risks related to outages and disruptions in its IT infrastructure, which may be caused by, among other things, data viruses, power outages, human or technical errors, sabotage, weather and nature-related events or problems due to deficient care and maintenance. IT attacks, errors and damage to IT systems or operational disruptions, can lead to manufacturing outages.	Industry & Operations	Gunnebo is operating IT according to the ISO27K and ISO20K standards, in line with its Group IT policy framework.

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 55.
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 41 for the subsequent 12 months.
Currencies	A 10% depreciation of the value of the SEK	would positively affect profit before tax by approximately MSEK 24 in total. Of this, MSEK 11 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 18 after interest rate hedging, for the subsequent 12 months.

Costs

The annual cost of steel-based products account for approximately MSEK 410. Consequently, an increase of 10% in the cost of these products reduces the operating profit by around MSEK 41. 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 18, based on the current position. The Group had a net debt including post-employment benefits of MSEK 1,761 on 31 December 2019.

Expenses by Nature, MSEK 5,244



- Material costs, 44%
- Remuneration to employees, 30%
- Temporary personnel and subcontractors, 4%
- Vehicle and travel costs, 4%
- Depreciation and amortisation, 4%
- Transport costs, 3%
- Other costs, 11%

Currency Impact

Most of the operating profit is made outside Sweden and there are income and purchase costs in several currencies, meaning the Group is exposed to currency risks.

▷ Read more about Financial Risk Management and Financial Instruments in Note 20, page 75.

Corporate Governance Report

Gunnebo AB (publ) is a Swedish public limited company listed on NASDAQ Stockholm, Mid Cap. The company applies the Swedish Corporate Governance Code.

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'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 2019 financial year. Gunnebo follows the rules of the Code and provides explanations for the cases in which it deviated from the Code rules in 2019.

Governance and Division of Responsibilities

Corporate governance structured around and adapted to the Group's operations are essential to commercial success and increased profitability. Gunnebo's corporate governance involves segregation of duties, governance and effective control over the Group's operations. This safeguards that the Group meets its commitments to shareholders, customers, employees, suppliers and other stakeholders, and that the operations meet agreed targets, applicable legislation and internal policies and guidelines.

In 2019, the following groups were primarily in charge of the governance, management, control and segregation of responsibilities at Gunnebo:

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

Shareholders

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 at a certain point of time before the Meeting and who have registered their attendance at the Meeting before the stipulated deadline in the notice to attend are entitled to participate in the Meeting and exercise full voting rights. Shareholders who are unable to attend the Meeting in person may appoint a proxy. Shareholders wishing to have an issue addressed at a General Meeting should submit their request in writing to the Board well enough in advance to be included in the convening notice to the General Meeting.

2019 Annual General Meeting

The 2019 Annual General Meeting was held on 11 April at Stenhammarsalen, the Concert Hall in Gothenburg. A total of 89 shareholders attended the Meeting, representing approximately 64% 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 Anna Borg Sæther.

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

- Adoption of the P&L statements and balance sheets for the company and the Group included in the annual report for the 2018 financial year,
- A dividend according to the Board's proposal of SEK 0.50 per share for the 2018 financial year,
- Discharge of all Board members and the CEO from liability for the administration of the company's affairs during the 2018 financial year,
- Re-election of all Board members and Martin Svalstedt as Chairman of the Board,
- Determination of remuneration to the Board of Directors and auditor,
- Principles for remuneration of senior executives,
- Election of Deloitte AB as the company's auditor until the end of the 2020 Annual General Meeting,
- Authorisation for the Board to, in conjunction with agreements on company acquisitions, at 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.

2019 Extraordinary General Meeting

On 26 August an Extraordinary General Meeting was held at Västsvenska Handelskammaren in Gothenburg. A total of 50 shareholders attended the Meeting, representing 62% of the number of shares and votes in the company. Chairman of the Board Martin Svalstedt was elected Chairman of the Meeting.

The Extraordinary General Meeting approved the Board of Directors' decision on a rights issue of ordinary shares.

The rights issue added some MSEK 360 to Gunnebo's balance sheet before issue costs.

The proceeds were primarily used to decrease the gross indebtedness that temporarily was increased through the acquisition of Cominfo a.s.. The purchase price for the acquisition was MSEK 258. The remaining part of the proceeds was used to increase Gunnebo's financial capacity through further decrease of the Group's gross indebtedness. This allows for Gunnebo to capture market opportunities and realise the Group's strategy for profitable growth.

2020 Annual General Meeting

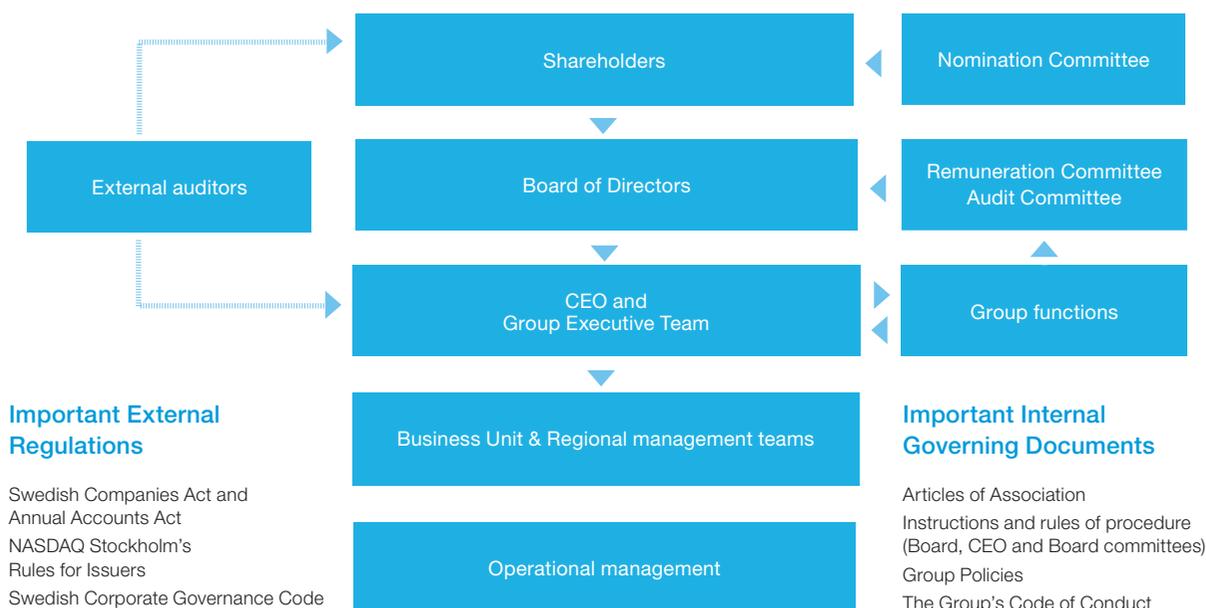
The next Annual General Meeting of shareholders in Gunnebo AB (publ) will be held at Hotel Elite Park Avenue in Gothenburg on Tuesday 21 April. More information about the Annual General Meeting is available on page 92 of this Annual Report and at www.gunnebogroup.com.

Nomination Committee

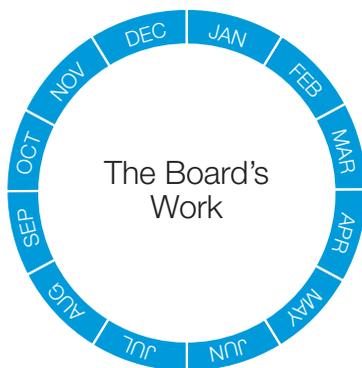
The task of the Nomination Committee is to present proposals to the Annual General Meeting for decisions in such matters as the election of the Chairman of the Meeting, Board members (number, name and Chairman), fees to the Board of Directors, and remuneration for committee work, auditor selection and fees.

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 constitutes the Nomination Committee for the period until the 2020 Annual General Meeting: Dan Sten Olsson (appointed by Stena Adactum), Mikael Jönsson (appointed by Vätterledens Invest), Ricard Wennerklint (appointed by If Skadeförsäkring) and Martin Svalstedt, Chairman of the Board and convener. The Chairman of the Nomination Committee is Dan Sten Olsson.

Overview of Gunnebo's Corporate Governance 2019



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



January
RC: 2019 LTIP targets approved.

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; update regarding M&A, financing considerations and strategy.
AC: Report on Q4 and full year financial performance; audit report; Q4 interim report; litigations and claim overview and annual certification process; recommendation of audit firm, review of the financial performance project.
AC: Review of Annual Report 2018.
RC: 2019 LTIP potential for CEO approved.

March
BM: AGM notice and proposals.

April
BM: Acquisition and financing proposal, report from the Board's committees; report from CEO; financial performance update; M&A and strategy update; Cash Management and Safe Storage business update.
BM: Statutory meeting.
BM: Report from the Board's committees; update on Q1 financial performance; Q1 interim report, acquisition and right issue.
AC: Review of AC rules of procedures; report on Q1 financial performance; Q1 interim report; audit and internal control plan for the year; new accounting principles; finance policy adherence.

June
BM: Acquisition, right issue and financing considerations.
RC: Bonus 2019 H1 and H2 review and approval.

July
BM: Strategy review of the Group and Business Units.
BM: Report from the Board's committees; report from the CEO; update of Q2 financial performance; Q2 interim report.
BM: Change of CEO; Q2 interim report.
BM: Decision on right issue, announcement and EGM.
AC: Q2 financial performance; Q2 interim report according to new layout; audit plan and fees, litigations and claims overview.

August
BM: Terms and conditions for right issue, announcement.
BM: Approval of prospectus, announcement.

September
BM: Entrance Control business visit and update; strategy update and decision.
BM: Allotment of new shares in rights issue.
RC: Approval of bonus H1 for the Group Executive Team.

October
RC: Proposal on bonus structure for 2020, update on the HR agenda.

November
BM: Report from the Board's committees; report from the CEO; update of Q3 financial performance; Q3 interim report; Integrated Security strategy update; new President and CEO.
AC: Update on Q3 financial performance; Q3 interim report; Q3 audit review; treasury, insurance and financial risk update; accounting, valuation and tax update.
RC: Bonus structure for 2020 aligned, LTIP 2020 direction outlined.

December
BM: Report from the Board's committees; report from the CEO; financial performance update and plan 2019; budget 2020; investments, acquisitions and divestments; evaluation of the board.
AC: Audit and internal control update; accounting, valuation and tax update.
RC: LTIP 2020 review continued. Indepth review of the HR agenda for the company. Approval of new 2020 salaries for the Group Executive Team.

In the Nomination Committee's opinion, all its 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 three meetings prior to the date of this Annual Report. Contact the Nomination Committee by e-mail to valberedningen@gunnebo.com or by post to Gunnebo AB, attention the Nominations Committee to the address printed on page 92.

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 all shareholders. It is also the Board's duty and responsibility to ensure that Corporate Governance is adhered to and that this 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 2019, Gunnebo's Board comprised six members elected by the Annual General 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.

The Board's Work in 2019

In 2019, the Board convened 16 times in addition to the statutory meeting. The work of the Board has been performed as illustrated in the table on page 36.

Chairman of the Board

Martin Svalstedt was re-elected the Chairman of the Board of Directors at the 2019 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 42–43.

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

Board Committees

During 2019, the Board of Directors of Gunnebo had two Committees: the Audit Committee and the Remuneration Committee. The representatives sitting on these Committees are appointed by the Board.

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 recom-

mendation 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 2019 statutory board meeting, the Committee comprised Eva Elmstedt (Chairperson), 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 6 meetings during the year and the Group's auditors participated in all of them. The Group's auditors also participated at one Board meeting to present an overview of their audit and review of internal control. The auditors then met with the Board without the presence of representatives from the Group. Matters addressed by the Committee are illustrated on page 36. The attendance of the Committee members at meetings is presented in the table below.

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 short and long-term 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 2019 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 nine meetings during the year, at which items such as long-term incentive programmes, bonus model, bonus outcomes and guidelines for remuneration to senior executives were discussed. The attendance of the committee members at meetings is presented in the table below.

Statistics on Attendance and Independence of Board Members 2019

Name	Elected	Board Meetings	Remuneration Committee	Audit Committee	Independent in Relation to:		Total Remuneration, SEK
					The Company and Executive Management	The Company's Largest Shareholders	
Elected at Annual General Meeting							
Martin Svalstedt	2003	16 (C)	9 (C)		Yes	No	500,000
Göran Bille	2008	16 (M)	9 (M)		Yes	Yes	285,000
Anna Borg Sæther	2017	14 (M)		6 (M)	Yes	Yes	270,000
Charlotte Brogren	2012	12 (M)			Yes	Yes	255,000
Eva Elmstedt	2015	16 (M)		6 (C)	Yes	Yes	320,000
Mikael Jönsson	2000	16 (M)	8 (M)	6 (M)	Yes	No	315,000
Employee Representatives						Total:	1,945,000
Micke Fridström	2018	14 (M)					
Irene Thorin*	2011	4 (M)					
Crister Carlsson**	2019	12 (M)					
Number of Meetings:		16	9	6			

C=Chairman M=Member

*Left the assignment in April 2019

**Took up the assignment in April 2019

Auditors

Gunnebo's auditors are elected at the Annual General Meeting. They audit one interim report and the annual report, accounting and reporting for the Group 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 Auditor Regulation.

At the 2019 Annual General Meeting, the registered public audit firm Deloitte AB was elected as the auditor with Hans Warén as the auditor in charge. The current mandate period expires at the 2020 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

It is the CEO's responsibility to implement and ensure the execution of the strategies, business plans and operational targets adopted by the Board. The CEO 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.

This year the transformation into Business Units and the consequential organisational changes followed by adjusted governance models have been a focused areas.

During the year, there has been a shift in President & CEO for the Group. Henrik Lange, who joined Gunnebo in 2015, decided to step down from the position and handed over to Stefan Syrén 7 November 2019.

The CEO is assisted by a Group Executive Team comprising managers for Business Units, regions and group functions. With the Business Unit structure fully implemented at year-end the regional structure ceased to exist. As a consequence the SVPs for Region Asia-Pacific, Middle East and Africa and Americas left the Group Executive Team at year-end 2019. Also the function of central Marketing & Communication was discontinued at year-end meaning that the SVP Marketing and Communications left the Group Executive Team at the end of 2019.

With these changes, the Group Executive Team as of 1 January 2020 is made up of five persons:

- President and CEO who also holds the positions as SVP for Business Unit Safe Storage and Business Unit Integrated Security
- Executive Vice President, Deputy CEO and SVP Business Unit Entrance Control
- SVP Business Unit Cash Management
- Group CFO
- SVP HR and Sustainability

The Group Executive Team is presented on page 41 in this Annual Report.

In 2019, the Group Executive Team held 13 meetings. The meetings mainly focused on implementation, monitoring and follow-up on the Group's strategic direction with Business Units by product offering, change management activities, financial performance development, acquisitions and divestment activities as well as financial follow-up visavi forecast and plans.

Business Unit and Regional Management Teams

Gunnebo's business activities consist of the Business Units Entrance Control, Safe Storage, Cash Management and Integrated Security. The three first Business Units each has 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 managed in line with the Group's governance model, each with its own strategic agenda but with the common targets to reach the Group's financial goals. Until year-end 2019 the Group had management teams for the business in Region Asia-Pacific, Middle East and Africa and Region Americas. These management teams have during the year been focusing on the transition into Business Unit structure in respective region, as well as securing full focus on customers and business also in times of change. As of year-end 2019 all countries have been embedded into the Business Unit structure, hence the regional structure and their management teams ceased to exist as of this date.

The operational management teams are the bodies under the Group Executive Team that are responsible for strategy implementation, operational management 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 staff functions.

Group Functions

Gunnebo's head office consists of the group functions for the coordination of corporate management, human resources, sustainability, legal and compliance, finance, IT, brand management, corporate communications, investor relations and M&A. These functions are responsible for preparing relevant group-wide strategies, priorities, plans and policies for their respective functional 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 decided to describe how the internal control is organised.

Internal Control in Respect of Financial Reporting

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

Financial internal control is one of Gunnebo's central corporate governance components with the purpose to obtain reasonable assurance with respect of the reliability of external financial reporting in the form of interim reports, annual reports and year-end reports. The objective is to ensure that the financial reporting is prepared and presented in accordance with law, applicable financial reporting standards and other requirements for listed companies and that local statutory regulations are adhered to.

The Group's internal control environment is evaluated using a self-assessment of internal controls and is performed annually in all subsidiaries. The results are followed up by sample test assessments performed by the auditors. The results of the assessments are compiled centrally and reported to the Audit Committee. Identified weaknesses as well as areas for improvement to strengthen internal control are incorporated into future self-assessments with the purpose to continuously strengthen the company's internal control environment. 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 Board has 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 aligns 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.

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 Authority Matrix and Group Powers Reserved Policy.

Risk Assessment

Gunnebo's risk assessment is intended to prevent, identify, evaluate and rectify significant risks in respect of financials and business in the Group's companies and Business Units.

The risk assessment results in identifying significant risks and how these can be mitigated or monitored and where the risk assessment is reassessed every year. More information about the Group's risks is available in the section "Risk and Sensitivity Analysis" on pages 30-33 and in Note 20, Financial Risk Management and Financial Instruments.

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

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, other employees as well as with the external market. Gunnebo has an established process for whistleblowing, accessible for all employees. It can be used anonymously.

Group Executive Team March 2020



1 Stefan Syrén*

Born 1966. President and CEO since November 2019. SVP Business Unit Safe Storage and SVP Business Unit Integrated Security since 2018.

Principal education and professional experience: M.Sc. Chemical Engineering, Chalmers University of Technology. Senior positions at Procter & Gamble, COO, Papyrus and CEO, Alliance Healthcare Deutschland.
Other current assignments/positions: Board member of Spakera Holding AB.
Holding: 140,000 shares and 250,000 call options.

*Succeeded Henrik Lange as President and CEO 7 November 2019.

2 Åke Bengtsson*

Born 1963. Group Chief Financial Officer since February 2020.

Principal education and professional experience: Executive MBA, CBS-SIMI, Copenhagen. CEO and CFO at Haldex, CFO at PartnerTech and CFO at Cardo Entrance Solutions.
Other current assignments/positions: –
Holding: 15,000 shares.

*Succeeded Susanne Larsson as CFO 10 February 2020.

3 Christian Carlsson

Born 1975. SVP Human Resources & Sustainability since 2016.

Principal education and professional experience: M.A. in Human Resources Management from Bournemouth University. SVP Human Resources, Papyrus, Director Global HR Operation, Damco, Head of HR, Damco Nordic, Baltic and Russia. Compensation and Benefit Manager, Volvo Car Corporation.
Other current assignments/positions: –
Holding: –

4 Robert Hermans

Born 1968. Executive Vice President and SVP Business Unit Entrance Control since 2010.

Principal education and professional experience: Master of Science in Business Administration from Uppsala University and MBA, Stockholm School of Economics. 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.
Other current assignments/positions: Board member of TsarMedia AB and Satpack Travel.
Holding: 55,000 shares and 200,000 call options.

5 Christian Weisser

Born 1966. SVP Business Unit Cash Management since 2019.

Principal education and professional experience: Degree in industrial business management at Nixdorf Computer AG. Senior executive positions within Diebold Nixdorf, recently as SVP and Managing Director for the region Europe, Middle East & Africa.
Other current assignments/positions: Member of Planfocus software GmbH Advisory Board.
Holding: 90,000 shares and 200,000 call options.

The information above refers to the situation of March 2020. Shareholdings include members' own holdings and those of spouses, minors and children living at home, holdings of associated companies and holdings through capital insurance.

Board of Directors as of 31 December 2019



1 Martin Svalstedt

Born 1963. Chairman of the Board of Directors since 2008 and Board member since 2003. Chairman of the Remuneration Committee.

Principal education and professional experience:

Master of Science in Business Administration, Karlstad University. CEO, Stena Adactum AB, CFO, Capio AB. Senior financial positions at Stora Enso and ABB.

Other current assignments/positions: Board member, Stena Adactum AB. Chairman of the Board of Ballingslöv International AB and Stena Renewable AB. Deputy chairman of the Board of Envac AB. Board member of Scandic Hotels Group AB (publ) and Svedbergs i Dalstorp AB.

Holding: 255,738 shares.

Independent in relation to the Company and the Group Executive Team, but not in relation to the Company's major shareholders.

4 Charlotte Brogren

Born 1963. Board member since 2012.

Principal education and professional experience:

Ph.D., Lund University. Leading positions within ABB. **Other current assignments/positions:** CTO, Alimak Group AB (publ), Chairman of the board of HMS Networks AB. Board member of the Swedish Foundation for Strategic Research.

Holding: 3,750 shares.

Independent in relation to the Company and the Group Executive Team, as well as the Company's major shareholders.

7 Crister Carlsson

Born 1965. Member of the Board since 2019. Representative of Unionen.

Principal education and professional experience: Electric Power Engineering. Key Technician, Gunnebo Business Unit Cash Management in Sweden.

Other current assignments/positions: –

Holding: –

2 Göran Bille

Born 1955. Board member since 2008. Member of the Remuneration Committee.

Principal education and professional experience:

Master of Science in Business Administration, Stockholm University. President and CEO, AB Lindex and Gina Tricot AB. Leading positions within the H&M group, including President of H&M Rowells, Country Manager of H&M Sweden and Divisional Manager of H&M Woman.

Other current assignments/positions: Board member of KappAhl AB (publ).

Holding: 62,500 shares.

Independent in relation to the Company and the Group Executive Team, as well as the Company's major shareholders.

5 Eva Elmstedt

Born 1960. Board member since 2015. Chairman of the Audit Committee.

Principal education and professional experience:

Bachelor of Science, double major in Economics and Computer Science (Honors), Indiana University of Pennsylvania and Stockholm School of Economics. Senior positions within Nokia (Executive Vice President and Head of Services, Nokia Networks and Nokia Siemens Networks), Ericsson and telecom operator 3.

Other current assignments/positions: Chairman of the Board of Proact IT Group AB. Board member of Addtech AB, Arjo AB (publ), Semcon AB (publ) and Smart Eye AB (publ).

Holding: 21,983 shares.

Independent in relation to the Company and the Group Executive Team, as well as the Company's major shareholders.

8 Micke Fridström

Born 1964. Member of the Board since 2018. Representative of Unionen.

Principal education and professional experience:

Electrical and tele-technical education. Key Technician, Gunnebo Business Unit Integrated Security in Sweden.

Other current assignments/positions: –

Holding: 1,250 shares.

3 Anna Borg Sæther

Born 1971. Board member since 2017. Member of the Audit Committee.

Principal education and professional experience:

Masters in Economy and Political Science, Uppsala University. Senior positions at Vattenfall and Klarna.

Other current assignments/positions: CFO, Vattenfall AB. Board member of Cellmark AB and deputy Board member of Maeterlinck AB.

Holding: 3,750 shares.

Independent in relation to the Company and the Group Executive Team, as well as the Company's major shareholders.

6 Mikael Jönsson

Born 1963. Board member since 2000. Member of the Audit Committee and the Remuneration Committee.

Principal education and professional experience:

University studies in Economics, Gothenburg School of Business, Economics and Law at the University of Gothenburg. Various senior positions at Vätterledens Invest AB.

Other current assignments/positions: CEO and board member of Vätterledens Invest AB. Chairman of the board of Lids Industri AB, Kopparbergs Bryggeri AB, Brovallsmacken AB and Tjugotjugonio AB. Board member of Bådefluna Invest AB, Wipcore AB and Nordic E-Commerce Knowledge AB.

Holding: 191,666 shares.

Independent in relation to the Company and the Group Executive Team, but not in relation to the Company's major shareholders.

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 CO₂ emissions



Natural Resources

Optimise use of water and raw materials



Waste

Manage waste to reduce its impact

Sustainability Report

As a global provider of security solutions within Entrance Control, Safe Storage, Cash Management 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.

In 2018, Gunnebo decided to embrace a whole new Sustainability Approach. This was done in order to anchor the Group's commitment even more firmly in the corporate culture. Gunnebo's 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 occupational 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 30–32.

Group Sustainability Committee

Appropriate structures need to be put in place if sustainability is to be systematically integrated into business practices. 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 the members' responsibilities include: promoting the sustainability agenda throughout the Group, defining strategic priorities and programmes and monitoring progress.

The committee's focus in 2019 has been to fully implement the Group's new Sustainability Approach and to follow up on the decisions made in 2018: to implement a Supplier's Code of Conduct, to communicate about the approach through Sustainability days and to ban single-use plastics from offices around the globe.

This year, a few key decisions were also taken linked to the latest strategic changes in the Group:

- Update of the Group Code of Conduct,
- Employee Engagement Survey,
- Focusing on occupational safety in key areas where the Group has its highest risk,
- Developing a new assessment tool to track the changes and progress in the Group related to Sustainability.

In 2020, the Group is planning to further embed those changes in daily practices and transition to a new set of non-financial targets.

Non-Financial Targets

Gunnebo's sustainability targets were established in 2016, with 2016 as the base-year and 2020 as the year for fulfillment. The targets support sustainable, profitable growth. By taking a long-term approach to sustainability, with clearly defined

targets, it is ensured that Gunnebo's some 4,200 employees create a sustainable, attractive offering for the customers and partners resulting in value for the shareholders.

	Target	Aggregated Outcome 2016–2019
Energy & Climate	<p>Reduce the use of electricity at manufacturing and major sales units by 8% from 2016 to 2020.</p> <p>Reduce CO₂ emissions from production sites and sales units by 15% from 2016 to 2020.</p> <p>Reduce CO₂ emissions from own fleet by 20% on average from 2016 to 2020.</p>	<p>Total electricity consumption 16,748 MWh (Base year 2016: 16,695), an increase of 0.3%.</p> <p>Total CO₂ emissions 18,814 tonnes CO₂ (Base year 2016: 19,298), a decrease of 2.5%.</p> <p>Average CO₂ 126g/km (Base year 2016: 133), a decrease of 4.6%.</p>
Supply Chain	<p>As a global organisation, Gunnebo's goal is to ensure that all major suppliers comply with the Group's Code of Conduct.</p>	<p>Gunnebo published a new Code of Conduct for suppliers in 2018. At the end of 2019, 93% (70% in 2018) of the Group's major suppliers were compliant.</p>
Health & Safety	<p>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 be OHSAS 18001 or ISO 45001 certified.</p>	<p>At the end of 2019, seven out of nine manufacturing units were certified to OHSAS 18001 (Base year 2016: three out of eight).</p>
Waste	<p>Increase recycling of non-hazardous waste in production by 8% from 2016 to 2020.</p>	<p>97.7% (Base year 2016: 97.4) of all non-hazardous waste generated in manufacturing units was recycled.</p>
Environmental Management Systems	<p>All manufacturing units ISO 14001 certified.</p>	<p>At the end of 2019, all sites but one had been certified.</p>

Stakeholder Dialogue

Gunnebo's stakeholders are found worldwide. The Group's business develops through open dialogue, feedback from the market and the expectations and needs of stakeholders. Gunnebo's main stakeholders are those that most greatly influence or are influenced by its business activities – customers, employees, suppliers and shareholders.

Customers: During 2019 customer surveys have been carried out on several of the Group's markets, the results from which lead to continuous improvements.

Employees: The Group is maintaining constant dialogue with employees through different channels, driven and monitored by Group HR. Employee engagement surveys are important tools for understanding what is working well and identifying where further efforts are needed and a new global survey was conducted in late 2019. It disclosed areas of improvements and as

a means of measuring progress and effectiveness of the actions taken, it will be renewed during 2020. See more on outcome on page 49 under "Our People".

Suppliers: Relationships with the Group's suppliers are developed through regular interaction to ensure that the suppliers comply with Gunnebo's Supplier's Code of Conduct. Published in late 2018, the Group has made continuous effort in communicating its new Supplier's Code of Conduct throughout 2019.

Shareholders: The dialogue with shareholders has been very important during 2019, due to the successful rights issue carried out in the third quarter. The communication with shareholders is based on the Annual General Meeting, but also takes place 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

In 2019, Gunnebo has updated its Code of Conduct in order to reflect the latest strategic changes in the Group and integrate it within its Sustainability Approach. While the

overall structure and some content has been renewed, the core is identical: Gunnebo's Code of Conduct aims to give 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
- UN Convention against Corruption

- ISO 26000 Guidance on social responsibility

The latest version of the Code of Conduct can be found at www.gunnebogroup.com.

During 2019 and following this update, it was the Group ambition to refresh all employee's training on the Code of Conduct through its HR online training platform. Hence, at the end of 2019, over 99% of all employees had taken this refreshment training.

This training activity is also part of the introduction programme for new employees

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 
Description of impact	<p>Product development is a vital part of all Business Unit's growth strategies. Sustainability concerns start at the conceptual phase. All Business Units create 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. Thereby, it is important to consider the length of the products' full 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 business partners are selected, 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 Supplier's Code of Conduct throughout the supply chain regarding environmental care, occupational health, human rights and anti-corruption.</p>	<p>Gunnebo operates nine manufacturing units worldwide with about 1,100 employees. This workforce provides the input and flexibility the Group needs to meet customers' demands. Gunnebo works continuously at all these sites to reduce the environmental footprint while optimising performance and maintaining high standards of quality and safe working conditions.</p>
Factors affecting impact	<ul style="list-style-type: none"> • Choice of materials (hazardous and non-hazardous) used in products • Length of product lifecycle • End of use, recycling and disposal • Efficiency in industrialisation 	<ul style="list-style-type: none"> • Economic, social and environmental impact on suppliers • The origin of parts and raw materials • Transportation and greenhouse gas emissions • Packaging waste 	<ul style="list-style-type: none"> • Energy consumption • Water consumption • Waste disposal and water discharge • Employment and working conditions
Tools to manage impact	<ul style="list-style-type: none"> • Proportion of different materials in products • Procedures to control the use of hazardous materials • Product certification • Industrialisation procedure 	<ul style="list-style-type: none"> • Group purchasing strategy • Supplier assessment • Supplier's Code of Conduct • Local supplier policy • Development of suppliers 	<ul style="list-style-type: none"> • Environment and safety management system (ISO 14001 and OHSAS 18001) • Code of Conduct • Group sustainability targets

to help ensure understanding of Gunnebo's corporate culture. 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 behavior is an example of the Code of Conduct in practice.

Supply Chain

Our operations and customers are all over the world. As such, the Group wants to

ensure that it can source products and services of a consistently high quality everywhere. In response, a global network of suppliers for the Group manufacturing units has been established. Today, this network comprises several thousands of suppliers with a total purchasing volume of approximately €100million. Around 80% of this figure is attributable to 250 suppliers, which are the Group's major suppliers.

In order to clearly define the Group's expectations, the Gunnebo Supplier's Code of Conduct has been released at the end

of 2018. The Group strives to ensure that all major suppliers adhere to this Supplier's Code of Conduct and uses the principles therein among the criteria for selecting new business partners.

At the end of 2019, 93% of the Group's major suppliers were declaring in line with the principles that are set in the Supplier's Code of Conduct.

Furthermore, in 2019, 34 suppliers audits on Sustainability have been performed by the purchasing teams in order to follow up on compliance with the most critical suppliers.

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 more than 20 countries. The Group also has a channel partner network, giving it access to 100 additional markets. Gunnebo focuses its customer offering through its 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 Business Units sales and marketing strategy
- Customer survey
- Code of Conduct

Delivery and Installation



In terms of logistics footprint, Gunnebo's manufacturing units are located in Americas, Europe and Asia. In order to optimise the transportation of products, the Group builds partnerships with selected logistics companies to deliver a high standard of service while considering cost and environmental impact. 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

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

This to mitigate a significant proportion of the Group risks and impacts in Sustainability.

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.

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 supplier Code of Conduct. The Group shall not do business with suppliers that do not uphold basic human rights. Working

Manufacturing Units

At the end of 2019, the Group had nine manufacturing units in nine countries worldwide. All of them are certified ISO 9001, eight out of nine ISO 14001 and seven out of nine OHSAS 18001 or ISO 45001.

Europe

Doetinchem, Netherlands

Factory employees: 114
Production: ATM safes
Certification: ISO 14001, ISO 9001, OHSAS 18001

Lavis, Italy

Factory employees: 77
Production: Entrance control
Certification: ISO 14001, ISO 9001, OHSAS 18001

Markersdorf, Germany

Factory employees: 47
Production: Safes and vaults
Certification: ISO 14001, ISO 9001, OHSAS 18001

Binefar, Spain

Factory employees: 91
Production: Cash management
Certification: ISO 14001, ISO 9001, OHSAS 18001

Zlin, Czech Republic

Factory employees: 73
Production: Entrance control
Certification: ISO 9001

Asia

Halol, India

Factory employees: 321
Production: Safes and vaults, ATM safes, Entrance control
Certification: ISO 14001, ISO 9001, OHSAS 18001

Jakarta, Indonesia

Factory employees: 227
Production: Safes and vaults
Certification: ISO 14001, ISO 9001, OHSAS 18001

Kunshan, China

Factory employees: 58
Production: Entrance control
Certification: ISO 14001, ISO 9001

Americas

Cincinnati, USA

Factory employees: 115
Production: Safes and vaults, cash management
Certification: ISO 14001, ISO 9001, OHSAS 18001

with human rights with regard to suppliers involves training activities and mandatory self-assessments for compliance with the supplier 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 conduct-

ed 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 purchasing situations.

As the Group also does business with partners from countries with a high risk of corruption, it strives to get its partners to comply to its ethical value. Therefore, the Group published its supplier's Code of conduct in 2018 and its Business Partner's Code of Conduct in 2019. Those documents outline the Group expectations and their principles set the criteria for selecting new business partners.

Our People

Gunnebo's employees are the Group's greatest asset 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 4,256 (4,449) 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 endeavor 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 and healthy working environments, the Group aims to create workplaces where employees can develop.

Your Voice Employee Survey

Employee surveys are important tools for understanding what is working well and identifying where further efforts are needed. At the end of 2019, a new employee engagement survey was carried out in the Group. Results among other show an increased level of employee engagement. This is positive, against the backdrop of all organisational changes that have taken place during last year.

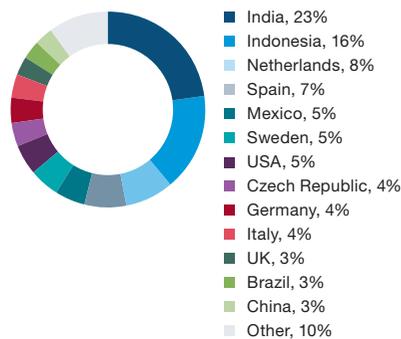
The global survey also disclosed areas of improvements. Notably is also the high participation rate of close to 85% which indicates a genuine interest in the Gunnebo organisation about sharing their opinion.

Result is being analyzed and leaders are trained in utilising the result in the best way. This survey will be followed up already during Q3 2020 with another agile survey in order to drive further improvements.

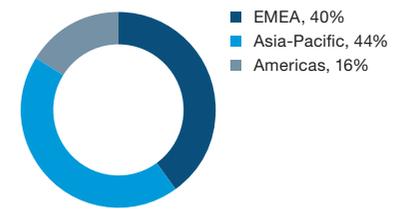
Occupational Health and Safety

It is the Group's goal and major responsibility to provide safe working conditions for its employees and people exposed to its activ-

Employees by Country

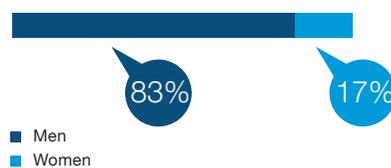


Employees by Region

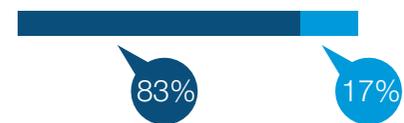


Gender Distribution

Managers



Employees



ities and thereby offer healthy working environments where employees can develop and grow. 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.

The main focus is to control main risk activities through dedicated programmes in order to prevent any major incidents. Gunnebo cannot accept any event that could result in an employee being seriously injured.

To support its approach, the Group is implementing a new Group Health & Safety group policy since the end of 2018. It applies to all Gunnebo operations and will help protect employees, visitors, locations and surrounding communities.

During 2019 increased focus has been put on initiatives cross the Group and outcome is 41% decrease in injuries. A step in the right direction and the Group's ambition continues.

Especially, the Group is committed to control the risks associated with hazardous process in its manufacturing facilities by developing safety management systems. Gunnebo's aim is that all manufacturing units should be certified to the OHSAS 18001 or ISO 45001 management system for health and safety. At the end of 2019, seven out of nine units were certified according to this

standard and are preparing the transition to the new ISO 45001 standard in 2020.

Risk assessments are also conducted for every activity of the Group, which result in local prevention action plans in accordance to local regulation. 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.

In order to manage the accident reporting, investigation and assessment process in a uniform way, the Group has a global reporting system to better understand causes for any incident, and to define counteractive measures to avoid repeats and improve the way of working. This enables to monitor the performance as a Group with the aim to reduce the frequency of accidents on a permanent basis. This reporting process has enabled the Group to implement a quarterly newsletter and meeting where results, the most recent serious events and the possible preventive actions are shared and discussed.

Performance management

Gunnebo's performance management process 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. Perfor-

mance management is a process to ensure each employee makes a real impact on the business. During 2019, it became fully digital which enhances the ability to both improve the quality of the feedback as well as focus and endurance.

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.

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 being offered, namely:

- "The ACE" (Action, Communication, Engagement) development programme is the leadership foundation for all within Gunnebo Group,
- "Road to Growth" is a leadership programme intended for middle managers with potential to grow in Gunnebo,
- The Group's programme for employees in senior positions who usually report to a member of the Group Executive Team is called "Challenger".

During 2019 the Group also launched dedicated training initiatives to support the organisational transformation. Focus has been placed on change management trainings for leaders.

E-learning platform for training

To facilitate the dissemination of knowledge and increase accessibility to training, Gunnebo has made a broad scope of e-courses available for its employees, covering skills such as project management, communication and sales training. Taking courses online contributes to reducing the costs and environmental impact associated with travelling.

The courses and information sharing are available in the e-platform and is an important base for employee development and performance management, where the performance management system is connected to the e-platform for training to facilitate for both employees and managers to embed these classes in the personal development plan. Increased utilisation year over year shows the dedication from employees to continue to develop.

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 behaviors stated in the Performance Cornerstones and these are used in the recruitment process for profile mapping as well as in performance management.

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 and 17% of the Group's managers 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 compa-

ny, 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 2019, Gunnebo had 498 (considering all the employees who have direct reports) company managers and members of management teams, representing 35 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.

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.

Our Impact

As a company that operates at an international level, Gunnebo recognizes 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 are always carried out with consideration for the environment. Environmental impact under the Group's direct control, is to be minimized 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 has all of its manufacturing units but one certified in accordance with ISO 14001. Environmental risk analyses are carried out in connection with such certification. These analyses provide good information about the various risks at the manufacturing units and relevant action programmes can then be implemented on a local scale. The systems also include procedures for internal audits and the handling of non-conformities. Inspections are performed regularly by external certification bodies.

Environmental targets and reporting

In 2016, Gunnebo identified the areas where its environmental impact is greatest and set a number of non-financial targets for its environmental performance. Since then, the Group has been working to secure this reporting and regularly updates information to make sure its environmental management remains relevant. The following areas were identified 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. Hence, in 2016, new goals were set for all of these areas, while reporting procedures were improved and quality assured.

Looking ahead

As mentioned, the group updated its ten year old Environmental Policy in 2018. By reviewing risks and impact analysis, it was decided to focus on:

- Decreasing CO₂ emissions and energy consumption,
- Optimising the use of water and raw materials through improvement of processes,
- Managing waste in the most responsible way possible.

As such, the work in the coming years will be centered around:

- Carbon reduction strategy to better manage emissions from operation,
- Energy management improvement by starting a new phase of energy analysis,
- Continuous efforts to reduce fuel consumption,
- Increasing the use of recycled materials,
- Diminishing the impact of the packaging used,
- Waste management improvement in all level of the company,
- Lifecycle perspective in the Group's product development procedures in order to continue efforts in areas such as reducing a product's energy consumption and simplifying source separation when a product can no longer be used,
- Involve employees in those changes as 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.

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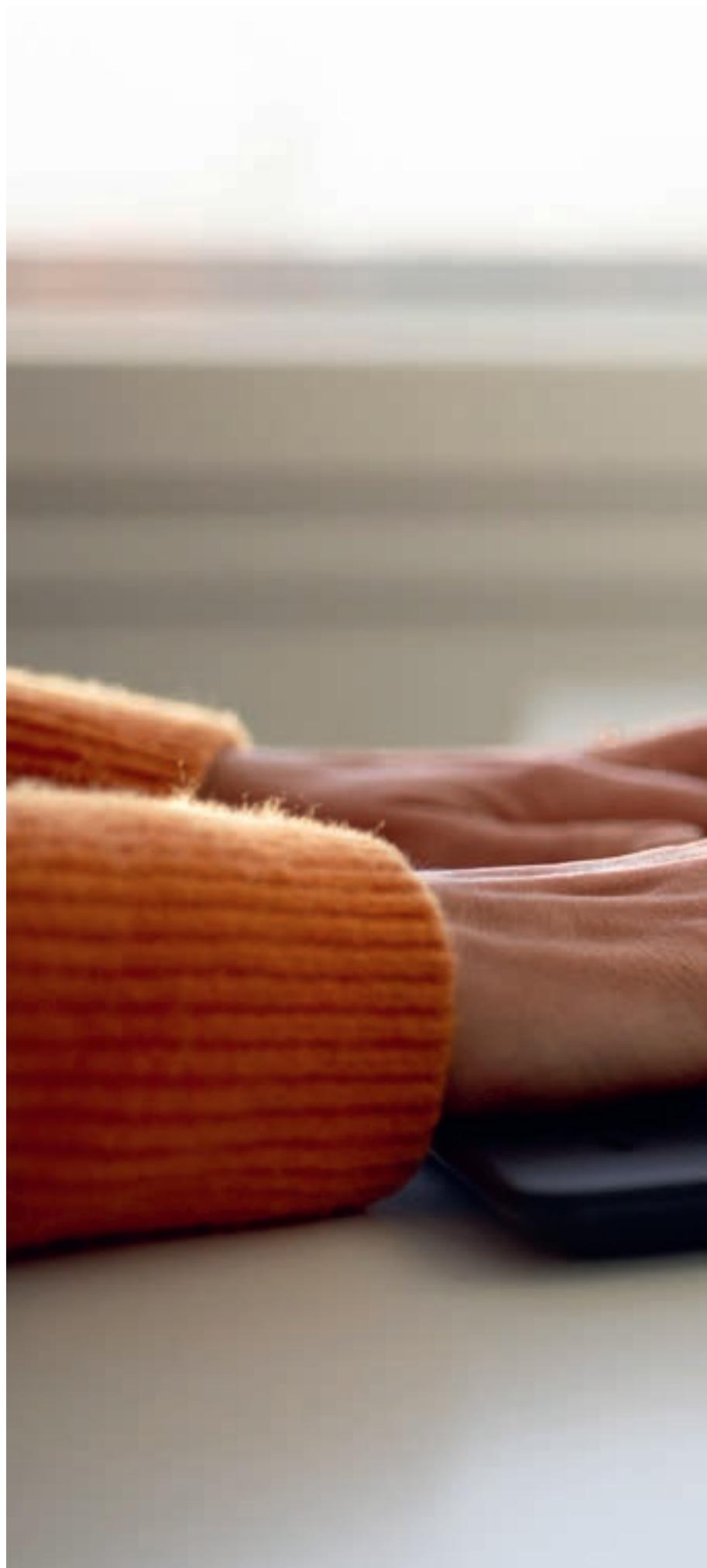
Unless otherwise stated, text and numbers refer to continuing operations.

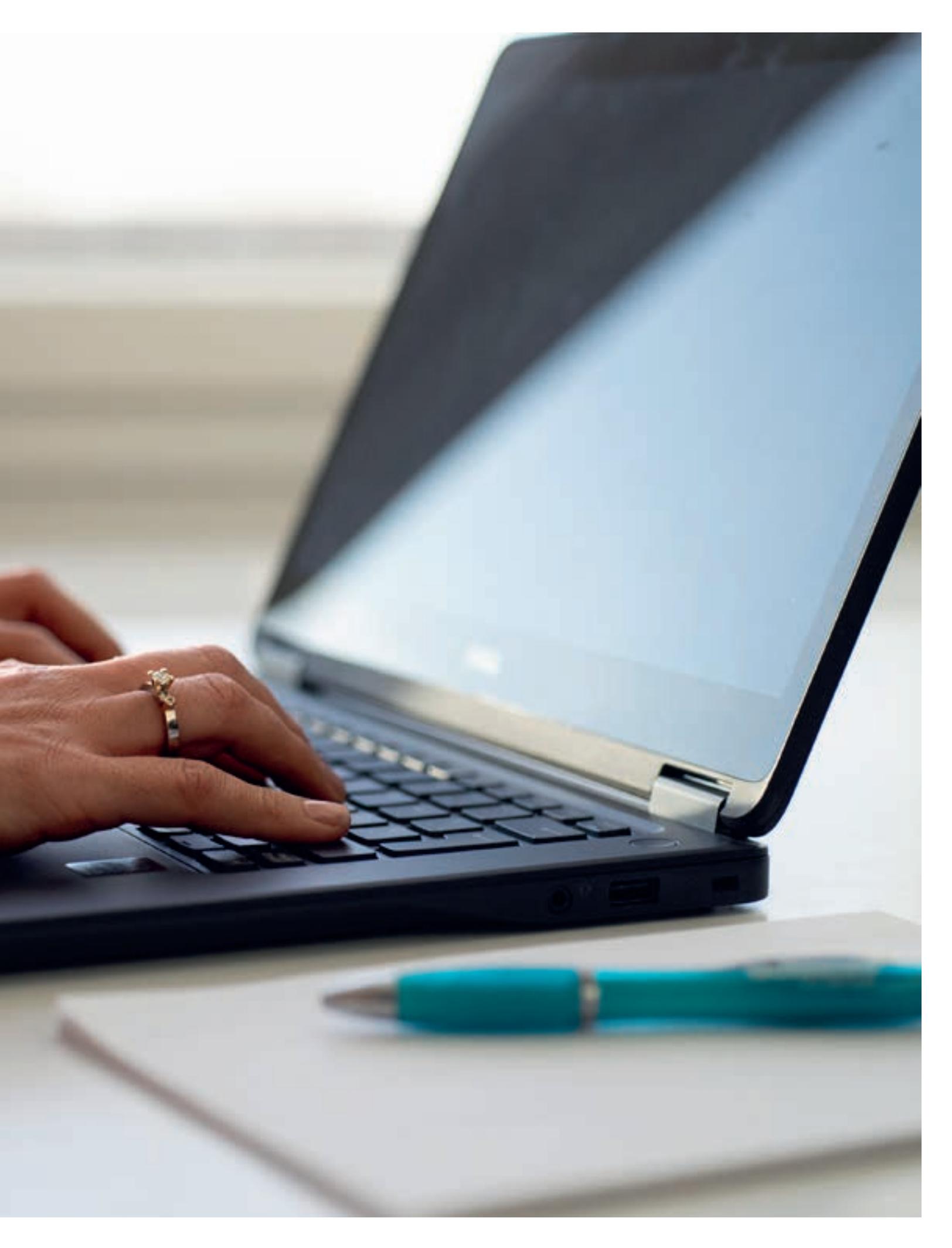
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Consolidated Income Statements

MSEK	Note	2019	2018
Net sales	2	5,459	5,128
Cost of goods sold	2, 5	-4,064	-3,686
Gross profit		1,395	1,442
Selling expenses	2, 5	-663	-611
Administrative expenses	2, 5	-517	-577
Other operating income	8	24	42
Other operating expenses	8	-47	-31
Operating profit (EBIT)		192	265
Financial income and expenses, net	9	-76	-53
Profit before taxes		116	212
Income taxes	10	-71	-92
Net profit from continuing operations		45	120
Net profit/loss from discontinued operations	4	—	-803
Net profit/loss		45	-683
Net profit/loss attributable to:			
Shareholders of the Parent Company		45	-683
Non-controlling interests		—	0
		45	-683
Earnings per share before dilution, SEK	16	0.55	-8.95
Of which, continuing operations, SEK		0.55	1.57
Of which, discontinuing operations, SEK		—	-10.52
Earnings per share after dilution, SEK	16	0.55	-8.94
Of which, continuing operations, SEK		0.55	1.57
Of which, discontinuing operations, SEK		—	-10.51

Consolidated Statements of Comprehensive Income

MSEK	Note	2019	2018
Net profit/loss		45	-683
Other comprehensive income			
Items that will not be reclassified to the income statement			
Remeasurements (actuarial gains and losses)	17	-41	33
Income taxes	10	9	-7
Subtotal		-32	26
Items that may be reclassified to the income statement			
Translation differences in foreign operations		48	16
Hedging of net investments		2	-2
Cash flow hedges	20	1	3
Subtotal		51	17
Other comprehensive income		19	43
Total comprehensive income		64	-640
Total comprehensive income attributable to:			
Shareholders of the Parent Company		64	-640
Non-controlling interests		—	0
		64	-640

Comments on the Consolidated Income Statements

Net Sales

The Group's reported net sales amounted to MSEK 5,459 (5,128). Sales growth was 3% excluding impacts from currency and divestments, of which Cominfo represented slightly more than half. Entrance Control had a growth of 21%, Safe Storage was 6%, Cash Management was -9% and Integrated Security was -6%. The currency effect was 4%.

Net sales comprised of MSEK 4,577 related to product sales and MSEK 882 related to sales of services.

Sales growth by quarter



Gross Margin

The gross margin excluding items affecting comparability was 26.3% compared to 28.4% last year.

Operating Expenses

Selling and administrative expenses excluding items affecting comparability decreased by MSEK 23 over the same period last year. As a percentage of net sales, this equalled 20.5% compared to 22.3% for the previous year.

Other operating income and expenses totalling MSEK -32 (-20) included the impairment of acquisition related intangibles of MSEK -29 (-21 relating to an impairment in connection with a divestment in the UK) linked to Integrated Security.

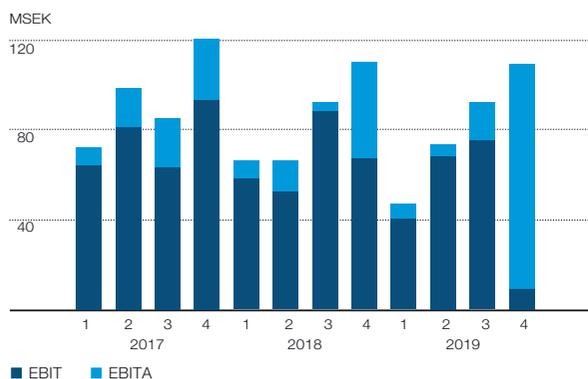
Items affecting comparability impacted the result by MSEK -91 (-29) for the year with MSEK -38 (-13) in cost of goods sold, MSEK -62 (-47) reported in selling and administrative expenses and MSEK 9 (31) reported in other operating income and expenses. Items affecting comparability included MSEK 53 of costs related to the cost-efficiency programme and MSEK 38, being a net derived from former initiatives and profit on sale of property in Portugal recorded in the second quarter. The total cost for the efficiency programme has been re-confirmed to end at MSEK 60 with the remainder to be taken during the first half of 2020 where re-confirmed savings will show full year effect from second half of 2020.

Last year, items affecting comparability included MSEK 60 of structural costs, offset by both the gain of MSEK 21 on the divestment of a non-core monitoring service business in Spain and MSEK 10 being the profit from the sale of a facility in South Africa.

Operating Profit (EBIT)

Operating Profit (EBIT) was MSEK 192 (265), equalling an operating margin of 3.5% (5.2).

EBIT and EBITA by quarter



EBITA

The internal financial performance follow-up for the Business Units and the Group focuses on EBITA as a measure of performance. EBITA is defined as Operating profit (EBIT) before amortisation and impairment of acquisition related intangible assets, excluding items affecting comparability and effect of IFRS 16 Leases.

MSEK	2019	2018
Net sales	5,459	5,128
Cost of goods sold excl. IAC	-4,026	-3,673
Gross profit excl. IAC	1,433	1,455
Selling and administrative expenses excl. IAC	-1,118	-1,141
Other operating income and expenses, net, excl. IAC	-32	-20
Add back: Amortisation and impairment of acquisition related intangibles	47	40
Add back: IFRS 16 leasing effect	-9	-
EBITA	321	334

EBITA was MSEK 321 (334), equalling an EBITA margin of 5.9% (6.5). Changes in the year, as compared to previous year, can be explained by:

MSEK

EBITA 2018	334
Sales growth	61
Structure	48
Currency	20
Other	-142
EBITA 2019	321

- The sales growth of 3% impacted operating profit with MSEK 61.
- Savings from cost-efficiency measures were MSEK 48, of which MSEK 14 were related to the cost-efficiency programme launched in July 2019.
- Currency effects were MSEK 20, of which translation effect was MSEK 19 and transaction effect was MSEK 1.
- Other effects of MSEK -142 came mainly from the net of overhead cost increase and from loss on associated companies, offset by product mix improvements. The overhead costs for the year are impacted temporarily due to transition to the global Business Unit structure.

EBITA margin by quarter



Financial Income and Expenses, net

Net financial items totalled MSEK -76 (-53). Excluding the impact of IFRS 16 Leases of MSEK -14, net financial items increased mainly due to higher interest expenses and financing costs on external financing.

Income Taxes

Tax expense was MSEK -71 (-92) resulting in an effective tax rate of 61% (43). The higher effective tax rate compared to the previous year was negatively impacted by the impairment of acquisition related intangibles of MSEK -29 (-21) linked to Integrated Security, current losses not recognised and a tax cost of MSEK -10 related to a lost tax case from 2012. Last year's taxes included final adjustments to prior year tax returns and write-downs of deferred tax assets.

Consolidated Balance Sheets

MSEK	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Goodwill	11	1,525	1,408
Other intangible assets	11	374	306
Right of use assets	12	243	—
Property, plant and equipment	13	322	282
Deferred tax assets	10	228	195
Other long-term assets		43	50
Total non-current assets		2,735	2,241
Current assets			
Inventories	14	754	717
Total customer receivables	15	972	1,018
Current tax receivables		120	113
Other short-term assets	19	189	198
Cash and cash equivalents		744	569
Total current assets		2,779	2,615
TOTAL ASSETS		5,514	4,856
EQUITY AND LIABILITIES			
Equity attributable to shareholders of Parent Company		1,464	1,087
Total equity		1,464	1,087
Non-current liabilities			
Long-term financial liabilities	20	1,805	1,863
Provisions for post-employment benefits	17	411	375
Long-term portion of lease liabilities	12	148	—
Deferred tax liabilities	10	59	50
Total non-current liabilities		2,423	2,288
Current liabilities			
Accounts payable		585	594
Current tax liabilities		95	113
Short-term provisions	18	51	55
Short-term financial liabilities	20	37	45
Short-term portion of lease liabilities	12	100	—
Other short-term liabilities	19	759	674
Total current liabilities		1,627	1,481
TOTAL EQUITY AND LIABILITIES		5,514	4,856

Comments on the Consolidated Balance Sheets

Intangible Assets

Intangible assets changed by MSEK 185 (-196) during the year, of which MSEK 176 related to the acquisition of Cominfo, MSEK -29 (-) caused by goodwill impairments and MSEK 42 (78) by currency. Amortisation was MSEK 50 (53) of which MSEK 18 (19) comes from acquisition related intangible assets. Capital expenditures on intangible assets were MSEK 46 (72) related to product and software development. Last year even included MSEK 299 caused by impairments related to divestments.

Right of Use Assets

The Group has adopted IFRS 16 Leases as from 1 January 2019 using the modified retrospective approach, under which no restatement is made of comparative financial information for 2018. Upon adoption, right of use assets and lease liabilities were recognised in the amount of MSEK 254. Right of use assets changed by MSEK -11 during the year, of which MSEK 91 related to additions, MSEK -111 was depreciation and MSEK 9 by currency.

Property, Plant and Equipment

Property, plant and equipment changed by MSEK 40 (-63) during the year, of which MSEK 30 related to the acquisition of Cominfo, MSEK -16 (-10) was caused by sales during the year and MSEK 8 (8) by currency. Depreciation was MSEK 51 (61). Investments in property, plant and equipment amounted to MSEK 69 (65) relating to the Safe Storage in the US and Entrance Control in the UK. Last year also included MSEK 59 caused by impairments related to divestments.

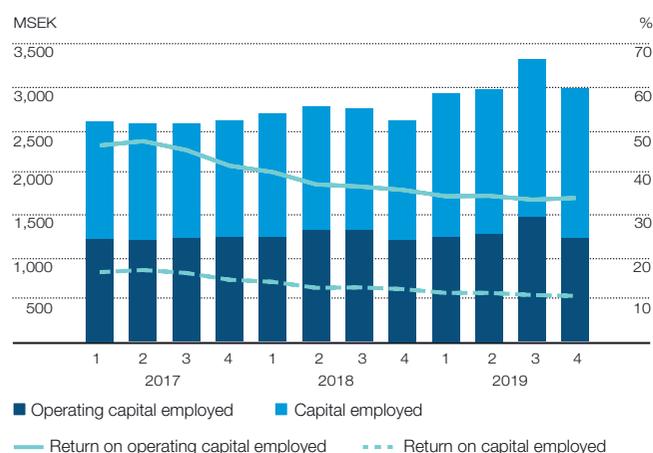
Net Operating Working Capital Development

Net operating working capital decreased to MSEK 520 (610), representing 9.5% (11.9%).

Net operating working capital, MSEK	2019	% of sales	2018	% of sales
Inventories	754	13.8%	717	14.0%
Total customer receivables	972	17.8%	1,018	19.9%
Accounts payable	-585	10.7%	-594	11.6%
Other operating assets/liabilities	-621	11.4%	-531	10.4%
Total	520	9.5%	610	11.9%

Excluding the effect of divested balances, accounts receivable 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

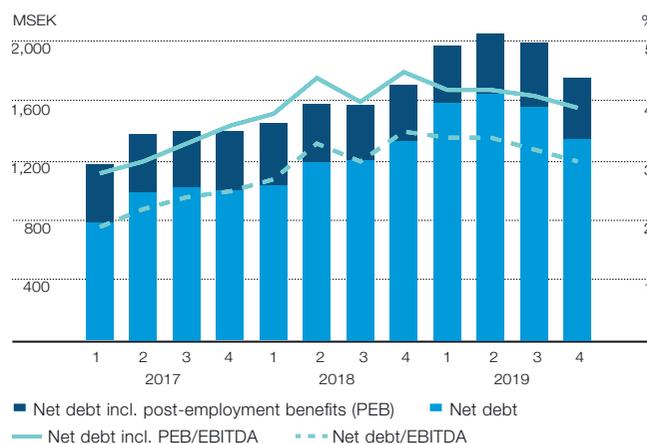
The Group's long- and short-term financial liabilities amounted to MSEK 2,094 (1,908), whereof MSEK 8 (17) related to bank overdraft facilities and the remainder being mainly borrowings from financial institutions. Total credit facilities amounted to MSEK 2,627 (2,591) of which MSEK 785 (682) remained unused at the end of 2019.

Net Debt

Net debt amounted to MSEK 1,761 (1,714) at the end of 2019. Excluding provisions for post-employment benefits, net debt increased to MSEK 1,350 in 2019 from MSEK 1,339 in 2018 where the change includes both an increase from the inclusion of the IFRS 16 Leases liability of MSEK 254, offset by increased cash mainly attributable to the net proceeds from the rights issue.

Net debt/EBITDA ratio (net leverage) decreased from 3.5 at the end of 2018 to 3.0 at the end of 2019.

Net debt/EBITDA



Post-employment Benefits

The Group's provisions for post-employment benefits were MSEK 411 (375) representing an increase of MSEK 36. The increase is mainly caused by the changes in financial assumptions, as well as pension payments.

Equity

Equity amounted to MSEK 1,464 (1,087) at year-end representing an increase of MSEK 377, mainly attributable to the net proceeds from the rights issue of MSEK 351 (-). Net profit from continuing operations decreased to MSEK 45 (120).

Currency translation adjustments contributed positively with MSEK 50 (14), including the effects of hedging of net investments. Actuarial losses, gross of MSEK -41 (33) together with their related tax effect of MSEK 9 (-7), also caused a net decrease in equity. Dividends paid amounted to MSEK -38 (-92).

Employees

At the end of 2019, the number of registered employees was 4,256 (4,412), of which 193 employees were related to the acquisition of Cominfo. The average number of employees was 4,226 (4,363).

Consolidated Statements of Cash Flow

MSEK	Note	2019	2018 ¹⁾
OPERATING ACTIVITIES			
Operating profit		192	-410
Adjustment for non-cash items:			
Depreciation		51	61
Amortisation and impairments		79	74
Depreciation right of use assets		111	—
Impairments and write-downs, discontinued operations		—	526
Other non-cash items		15	76
Post-employment benefit payments		-46	-47
Income taxes paid		-115	-80
Interest and other financial items		-65	-45
Changes in working capital:			
Inventories		21	3
Total customer receivables		91	108
Accounts payable		-20	7
Other operating assets and liabilities, net		70	-31
Net cash flow from operating activities		384	242
INVESTING ACTIVITIES			
Capital expenditure for intangible assets	11	-46	-72
Capital expenditure for property, plant and equipment	13	-69	-65
Sale of property, plant and equipment		34	19
Acquisition of operations	3	-253	-59
Divestment of operations	3, 4	-2	-235
Net cash flow from investing activities		-336	-412
Net cash flow after investments, before financing		48	-170
FINANCING ACTIVITIES			
Proceeds from loans		375	1,385
Repayments of loans		-459	-995
Change in short-term loans		-9	-48
Lease liability payments		-106	—
Other financing items		-6	-16
Rights issue		351	—
Sale of treasury shares		—	1
Dividends		-38	-92
Net cash flow from financing activities		108	235
Net cash flow		156	65
Cash and cash equivalents at the beginning of the year		569	498
Net cash flow		156	65
Translation differences		19	6
Cash and cash equivalents at the end of the year		744	569

CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES AND NET DEBT

MSEK	Closing balance	Cash changes	Non-cash changes	Translation differences	Adjusted opening balance 1 Jan	IFRS 16 adjustments ²⁾	Closing balance 2018
Long-term loans, including short-term portion	1,834	-75	17	1	1,891	—	1,891
Finance lease liability, including short-term portion	248	-106	92	8	254	254	—
Short-term loans	8	-9	—	—	17	—	17
Other short-term financial assets (-)/liabilities (+)	4	-6	10	—	0	—	0
Total liabilities from financing activities	2,094	-196	119	9	2,162	254	1,908
Cash and cash equivalents	-744	-156	—	-19	-569	—	-569
Net debt	1,350	-352	119	-10	1,593	254	1,339
Post-employment benefits, net	411	-32	52	16	375	—	375
Net debt including post-employment benefits	1,761	-384	171	6	1,968	254	1,714

¹⁾ Includes cash flow from discontinuing operations.

²⁾ Adjusted opening balance as of 1 January 2019 due to the implementation of IFRS 16 Leases.

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 384 in 2019 compared to MSEK 242 in 2018. The improved cash flow mainly relates to the improvement of working capital.

Interest and other financial items included interest received of MSEK 24 (18) and interest paid of MSEK -50 (-45). The Group's interest paid increased mainly due to higher interest expenses and financing costs on external financing.

Changes in working capital in total were MSEK 162 (87), an improvement of MSEK 75. This is mainly a result of higher advance payments received.

Cash Flow from Investing Activities

Capital expenditures on intangible assets totalled MSEK 46 (72) of which the majority related to product and software development. Capital expenditures on property, plant and equipment were in line with last year and totalled MSEK 69 (65). Additionally, there is a positive cash flow effect of MSEK 34 (19) from proceeds from the sale of non-current assets, being mainly the sale of property in Portugal of MSEK 26 (13, mainly related to the sale of facility in South Africa). Acquisition related payments amounted to MSEK -253 (-59), whereof MSEK -237 was related to the acquisition of Cominfo and MSEK -16 to previous acquisitions.

Divestment related payments of MSEK -235 in 2018 were mainly related to the divestment of businesses in France, Belgium and Luxembourg, and MSEK -59 related to the minority buy-out in both Brazil and Mexico, as well as an earn-out.

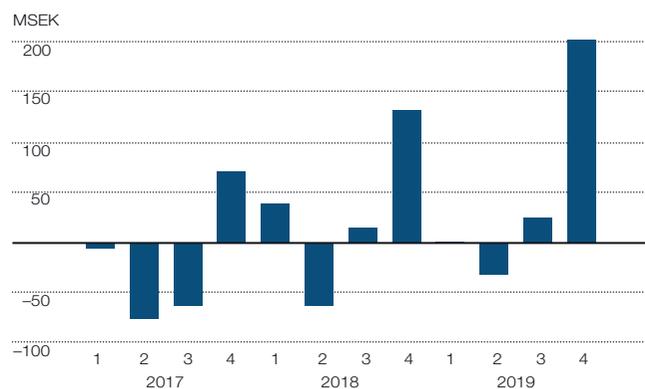
Free Cash Flow

Free cash flow is shown in the following table:

MSEK	2019	2018
Operating profit	192	-410
Depreciation	51	61
Amortisation and impairment, acquisition related intangibles	47	40
Impairments and write-downs, discontinued operations	-	526
Amortisation, other intangible assets	32	34
Depreciation right of use assets plus IFRS 16 leasing effect	120	-
Other	-220	-96
Change in working capital	162	87
Operating cash flow	384	242
Other investing cash flow excluding acquisitions	-81	-118
Lease liability payments	-106	-
Free cash flow	197	124

Free cash flow for the year 2019 amounted to MSEK 197 compared to MSEK 124 in 2018. Free cash flow per share 2019 was SEK 2.41 compared to SEK 1.62 for 2018.

Free cash flow by quarter

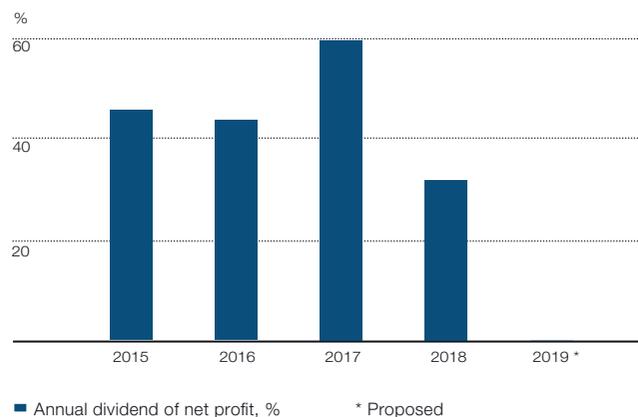


Cash Flow from Financing Activities

Cash flow from financing activities of MSEK 108 (235), included the impact of IFRS 16 Leases with payments of MSEK -106 (-) and a net change in loans of MSEK 252 (326), of which the net proceeds from the rights issue were MSEK 351. Other financing flows included changes in bank overdrafts and realised currency swaps related to the long-term loans.

Dividends paid to shareholders totalled MSEK 38 (92) equivalent to SEK 0.50 (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 equity
	Share capital	Other contributed capital	Hedging reserves	Translation reserves	Retained earnings	Subtotal		
Opening balance 1 January 2019	385	988	-1	-200	-85	1,087	-	1,087
Net profit	-	-	-	-	45	45	-	45
Other comprehensive income								
Translation differences	-	-	-	48	-	48	-	48
Hedging of net investments	-	-	-	2	-	2	-	2
Cash flow hedges	-	-	1	-	-	1	-	1
Actuarial gains and losses	-	-	-	-	-41	-41	-	-41
Income taxes	-	-	-	-	9	9	-	9
Subtotal	-	-	1	50	-32	19	-	19
Transactions with shareholders								
Rights issue	96	255	-	-	-	351	-	351
Dividends	-	-	-	-	-38	-38	-	-38
Subtotal	96	255	-	-	-38	313	-	313
Closing balance 31 December 2019	481	1,243	0	-150	-110	1,464	-	1,464

MSEK	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity
	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

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, they are 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 19 March 2020. 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 21 April 2020.

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%, 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, with exception of IFRS 16 Leases, which is a reconciling item. Refer to Note 2 for detailed information.

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	
			2019	2018	2019	2018
Australia	1	AUD	6.57	6.49	6.51	6.32
Brazil	1	BRL	2.40	2.39	2.25	2.32
China	1	CNY	1.37	1.31	1.33	1.31
EU	1	EUR	10.59	10.26	10.43	10.28
UK	1	GBP	12.07	11.59	12.21	11.35
Indonesia	1,000	IDR	0.67	0.61	0.67	0.62
India	100	INR	13.43	12.72	13.25	12.82
USA	1	USD	9.46	8.69	9.32	8.97

Revenue from Contracts with Customers (IFRS 15)

The Group generates revenue streams which are deliverables within the Business Units Entrance Control, Safe Storage, Cash Management 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 involves 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 service 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.

Intangible Assets (IAS 38)

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

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

Note 1 cont.

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.

Leases (IFRS 16)

Right of use assets and lease liabilities are valued as the present value of the remaining lease payments, discounted with using each subsidiary's incremental borrowing rate for that leased asset.

Right of use assets are depreciated on a straight-line basis over the lease term. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

Future lease payments are allocated to an amortisation of the lease liability and to a finance cost in the income statement. The above accounting is applied at Group level while the Business Units continue to apply the previous lease accounting where operational leases are expensed when incurred, hence there is no IFRS 16 Leases effect on EBITA. This will be a reconciling item in the Group's segment reporting.

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. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Gunnebo regards its business units as CGUs, with the exception of Integrated Security which is comprised of several local integrator businesses, considered to be separate individual CGUs. These CGU's are 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 encom-

pass 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 represents 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 involve 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.

Corona virus (COVID-19)

Gunnebo follows Corona developments on a regular basis. The Group Executive Team is closely monitoring and assessing any impact the process may have on the supply chain specifically and the business in general. Moreover, the Business Unit organisations have frequent dialogues with suppliers and customers in this regard.

New or Amended IFRS Standards and New Interpretations in 2019

The Group has adopted IFRS 16 Leases as from 1 January 2019 using the modified retrospective approach, under which no restatement is made of comparative financial information for 2018. Further, the Group has chosen to apply the option to exclude leases with a remaining lease term of less than 12 months from 1 January 2019, where such payments are recognised as an expense in the income statement as under previous accounting. Upon adoption, right of use assets and lease liabilities were recognised in the amount of MSEK 254. Both were valued as the present value of the remaining lease payments, discounted with using each subsidiary’s incremental borrowing rate for that leased asset. The category “buildings and office space” is the largest category with MSEK 174 at 1 January 2019, representing leases across all geographic regions. The category “vehicles” included the largest number of leases. Leases also exist for production and office equipment. Refer to Note 12 for detailed information.

The following table represents the reconciliation of lease liabilities as of 1 January 2019:

	MSEK
Operating lease obligations 31 December 2018	276
Short-term leases relief option	-11
Effect of additional extensions	11
Other effects	2
Gross leasing obligations	278
Discounting effect	-24
Lease liability at 1 January 2019	254

The weighted average incremental borrowing rate was 5.5%.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

New or Amended IFRS Standards and New Interpretations not yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Note 2 Operating Segments

The Group's internal financial reporting and follow-up is based on four Business Units: Entrance Control, Safe Storage, Cash Management and Integrated Security. Each of these are described on pages 12–29.

Net sales	2019	2018
Entrance Control	1,307	1,048
Safe Storage	2,019	1,826
Cash Management	1,034	1,090
Integrated Security	1,099	1,164
Total	5,459	5,128

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, brand management, communications and investor relations.

	2019	2018
Entrance Control	204	176
Safe Storage	144	151
Cash Management	68	122
Integrated Security	17	1
Subtotal business unit EBITA	433	450
Group functions	-112	-116
EBITA	321	334
Amortisations and impairments of acquisition related intangible assets	-47	-40
Items affecting comparability (IAC)	-91	-29
IFRS 16 leasing effect	9	-
Operating profit (EBIT)	192	265
Financial income and expenses, net	-76	-53
Profit before taxes from continuing operations	116	212

Entrance Control

Net sales amounted to MSEK 1,307 (1,048), resulting in a sales growth of 21% (13). Growth came from the Cominfo acquisition, as well as project business to among others airports, metro and bus rapid transport (BRT). Excluding Cominfo, sales growth was 12%.

EBITA amounted to MSEK 204 (176), resulting in a margin of 15.6% (16.8). Entrance Control has been able to both grow and prepare for future growth during the year, which explains the slightly lower EBITA margin compared to last year.

Safe Storage

Net sales amounted to MSEK 2,019 (1,826), resulting in a sales growth of 6% (4). 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 144 (151), resulting in a margin of 7.1% (8.3). The lower margin is explained by European cost level not yet fully impacted by the cost-efficiency program and costs for setting up the new Business Unit global structure.

Cash Management

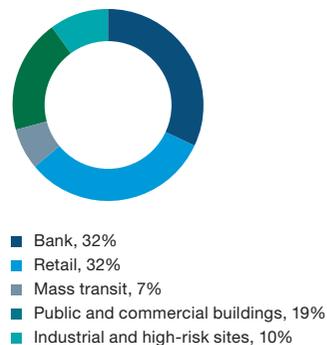
Net sales amounted to MSEK 1,034 (1,090), resulting in a sales growth of -9% (2). The negative development during the year comes from lower volumes in Asia-Pacific and Middle East.

EBITA amounted to MSEK 68 (122), resulting in a margin of 6.6% (11.2). The lower margin is mainly explained by the drop in sales volume in all regions while Gunnebo has continued to invest in growing customer segments.

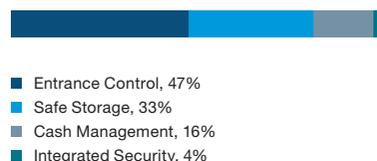
Sales by Business Unit



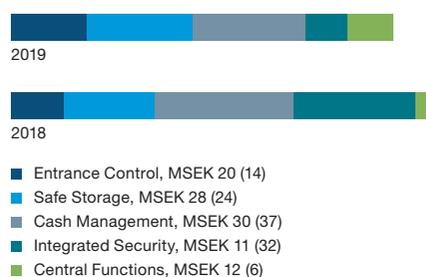
Sales by Customer Segment



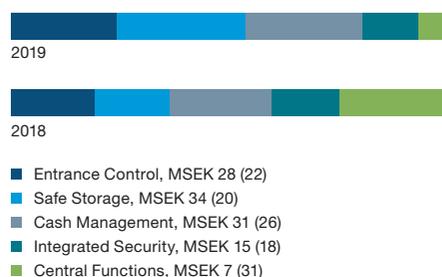
EBITA by Business Unit



Depreciation and Amortisation by Business Unit



Capital Expenditure by Business Unit



Integrated Security

Net sales amounted to MSEK 1,099 (1,164), resulting in a sales growth of -6% (-5). Good sales development in Americas, Indonesia and Eastern Europe did not fully compensate for lower sales in other markets.

EBITA amounted to MSEK 17 (1), resulting in a margin of 1.5% (0.1). The EBITA improvement was a result of the ongoing cost-efficiency measures taken to improve the performance of the local operations.

The Business Units are also measured on their Operating Capital Employed, which is defined as property, plant and equipment, other intangible assets, total customer receivables, inventories, accounts payable, as well as other short-term assets and short-term liabilities that are not tax-, financial- or IFRS 16 Leases related. Capital expenditure includes intangible assets and property, plant and equipment.

A reconciliation of the Business Units' Operating Capital Employed to the Group's Capital Employed is as follows:

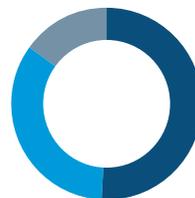
	2019	2018
Entrance Control	354	181
Safe Storage	428	491
Cash Management	237	258
Integrated Security	197	268
Operating capital employed from Business Units	1,216	1,198
Group functions	4	1
Goodwill	1,525	1,408
Right use of assets	243	—
Capital employed	2,988	2,607

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	
	2019	2018	2019	2018
Sweden	190	223	177	185
Australia	216	230	21	18
China	252	198	37	5
Germany	274	258	292	258
Hungary	351	307	1	0
India	459	413	70	63
Italy	238	248	51	25
Spain	327	345	205	192
UK	277	318	89	60
USA	710	629	544	499
Other – Europe, Middle East & Africa	1,262	1,205	410	167
Other – Asia-Pacific	371	318	307	295
Other – Americas	532	436	260	229
Total	5,459	5,128	2,464	1,996

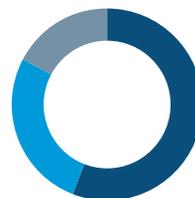
Sales by region 2019

Entrance Control



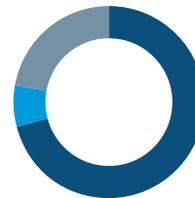
■ EMEA, 51%
■ Asia-Pacific, 34%
■ Americas, 15%

Safe Storage



■ EMEA, 56%
■ Asia-Pacific, 27%
■ Americas, 17%

Cash Management



■ EMEA, 71%
■ Asia-Pacific, 7%
■ Americas, 22%

Integrated Security



■ EMEA, 39%
■ Asia-Pacific, 21%
■ Americas, 40%

Note 3 Acquisitions and Divestments

Cominfo a.s.

1 July 2019, Gunnebo acquired 100 percent of the shares in the Czech company, Cominfo a.s.. Cominfo had some 190 employees at the end of Q4 and offers solutions within entrance control and access systems, where software is an integral part of the offering. The acquisition is in line with the Group's strategy to further strengthen the Business Unit Entrance Control. The purchase price amounted to MSEK 233, net of cash. According to the acquisition analysis, identified intangible assets arising from the acquisition are primarily attributable to acquired technologies and customer relations.

The recognised goodwill is related to human capital and growth opportunities from synergies. The goodwill is not tax deductible. The acquisition has been consolidated in the Group accounts from the third quarter within Business Unit Entrance Control.

	31 Dec 2019
Fair value of assets and liabilities in acquired operations	
Other intangible assets	65
Property, plant and equipment	30
Inventories	40
Total customer receivables	25
Other short-term assets	7
Cash and cash equivalents	25
Accounts payable	-9
Other short-term liabilities	-14
Deferred tax liabilities	-13
Long-term financial liabilities	-9
Identifiable net assets	147
Goodwill	111
Total purchase price	258
Less:	
Cash in acquired operations	-25
Effect on Group cash and cash equivalents at 31 December	233

Acquisition related costs amounted to MSEK 4 and are reported within Selling and administrative expenses in the consolidated income statement and in acquisition related payments in the investing cash flows in the consolidated statement of cash flow.

Earn-Out Paid

During 2019, 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 (15).

Acquisitions of Non-Controlling Interests

During 2018, 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:

	2019	2018
Carrying amount of non-controlling interests acquired	—	32
Consideration paid to non-controlling interests ¹⁾	—	-48
Excess of consideration paid recognised within equity	—	-16

¹⁾ Of which MSEK -4 is not yet paid and included within other operating liabilities.

Divestments

There were no divestments during the year ending 31 December 2019. 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.

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

Note 4 Discontinued Operations

There were no discontinued operations during 2019.

2018

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.

	2018
Net sales	976
Operating expenses excl. depreciation and amortisation	-1,057
EBITDA	-81
Depreciation and amortisation	-22
EBIT	-103
Financial income and expenses, net	-2
Profit/loss before taxes	-105
Income taxes	10
Results from operating activities	-95
Loss on divestment	-708
Net profit/loss from discontinued operations	-803

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 the divestment. 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
Subtotal divested balances	108
Impairments	417
Write-down deferred tax assets	135
Divestment costs	48
Total loss on divestment	708
Cash balances divested companies	226
Divestment costs paid	20
Total cash impact on divestment	246

Impairments included MSEK -232 related to goodwill, MSEK -104 related to other intangibles, 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.

	2018
Cash flow from operating activities	-31
Capital expenditure for intangibles, property, plant and equipment	-20
Divestment related payments	-246
Cash flow from investing activities	-266
Cash flow from financing activities	-

Note 5 Expenses by Nature

	Continuing operations		Discontinued operations
	2019	2018	2018
Material costs	2,284	2,067	89
Change in inventories	-25	12	9
Remuneration to employees	1,598	1,545	550
Subcontractors	219	205	142
Transport costs	135	137	37
Vehicle and travel costs	204	176	46
Depreciation	231	113	22
Other costs	598	619	184
Total operating expenses¹⁾	5,244	4,874	1,079

¹⁾ Sum of cost 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 2019 to the Board of the Parent Company amounted to TSEK 1,945 (2,030), of which TSEK 170 (155) comprises remuneration for committee work. Women occupy 50% (50) of the Board of Directors at year-end.

TSEK	2019	2018
Martin Svalstedt, Chairman	500	500
Göran Bille	285	280
Anna Borg Sæther	270	265
Charlotte Brogren	255	250
Bo Dankis (resigned 2018)	-	125
Eva Elmstedt	320	300
Mikael Jönsson	315	310
Total	1,945	2,030

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

TSEK	2019					2018		
	CEO Stefan Syrén	Former CEO Henrik Lange	Deputy CEO Robert Hermans	Other members in GET (8) ⁴⁾	Total	CEO Henrik Lange	Other members in GET (9) ⁴⁾	Total
Salary	795	5,926	458	22,380	29,559	6,910	22,292	29,202
Bonus ¹⁾	-	463	184	5,769	6,416	508	2,233	2,741
Long-term incentive programmes ²⁾	-	-	-	-	-	1,033	1,430	2,463
Other benefits ³⁾	2	124	86	3,159	3,371	121	2,863	2,984
Pension cost	207	2,059	109	5,076	7,451	2,411	5,300	7,711
Severance	-	5,759	-	12,176	17,935	-	-	-
Total	1,004	14,331	837	48,560	64,732	10,983	34,118	45,101

¹⁾ Includes only cash-based short-term variable salary expensed for the bonus year 2019.

²⁾ Relates to share-based incentive program LTIP 2015.

³⁾ Other benefits mainly include housing allowances and car.

⁴⁾ Includes only remuneration for the portion of the year being a member of GET.

⁵⁾ Women occupy 24% (22) of the Group Executive Team.

Note 6 cont.

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. 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 six months salary is payable in equal amounts over the course of 6 months.

For other senior executives (four people who, together with the CEO, constitute GET), the notice period is a maximum of 12 months, 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 (two 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.

Incentive Programmes*Long-term share based incentive programme (LTI 2019/2023)*

The 2018 AGM approved the implementation of a long-term share based incentive programme (LTI 2019/2023) comprising 23 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 2019, shares free of charge on the allotment day, which will occur after the 2023 Annual General Meeting but before 30 June 2023. The maximum number of shares that may be received shall correspond to 20 percent of the participant's actually paid salary 2019, however with certain limitations regarding the maximum number of shares that can be allotted to each participant. A maximum total of 471,266 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 2022. 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 2017 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.

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.

Note 7 Auditors' Remuneration

	2019	2018
Remuneration to Deloitte		
Auditing	8.0	6.5
Other audit work	2.0	0.2
Tax advice	1.2	1.1
Other services	0.1	0.2
Total remuneration to Deloitte	11.3	8.0
Audit remuneration to other auditing firms	1.1	1.0
Total auditors' remuneration	12.4	9.0

Auditing refers to the auditors' remuneration for the statutory audit. Other audit work are mainly attributable to the review of the completed rights issue and extended review of internal control. Other services are advice not related to any of the previously specified services.

Note 8 Other Operating Income and Expenses

Other operating income	2019	2018
Gains on sale of property, plant and equipment	16	12
Exchange rate gains	5	3
Profit from associated companies	—	4
Gain on divestment of business	—	21
Other	3	2
Total	24	42
Other operating expenses	2019	2018
Exchange rate losses	-6	-5
Loss from associated companies	-7	—
Write-down of acquisition related intangibles	-29	-21
Other	-5	-5
Total	-47	-31

Gains on sale of property, plant and equipment included MSEK 15 from the sale of a facility in Portugal. The corresponding amount last year amounted to MSEK 10 from the sale of facility in South Africa. Last year the gain on divestment of business of MSEK 21 was related to the divestment of a non-core monitoring service business in Spain.

The write-down of acquisition related intangibles of MSEK –29 (–21) was linked to Integrated Security business.

Investments in associated companies were MSEK 5 (12). 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

	2019	2018
Financial income		
Interest income	24	17
Exchange rate gains and other income	2	13
Total	26	30
Financial expenses		
Interest expense	–50	–44
Net financial cost on pensions	–11	–12
Lease financial cost	–14	–
Exchange rate losses	–5	–9
Bank charges and guarantee costs	–16	–11
Other	–6	–7
Total	–102	–83
Financial income and expenses, net	–76	–53

Note 10 Income Taxes

Tax expense	2019	2018
Current tax expense	–97	–90
Deferred tax expense	26	–2
Total	–71	–92

Taxes charged to other comprehensive income includes MSEK 9 (–7) related to remeasurements of post-employment benefits.

For 2018, the tax expense excludes the tax income from the discontinued operation of MSEK 10 which has been included in loss from discontinued operation (see Note 4).

Reconciliation of Swedish tax rate with effective tax rate	2019	2018
Profit before taxes	116	212
Tax calculated using the statutory tax rate in Sweden 21.4% (22.0%)	–25	–47
Effect of tax rates in foreign jurisdictions	–7	–13
Other, incl. non-deductible/ non-taxable items	–7	13
Current year losses for which no deferred tax asset is recognised	–14	–16
Other valuation allowance changes	–	–9
Changes in estimates related to prior years	–13	–15
Withholding taxes	–5	–5
Total	–71	–92
<i>Effective tax rate in %</i>	<i>61%</i>	<i>43%</i>

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 22.0% 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 recognised during the year ended 2018.

Deferred tax balances, net	2019	
	Deferred tax assets	Deferred tax provisions
Non-current assets	9	58
Current assets	24	1
Provisions for post-employment benefits	57	0
Short-term provisions	14	–
Other	24	–
Tax loss carry-forwards	100	–
Closing balance	228	59

Deferred tax balances, net	2018	
	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	–
Closing balance	195	50

Change of deferred tax on temporary differences and unused tax losses	2019	2018
Opening balance, net	145	256
Recognised in net profit, continuing operations	26	–2
Recognised in net profit, discontinued operations	0	22
Acquired companies	–13	0
Divested deferred tax balance, net	0	10
Write-down of deferred tax assets	0	–135
Tax recognised in other comprehensive income	9	–7
Translation differences	2	1
Closing balance, net	169	145

Tax Loss Carry-Forwards

At 31 December 2019, the Group had total tax loss carry-forwards of MSEK 1,761 (1,846). There is no expiration date for the utilisation of approximately 93% 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 100 (85) related to tax loss carry-forwards of MSEK 484 (502), have been recognised in the balance sheet. These deferred tax assets include an amount of MSEK 57 (73) related to subsidiaries which have incurred taxable losses during the current period.

Management believes that the tax 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 does not expire in the near term.

Note 11 Intangible Assets

	Goodwill	Other intangible assets
2019		
<i>Acquisition costs</i>		
Opening balance	1,408	787
Capital expenditure	—	46
Acquired companies	111	65
Disposals	—	-3
Translation differences	35	14
Closing balance	1,554	909
<i>Accumulated amortisation and impairments</i>		
Opening balance	0	481
Amortisation	—	50
Impairments	29	—
Divestments	—	-3
Translation differences	—	7
Closing balance	29	535
Net book value	1,525	374
2018		
<i>Acquisition costs</i>		
Opening balance	1,596	855
Capital expenditure	—	72
Divestments	-253	-187
Reclassifications	—	16
Translation differences	65	31
Closing balance	1,408	787
<i>Accumulated amortisation and impairments</i>		
Opening balance	—	541
Amortisation	—	53
Impairments	253	46
Divestments	-253	-177
Translation differences	—	18
Closing balance	—	481
Net book value	1,408	306

Other intangible assets include acquisition-related brand name with an indefinite useful life, customer relations and product development with carrying amounts totalling MSEK 83 (80), MSEK 50 (55) and MSEK 57 (-) respectively. Additionally, it also includes internally generated capitalised product development and software developed for internal use with carrying amounts totalling MSEK 113 (92) and MSEK 71 (79) respectively. During the year, capital expenditure on product development projects totalled MSEK 46 (46).

Amortisation is included in cost of goods sold with MSEK -37 (-40), selling expenses with MSEK -2 (-3) and administrative expenses with MSEK -11 (-10), in the consolidated income statement.

Impairment losses, as included within other operating income and expenses in the profit and loss statement, include an impairment of Goodwill linked to Integrated Security. See impairment testing below for further discussion. During 2018, Impairment losses 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, it included an impairment loss of MSEK 21, resulting from the divestment of an Integrated Security business in the UK.

Impairment Testing

The table below shows the total carrying amount of goodwill and brand name with an indefinite useful life as allocated per CGU for the purposes of impairment testing. Taking into account that it has been assessed that cash flows attributable to the brand name cannot be separated from the other cash flows within the CGU, an impairment test was performed for both goodwill and the brand name jointly for the relevant CGU. The brand name amounted to MSEK 83 (80) and was included within the CGU Safe Storage, whereas Goodwill was allocated across multiple CGU's (the Business Units). During 2019, goodwill has been re-allocated due to shifts in the business units coming from the reorganisation.

CGUs	2019	2018
Entrance Control	281	291
Safe Storage	845	487
Cash Management	380	403
Other CGUs	102	307
Carrying amount	1,608	1,488

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 CGU's. The recoverable amount was determined to be higher than its carrying amount for all CGU's except where an impairment charge of MSEK 29 was taken on Goodwill related to the Electronic article surveillance business.

The calculation of value in use for all CGU's is most sensitive to the following assumptions:

Discount rates

Value in use is calculated using the pre-tax discount rate of 7.8% (9.1) which equates to the Group's weighted average cost of capital, WACC. The CGUs, being the business units, are all relatively diversified and have a widely spread geographical coverage and, to a large extent, a diversified customer segment base. Specific risks, if any, have been considered in the projected cash flows. The same discount rate has therefore been used for all CGUs. 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.

Operating margins

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 result in a further impairment in the Electronic article surveillance business included in other CGU's.

Growth rates used to extrapolate cash flows beyond the forecast period

A terminal growth value of 2.0% (2.0) was used to calculate growth in the terminal period. A sensitivity test was performed to reduce this to 0%, which would not result in an impairment.

Note 12 Leases

The table below presents the right of use assets per category:

2019	Buildings and office space	Vehicles	Production and office equipment	Total
<i>Acquisition values</i>				
Opening balance	173	62	19	254
Additions	67	20	4	91
Modifications	-3	-	-	-3
Translation differences	5	2	1	8
Closing balance	242	84	24	350
<i>Accumulated depreciation</i>				
Opening balance	-	-	-	-
Depreciation	70	32	9	111
Modifications	-3	-	-	-3
Translation differences	-1	-	-	-1
Closing balance	66	32	9	107
Net book value	176	52	15	243

Contracted maturity dates for leasing liabilities

Less than 12 months	100
1-2 years	61
2-5 years	67
Over 5 years	20
Total	248

Total cash outflow for leases in 2019 was MSEK 120 whereof MSEK 14 represented interest expenses. The expense for short-term leases for which lease accounting is not applied totalled MSEK 7.

Note 13 Property, Plant and Equipment

2019	Buildings and land ¹⁾	Machinery	Equipment	Construction in progress	Total
<i>Acquisition costs</i>					
Opening balance	179	342	260	42	823
Capital expenditure	4	32	19	14	69
Acquisitions	24	0	4	2	30
Disposals	-23	-21	-29	-	-73
Reclassifications	-	20	-	-20	-
Translation differences	6	12	13	2	33
Closing balance	190	385	267	40	882
<i>Accumulated depreciation and impairment</i>					
Opening balance	82	240	219	-	541
Depreciation	8	24	19	-	51
Disposals	-14	-15	-28	-	-57
Translation differences	3	9	13	-	25
Closing balance	79	258	223	-	560
Net book value	111	127	44	40	322

2018	Buildings and land ¹⁾	Machinery	Equipment	Construction in progress	Total
<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
Closing balance	179	342	260	42	823
<i>Accumulated depreciation and impairment</i>					
Opening balance	283	401	292	-	976
Depreciation	10	26	25	-	61
Disposals	-6	-8	-8	-	-22
Divestments	-229	-204	-116	-13	-562
Impairments	13	13	20	13	59
Translation differences	11	12	6	0	29
Closing balance	82	240	219	0	541
Net book value	97	102	41	42	282

¹⁾ Including land improvements.

Depreciation is included in cost of goods sold with MSEK -36 (-47), selling expenses with MSEK -4 (-3) and administrative expenses with MSEK -11 (-11) in the consolidated income statement.

Note 14 Inventories

	2019	2018
Raw materials	201	190
Work in progress	42	38
Finished goods	464	431
Installation work in progress	47	58
Total	754	717

At 31 December 2019 the Group's obsolescence amounted to MSEK 79 (74).

Note 15 Total Receivables From Customers and Contract Liabilities

	2019	2018
Accounts receivable	939	946
Contract assets:		
Unbilled revenues (point in time)	6	11
Percentage of completion (over time)	27	61
Total receivables from customers	972	1,018

The contract assets primarily relate to the Group's 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 ending balances at 2019 are expected to be invoiced completely within the next year.

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

Note 15 cont.

	2019	2018
Accounts receivable, not yet due	746	748
Overdue, 1–30 days	139	189
Overdue, 31–60 days	38	48
Overdue, 61–90 days	21	19
Overdue, over 90 days	45	31
Total	989	1,035
Allowance for doubtful receivables	2019	2018
Opening balance	–17	–34
New provisions	–4	–3
Confirmed losses	4	2
Reversals	2	6
Divestments	–1	12
Translation differences	–1	0
Closing balance	–17	–17
Net book value	972	1,018

In measuring the expected credit losses, the accounts receivables have been assessed on a collective basis as they possess shared credit risks characteristics. They have been grouped based on days past due.

Contract liabilities	2019	2018
Advance payments (point in time)	197	147
Percentage of completion (over time)	21	33
Deferred revenue for service and extended warranty contracts (over time)	26	13
	244	193

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

87% of the balance of advanced payments at 2018 was recognised into revenue in 2019. 88% of the 2019 balance is expected to be recognised into revenue during 2020, with the remainder expected in 2021 due to delivery schedules of the customer.

90% of the balance of percentage of completion at 2018 was recognised revenue in 2019, and the entire balance at 2019 is expected to be recognised into revenue during 2020.

93% of the balance of deferred revenue at 2018 was recognised into revenue 2019. Around 70% of the deferred revenue balance at 2019 is expected to be recognised into revenue 2020, with the remainder referring to a few specific service contracts extending into 2023.

Note 16 Share Capital and Earnings per Share

	Number of shares			Share capital, MSEK
	Ordinary shares	C-shares	Total	
Opening balance 1 Jan 2018	76,320,001	730,847	77,050,848	385
Conversion of C-shares into ordinary shares	128,580	–128,580	0	–
Closing balance 31 Dec 2018	76,448,581	602,267	77,050,848	385
Issue of ordinary shares	19,112,145	–	19,112,145	96
Closing balance 31 Dec 2019	95,560,726	602,267	96,162,993	481

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 2019, a new share issue with preferential rights for Gunnebo AB's shareholders was fulfilled. The Board of Directors' resolution was approved by the Extraordinary General Meeting on 26 August 2019. The rights issue resolution entailed that Gunnebo's share capital increased by SEK 95,560,725 through the issue of 19,112,145 new ordinary shares. The subscription price was set at SEK 19 per share, and as the rights issue was fully subscribed, this resulted in Gunnebo contributed MSEK 363 before transaction costs.

The purpose of the rights issue was to use the net proceeds to decrease the gross indebtedness that temporarily had increased through the acquisition of Cominfo. The remaining will be used to increase Gunnebo's financial capacity through further decrease of the Group's gross indebtedness, which allows for Gunnebo to capture market opportunities and realise the Group's strategy for profitable growth.

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

After the introduction of the product-focused organisation, Gunnebo is ready to deliver the next phase of its development. The Group will to a greater extent develop new customer offerings and take advantage of the opportunities offered by acquisitions and divestments. With this in mind, and considering that the company completed a new share issue of some MSEK 360 in 2019, of which MSEK 250 has already been used for acquisitions, the Board estimates that a continued strengthening of the Group's balance sheet will increase the company's scope for action in the coming year. The Board therefore proposes a dividend of SEK 0.00 (0.50) per share for the financial year 2019. This divergence from the long-term dividend policy should be regarded as temporary.

Dividends paid in 2019 were MSEK 38 (92).

Earnings per share	2019	2018
Net profit attributable to shareholders of the Parent Company, MSEK	45	–683
Weighted average no. of shares outstanding	81,648,491	76,377,724
Weighted average no. of shares outstanding with dilution	81,648,491	76,429,639
Basic earnings per share, SEK	0.55	–8.95
Diluted earnings per share, SEK	0.55	–8.94

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) caused the dilutive effect 2018.

Note 17 Post-Employment Benefits

2019

Amounts recognised in the consolidated balance sheet	UK	Canada	Sweden	Germany	Other	Total
Defined benefit obligations (DBO)	699	153	138	42	101	1,133
Plan assets	-542	-155	—	—	-25	-722
Total provisions for post-employment benefits	157	-2	138	42	76	411

2018

Amounts recognised in the consolidated balance sheet	UK	Canada	Sweden	Germany	Other	Total
Defined benefit obligations	600	131	117	45	92	985
Plan assets	-457	-132	—	—	-21	-610
Total provisions for post-employment benefits	143	-1	117	45	71	375

The Group operates a number of post-employment defined benefit pension plans and other long-term employee benefits, mainly in the UK, Canada, Sweden, and Germany.

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 18 years.

Canada

Canada has pensions plans which are contributory career average earnings type plans for both salaried and certain bargaining unit employees. Both plans are funded. Additionally there is a funded Supplemental Retirement Plan (SERP), as well as a post-retirement benefit plan which is an unfunded defined benefit plan, providing medical benefits to retirees and their spouses. The weighted average duration of the DBO is 16 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 20 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 148% (142%) as of 31 December 2019. 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 2.

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 16 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 9 years.

Note 17 cont.

Specification of changes in the net defined benefit obligation	2019			2018		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance	985	-610	375	1,109	-615	494
<i>Expenses:</i>						
Current service cost	10	0	10	18	—	18
Past service cost	1	0	1	8	—	8
Interest expense (+)/income (-)	32	-21	11	30	-17	12
Other	4	3	7	0	2	3
	47	-18	29	56	-15	41
<i>Remeasurements:</i>						
Return on plan assets excluding amounts included in interest income	—	-73	-73	—	15	15
Actuarial gains (-) and losses (+) arising from changes in demographic assumptions	-11	—	-11	-11	—	-11
Actuarial gains (-) and losses (+) arising from changes in financial assumptions	110	—	110	-49	—	-49
Experience-based gains (-) and losses (+)	17	—	17	-6	—	-6
Other	-6	—	-6	11	—	11
	110	-73	37	-55	15	-40
<i>Cash flow:</i>						
Employee contributions to the plan	2	-2	0	2	-2	0
Employer contributions to the plan	0	-25	-25	—	-23	-23
Payment of pension benefits	-72	52	-20	-58	38	-20
	-70	25	-45	-56	13	-43
<i>Other:</i>						
Divestments	—	—	—	-93	3	-90
Translation differences	61	-46	15	24	-11	13
Closing balance	1,133	-722	411	985	-610	375

For 2018, 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 include 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 877 (756) relates to funded pensions and other plans, and MSEK 256 (228) to non-funded pensions and other plans. The total benefit expense for defined benefit plans amounted to MSEK 25 (40), whereof MSEK 14 (27) has been charged to operating expenses and MSEK 11 (13) to financial expenses. Expenses related to defined contribution plans amounted to MSEK 52 (57). The Group expects to pay MSEK 35 (45) in contributions to its defined benefit plans in 2020.

Specification of plan assets

2019	UK	Canada	Other	Total
Government bonds	158	52	11	221
Commercial papers	207	—	—	207
Shares	115	86	—	201
Real estate	8	—	—	8
Liquid funds	54	17	14	85
Total	542	155	25	722
2018	UK	Canada	Other	Total
Government bonds	151	42	10	203
Commercial papers	165	—	—	165
Shares	90	79	—	169
Real estate	5	—	—	5
Liquid funds	46	11	11	68
Total	457	132	21	610

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

Actuarial Assumptions

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

2019	UK	Canada	Sweden	Germany	Other
Discount rate	2.1%	3.0%	1.5%	1.8%	4.2%
Expected salary increase rate	n/a	3.5%	2.5%	n/a	5.8%
Inflation	3.3%	2.5%	1.8%	2.0%	2.7%
2018	UK	Canada	Sweden	Germany	Other
Discount rate	2.9%	4.0%	2.4%	1.8%	5.9%
Expected salary increase rate	n/a	3.5%	2.8%	0.0%	3.7%
Inflation	3.5%	2.5%	2.0%	2.0%	2.1%

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 percentage point	-1 percentage point
Discount rate	-158	167
Expected salary increase rate	14	-10
Inflation	59	-55

Note 18 Provisions

2019	Restruc- turing	Litigation	Warranty	Other	Total
Opening balance	2	4	46	3	55
Provisions during the year	19	0	12	2	33
Utilised during the year	-5	0	-8	0	-13
Reversed during the year	—	—	-25	0	-25
Translation differences	1	0	3	-3	1
Closing balance	17	4	28	2	51

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 2019, 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 19 Other Short-Term Assets and Liabilities

Other short-term assets	2019	2018
Other short-term receivables	107	115
Prepaid insurance premiums	6	6
Prepaid rent	9	9
Accrued interest	1	2
Other prepaid items	66	66
Total	189	198

Other short-term liabilities	2019	2018
Other short-term liabilities	99	102
Holiday pay liability	64	68
Accrued salaries	81	79
Social security charges	35	33
Contract liabilities*	244	193
Accrued interest	0	2
Other accrued items	236	197
Total	759	674

* Refer to Note 15 for a further description of contract liabilities.

Note 20 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 Singapore and 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 2,627 (2,591) at the end of the year, of which MSEK 1,842 (1,909) was drawn. The average duration of the agreed credit facilities was 3.29 years (4.25). 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-term credit facilities totalling MSEK 361 (364). 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.

Note 20 cont.

Contracted maturity dates for financial assets and liabilities	Less than 6 months	6–12 months	1–2 years	2–3 years	Total contracted cash flow
Accounts receivable	989	—	—	—	989
Cash and cash equivalents	744	—	—	—	744
Bank loans and overdraft facilities ¹⁾	-1,857	-15	-29	-29	-1,930
Accounts payable	-585	—	—	—	-585
Derivatives					
- Interest-rate swap agreements	outflow	—	—	—	—
- Currency forward contracts not included in hedge accounting	outflow	-788	—	—	-788
	inflow	784	—	—	784
Total	-713	-15	-29	-29	-786

¹⁾ 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 interest, the variable interest has been adopted as the quoted interbank rate as of 31 December 2019. The base currency of the currency forward contract has been remeasured at the applicable closing rate as of 31 December 2019 while the future flows of the other type of currency are measured at the contracted rate.

Loan maturity structure	Credit facility	Of which drawn
2020	361	37
2021 and later	2,266	1,805
Total	2,627	1,842

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 of 3 (3) months and the average rate of interest on the loan portfolio¹⁾ was 1.8% (1.7).

¹⁾ Including margins.

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 18 on an annual basis.

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).

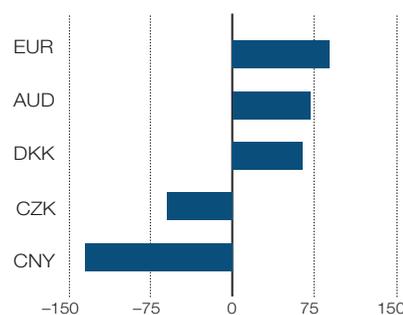
Total currency effects resulted in a positive impact on operating profit of MSEK 20 of which MSEK 1 relates to transaction effects and MSEK 19 to translation effects.

Transaction exposure

The Group has revenues 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. However, some minor hedge exists in the acquired Czech operations with maturity dates over the coming 27 months. Other hedging should usually not be for more than 12 months and there has not been hedged transaction exposure for other currencies in 2019 or 2018.

The commercial currency flow in 2019 after net calculations of opposite flows amount to MSEK 114 (134) on an annual basis. The largest transactional currency flows are shown in the chart below. The Group is a net seller of EUR, AUD and DKK while a net buyer of CNY and CZK.

Net currency flows 2019, 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 345 (288) on 31 December 2019.

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

Translation exposure (income statement)

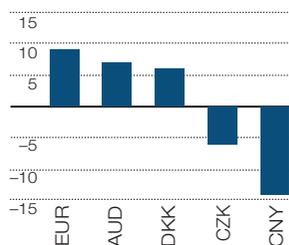
Exchange rate fluctuations also affect Group profit when income statements of foreign subsidiaries are translated into the Swedish krona. Expected future profit in foreign subsidiaries are not hedged against exchange rate fluctuations.

Sensitivity analysis:

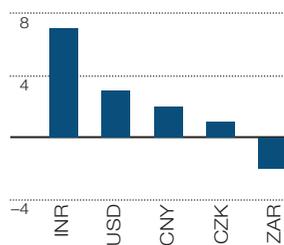
A 10% depreciation of the value of the Swedish krona against all other currencies would increase profit before tax by a total of approximately MSEK 24, of which approximately MSEK 11 would be netted transaction exposure. The remaining MSEK 13 is attributable to translation exposure (income statement).

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 35, 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. Customer financing packages are also 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:

	2019	2018
Accounts receivable	972	1,018
Other short-term receivables	63	64
Cash and cash equivalents	744	569
Maximum exposure to credit risk	1,779	1,651

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 0 (206) on 31 December 2019.

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 2019 was MSEK 1 (3).

The nominal amounts of all derivative instruments are as follows:

	2019	2018
Interest rate swap agreements		
Term of less than 1 year	0	206
Interest rate swap agreements total	0	206
Currency forward contracts ¹⁾	784	908
Total	784	1,114

¹⁾ Currency forward contracts relating to borrowing in foreign currencies, with the gross amount calculated at future forward rate.

Financial Assets and Liabilities Covered by Netting or Similar Agreements

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

	Gross	Netting agreement	Net
Assets	1	-1	0
Liabilities	-5	1	-4

The Capital Structure of the Group

One of the Group's long-term financial objectives is to have an equity ratio of no less than 30%. The equity ratio at the end of the year was 27% (22). 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 2019 was 10.8% (12.8).

The Group's borrowing is unsecured. The borrowing is however limited by financial obligations in the loan agreements in the form of covenants. These mainly relate to the key ratios of interest coverage ratio and net debt/EBITDA. With regard to the prevailing terms in the loan agreements, available credit facilities amounted to MSEK 28 (132) 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 cont.

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at fair value¹⁾	1	1	2	2
- of which derivatives for which hedge accounting does not apply	1	1	2	2
Other financial assets²⁾	1,716	1,716	1,587	1,587
Total financial assets	1,717	1,717	1,589	1,589
Financial liabilities				
Financial liabilities measured at fair value³⁾	5	5	3	3
- of which derivatives for which hedge accounting does not apply	5	5	2	2
- of which interest rate swap agreements for which hedge accounting of cash flows applies	—	—	1	1
Other financial liabilities⁴⁾	2,427	2,427	2,503	2,503
- of which financial liabilities for which hedge accounting does not apply	2,427	2,427	2,297	2,297
- of which financial liabilities for which hedge accounting of cash flows applies	—	—	206	206
Total financial liabilities	2,432	2,432	2,506	2,506

¹⁾ Assets included in other short-term receivables.

²⁾ Assets included in accounts receivable and cash and cash equivalents.

³⁾ Liabilities included in other short-term liabilities.

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

Note 21 Contingent Liabilities

	2019	2018
Guarantees	147	255
Total	147	255

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 22 Personnel

Average number of employees per country	of which		2018	of which men
	2019	men		
Sweden	184	130	187	133
Australia	42	37	43	38
Brazil	134	97	140	106
Canada	130	96	124	94
Czech Republic	72	61	—	—
China/Hong Kong	126	31	118	88
Denmark	68	56	66	55
Finland	4	3	4	3
France	7	4	7	4
Germany	170	143	175	148
Hungary	7	5	8	5
India	1,010	976	961	929
Indonesia	658	578	738	650
Italy	147	120	157	128
Malaysia	33	22	32	21
Mexico	214	199	234	211
Netherlands	321	298	354	328
Norway	17	16	20	19
Poland	55	45	56	46
Portugal	24	17	34	27
Singapore	18	11	21	12
South Africa	43	27	64	41
South Korea	16	13	16	13
Spain	282	216	304	234
Switzerland	22	17	30	23
UAE	36	27	32	25
UK	161	114	228	167
USA	225	182	210	167
Total continuing operations	4,226	3,541	4,363	3,715
Total discontinued operations	—	—	843	682
Total	4,226	3,541	5,206	4,397

Of the average number of employees in continuing operations 685 (648) were female. The average number of employees abroad in continuing operations was 4,042 (4,176).

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, legal affairs, financial control/finance, IT, quality, logistics, the environment and communication & investor relations. Net revenue for 2019 amounted to MSEK 330 (266), representing services invoiced to subsidiaries. Profit after financial items was MSEK 4 (5). Net profit/loss amounted to MSEK -13 (65). Group contributions had an impact on net profit/loss of MSEK -6 (81).

Parent Company Income Statements

MSEK	Note	2019	2018
Net revenue	2	330	266
Administrative expenses	2, 6, 9, 10	-320	-257
Operating profit (EBIT)		10	9
Financial income and expenses, net	3	-6	-4
Profit after financial items		4	5
Appropriations	4	-6	81
Profit/loss before taxes		-2	86
Income taxes	5	-11	-21
Net profit/loss		-13	65

Parent Company Statements of Comprehensive Income

MSEK	2019	2018
Net profit/loss	-13	65
Other comprehensive income	—	—
Total comprehensive income	-13	65

Parent Company Balance Sheets

MSEK	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Intangible assets	6	69	72
Property, plant and equipment		2	2
Investments in Group companies	11	1,615	1,585
Deferred tax assets	5	13	12
Total non-current assets		1,699	1,671
Current assets			
Receivables from Group companies		250	118
Prepaid expenses and accrued income		18	16
Cash and cash equivalents		0	0
Total current assets		268	134
TOTAL ASSETS		1,967	1,805
EQUITY AND LIABILITIES			
Restricted equity			
Share capital (96,162,993 shares with a quota value of SEK 5)		481	385
Statutory reserve		539	539
Development reserve		50	51
Total restricted equity		1,070	975
Unrestricted equity			
Share premium reserve		711	456
Retained earnings		55	27
Net profit/loss		-13	65
Total unrestricted equity		753	548
Total equity		1,823	1,523
Current liabilities			
Liabilities to Group companies		73	206
Accounts payable		30	43
Other short-term liabilities	7	41	33
Total current liabilities		144	282
TOTAL EQUITY AND LIABILITIES		1,967	1,805

Parent Company Statements of Cash Flow

MSEK	Note	2019	2018
OPERATING ACTIVITIES			
Operating profit		10	9
Adjustment for depreciation		12	7
Interest expenses to subsidiaries		-6	-8
Taxes paid		-12	-4
Net cash flow from operating activities		4	4
Cash flow from changes in working capital			
Change in operating receivables		-147	-63
Change in operating liabilities		121	21
Total change in working capital		-26	-42
Net cash flow from operating activities		-22	-38
INVESTING ACTIVITIES			
Dividends from subsidiaries		-	3
Investments in subsidiaries	11	-30	-
Capital expenditure for intangible assets	6	-8	-34
Capital expenditure for tangible assets		-1	-
Net cash flow from investing activities		-39	-31
FINANCING ACTIVITIES			
Repayments of Group loan		-138	-112
Change in cash pooling accounts, net		-190	151
Group contributions received		100	119
Group contributions paid		-24	-
Rights issue		351	-
Sale of treasury shares		-	1
Dividends		-38	-92
Net cash flow from financing activities		61	67
Net cash flow		0	-2
Cash and cash equivalents at the beginning of the year		0	2
Cash and cash equivalents at the end of the year		0	0

Parent Company Statements of Changes in Equity

MSEK	Restricted equity			Unrestricted equity		Total
	Share capital	Statutory reserve	Development reserve	Share premium reserve	Retained earnings	
Opening balance 1 January 2019	385	539	51	456	92	1,523
Comprehensive income						
Net profit/loss	—	—	—	—	-13	-13
Other comprehensive income	—	—	—	—	—	—
Subtotal	—	—	—	—	-13	-13
Transactions with shareholders						
Rights issue	96	—	—	255	—	351
Change in development reserve	—	—	-1	—	1	0
Dividends	—	—	—	—	-38	-38
Subtotal	96	—	-1	255	-37	313
Closing balance 31 December 2019	481	539	50	711	42	1,823

MSEK	Restricted equity			Unrestricted equity		Total
	Share capital	Statutory reserve	Development reserve	Share premium reserve	Retained earnings	
Opening balance 1 January 2018	385	539	40	452	132	1,548
Comprehensive income						
Net profit	—	—	—	—	65	65
Other comprehensive income	—	—	—	—	—	—
Subtotal	—	—	—	—	65	65
Transactions with shareholders						
Share-based remuneration, incl. sale of treasury shares	—	—	—	4	-2	2
Change in development reserve	—	—	11	—	-11	0
Dividends	—	—	—	—	-92	-92
Subtotal	—	—	11	4	-105	-90
Closing balance 31 December 2018	385	539	51	456	92	1,523

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 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, legal affairs, financial control/finance, IT, quality, logistics, the environment and communication & investor relations. Net revenue for 2019 amounted to MSEK 330 (266) representing services towards subsidiaries, whereof MSEK 62 (49) is related to IT services and MSEK 268 (217) relates to management and brand fees. Operating expenses of MSEK -320 (-257) are specified below.

	2019	2018
Remuneration for employees	91	75
Temporary personnel and subcontractors	74	32
Amortisation and depreciation	12	7
Other costs	143	143
Total operating expenses	320	257

Note 3 Financial Income and Expenses, net

	2019	2018
<i>Financial income</i>		
Dividends from subsidiaries	—	3
<i>Financial expenses</i>		
Interest expenses to subsidiaries	-6	-7
Total	-6	-4

Note 4 Appropriations

	2019	2018
Group contributions received	—	99
Group contributions paid	-6	-18
Total	-6	81

Note 5 Income Taxes

	2019	2018
Current tax expense	-7	-14
Deferred tax expense	-4	-7
Total	-11	-21
Reconciliation of Swedish tax rate with effective tax rate	2019	2018
Profit before tax	-2	86
Tax using the Swedish tax rate (21.4% vs. 22% 2018)	0	-19
Withholding tax	-4	-4
Adjustment of prior year taxes	-8	0
Other	1	2
Total	-11	-21

At 31 December 2019, the Parent Company had total tax loss carry-forwards of MSEK 0 (0). Deferred tax assets in the balance sheet relate to pensions amounting to MSEK 13 (12).

Note 6 Intangible Assets

	2019	2018
Opening balance acquisition costs	106	92
Capital expenditure	8	34
Disposal	—	-20
Closing balance	114	106
Opening balance accumulated amortisation	34	29
Amortisation	11	5
Closing balance	45	34
Net book value	69	72

Intangible assets mainly comprise software for internal use.

Note 7 Other Short-Term Liabilities

	2019	2018
Holiday pay liability	6	5
Social security charges	18	17
Accrued salaries	5	2
Other items	12	9
Total	41	33

Note 8 Contingent Liabilities

	2019	2018
Guarantees	1,956	2,114
Total	1,956	2,114

Refers mainly to guarantees for subsidiaries. There are no pledged assets.

Note 9 Personnel

In 2019, the total expense for salaries and other remuneration was MSEK 55 (45). Amounts expensed for social security charges was MSEK 36 (30), which included pension costs of MSEK 14 (12). Severance of MSEK 7 (0) is included.

The average number of employees in the Parent Company was 44 (42), whereof 18 females (16).

There are three women on the Board of the Parent Company and two in the Group Executive Team.

Information on remuneration to the Board of Directors and Group 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 2019. For a description of the auditors' remuneration, see Note 7 of the Group.

Note 11 Investments in Group Companies

	2019	2018
Opening book value	1,585	1,585
Investments in subsidiaries	30	—
Closing book value	1,615	1,585

Directly held investments in Group companies	No. of shares	Holding, %	Company registration number (SE)	Reg. office	Country	Country code	Main activities ¹⁾	Book value 2019	Book value 2018
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	120	90
Gunnebo Nordic AB	251,000	100	556041-2362	Gothenburg	Sweden	SE	S	388	388
Gunnebo Treasury AB	1,000	100	556465-2765	Gothenburg	Sweden	SE	O	900	900
Total								1,615	1,585

¹⁾ M=Manufacturing, S=Sales/service, O=Other incl. treasury, dormant and/or holding activities.

Subsidiaries' holdings in Group companies	Holding, %	Company registration number (SE)	Country	Country code	Main activities
Gunnebo Elkosta Security Equipment Trading and Services LLC	49		United Arab Emirates	AE	S
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
Cominfo a.s.	100		Czech Republic	CZ	M, S
Gunnebo CZ s.r.o.	100		Czech Republic	CZ	S
Sec-Com Spol. s.r.o.	100		Czech Republic	CZ	O
Gunnebo Cash Automation GmbH	100		Germany	DE	O
Gunnebo Deutschland GmbH	100		Germany	DE	S
Gunnebo Logistics GmbH	100		Germany	DE	O
Gunnebo Markersdorf GmbH	100		Germany	DE	M
Rosengrens GmbH	100		Germany	DE	O
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
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	O
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
Blåspen 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
Gunnebo Entrance Control Inc.	100		USA	US	S
Gunnebo Security Inc.	100		USA	US	S
Hamilton Products Group, Inc.	100		USA	US	M, S
Hamilton Safe Company, Inc.	100		USA	US	M, S
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:

The Board of Directors proposes:

Share premium reserve	711,633,880		
Retained earnings	53,849,424		
Net loss	-12,970,891	and to that the remaining sum be carried forward	752,512,413
Total	752,512,413	Total	752,512,413

Gunnebo is, after the introduction of the product-focused organisation, ready to deliver the next phase of its development. The Group will to a greater extent develop new customer offerings and take advantage of the opportunities offered by acquisitions and divestments.

With this in mind, and considering that the company completed a new share issue of some MSEK 360 in 2019, of which MSEK 250 has already been used for acquisitions, the Board estimates that a continued strengthening of the Group's balance sheet will increase the company's scope for action in the coming year. The Board therefore proposes a dividend of SEK 0.00 (0.50) per share for the financial year 2019. This divergence from the long-term dividend policy should be regarded as temporary.

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 view 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, 19 March 2020

Martin Svalstedt
Chairman

Göran Bille
Board member

Anna Borg Sæther
Board member

Charlotte Brogren
Board member

Eva Elmstedt
Board member

Mikael Jönsson
Board member

Crister Carlsson
Board member

Micke Fridström
Board member

Stefan Syrén
President and CEO

Our audit report was submitted on 19 March 2020
Deloitte AB

Hans Warén
Authorised Public Accountant

Proposed Principles for Remuneration to Senior Executives

Scope of the Principles, etc.

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 2020 and for changes to existing employment agreements made thereafter. The principles do not apply to any remuneration decided or approved by the Annual General Meeting.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice and to offer competitive remuneration in the countries where the personnel reside, taking into account, to the extent possible, the overall purpose of these guidelines.

The Principles' Promotion of Gunnebo's Business Strategy, Long-Term Interests and Sustainability

In short, the Group's business strategy is to be the leading global provider of products and services within each respective business unit by investing in customer-driven innovative product development and customised solutions, and building lasting business relationships that create mutual value. A prerequisite for the successful implementation of the Group's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Group is able to recruit and retain qualified personnel. To this end, it is necessary that the Group offers competitive remuneration and employment conditions on the relevant market for each respective senior executive. These principles enable the Group to offer the executive management a competitive total remuneration, which is expected to promote Gunnebo's business strategy, long-term interests and sustainability.

Long-term share-related incentive plans have been implemented in the Group. Such plans have been resolved by the Annual General Meeting and are therefore excluded from these principles. The plans currently include approximately 20 employees including, among others, the CEO, the Group Executive Team and other key employees within the Group. The performance criteria used to assess the outcome of the plans are distinctly linked to the business strategy and thereby to the Group's long-term value creation, including its sustainability. As present, these performance criteria comprise earnings per share, operating margin, cash flow and organic growth in percentage. For more information regarding these incentive plans, please see www.gunnebogroup.com, under the section Governance – Remuneration.

Variable cash remuneration covered by these principles shall aim at promoting the Group's business strategy and long-term interests, including its sustainability.

Types of Remuneration, etc.

The Group Executive Team's total remuneration shall consist of fixed cash salary, variable cash remuneration (bonus), pension benefits

and other benefits. Additionally, the Annual General Meeting may, irrespective of these principles, resolve on, among other things, share-related or share price-related remuneration.

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 bonus.

The satisfaction of criteria for awarding bonus shall be measured over a period of one or several years. The bonus shall be linked to the fulfilment of predetermined and measurable quantitative and qualitative criteria. The criteria comprise of determined and measurable objectives related to, among other things, growth, profit and cost development within the Group, as well as individual objectives, which shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability. The bonus for members of the Group Executive Team, including the CEO, shall amount to not more than 50 per cent of the fixed annual cash salary.

To which extent the criteria for awarding bonus have been satisfied shall be determined by the Remuneration Committee when the measurement period has ended. For financial criteria, the evaluation shall be based on established financial data for the current period. Bonuses can be paid out after the end of the measurement period or be subject to deferred payment.

The Board of Directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

For the CEO, pension benefits, including health insurance, shall be defined contribution based. Bonus shall not qualify for pension benefits. The pension premiums for defined contribution plans shall, depending on age and level of salary, amount to not more than 35 per cent of the fixed annual cash salary. For other executives, pension benefits, including health insurance, shall be defined contribution unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. Bonus shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for defined contribution pension shall amount to not more than 35 per cent of the fixed annual cash salary. The retirement age shall be 65 years.

Other benefits may include, for example, private medical insurance and company cars. Such benefits may amount to not more than 10 per cent of the fixed annual cash salary.

Termination of Employment

The notice period may not exceed twelve months if notice of termination of employment is made by the Company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the CEO's fixed cash salary for two years, and one year for other executives. The period of notice may

not to exceed nine months without any right to severance pay when termination is made by the executive.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed cash salary at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than twelve months following termination of employment.

Salary and Employment Conditions for Employees

In the preparation of the Board of Directors' proposal for these remuneration principles, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the principles and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

The Decision-Making Process to Determine, Review and Implement the Principles

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose principles for executive remuneration. The Board of Directors shall prepare a proposal for new principles at

least every fourth year and submit it to the Annual General Meeting. The principles shall be in force until new principles are adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the Executive Management, the application of the principles for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the Remuneration Committee are independent of the Company and its Executive Management. The CEO and other members of the Executive Management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation From the Principles

The Board of Directors may temporarily resolve to derogate from the principles, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the principles.

Transitional Provisions Applicable to the Annual General Meeting 2020

Information on previously resolved remuneration that is not yet due for payment is set out in note 6 on pages 67–68 in this annual report.

No deviations from the principles approved by the Annual General Meeting 2019 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 2019, except for the corporate governance statement on pages 34–40 and the sustainability report on pages 44–51. The annual accounts and consolidated accounts of the company are included on pages 2, 8–11, 30–40 and 44–88 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 2019 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 2019 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 34–40 and the sustainability report on pages 44–51.

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 1 525 as of 31 December 2019. 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 in addition to performed write-down of goodwill (see note 11) identified any additional impairment need for 2019.

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 Note 1 regarding the Group's accounting principles and Note 11 regarding intangible assets.

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 related to tax losses carried forward

Description of risk

In the balance sheet for the group, deferred tax assets related to tax losses carried forward amount to MSEK 100 as of 31 December 2019. 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 note 1 regarding the group's accounting principles and note 10 regarding income taxes.

Our audit procedures

Our audit procedures included, but were not limited to:

- Review of Gunnebo's procedures for calculation of deferred tax assets related to tax losses carried forward assessment of the reasonability of judgments made regarding future earning capacity for applicable entities,
- Review of completeness in relevant disclosures to the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1, 3–7, 12–29, 41–51 and 92–101. 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.

An additional description of our responsibility for the audit of the annual accounts and the consolidated accounts can be found on the Swedish Inspectorate of Auditors homepage:

https://revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of this auditor's report.

Report on Other Legal and Regulatory Requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Gunnebo AB (publ) for the financial year 2019 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 organisation 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 organisation 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.

An additional description of our responsibility for the audit of the annual accounts and the consolidated accounts can be found on the Swedish Inspectorate of Auditors homepage: https://revisorsinspektionen.se/rm/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of this auditor's report.

Deloitte AB was appointed auditor of Gunnebo AB (publ) by the general meeting of the shareholders on 11 April 2019 and has been the company's auditor since 3 April 2008.

The Auditor's Opinion Regarding the Statutory Sustainability Report

The Board of Directors is responsible for the statutory sustainability report on pages 34–40, 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 44–51 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.

Gothenburg 19 March 2020
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 easy-to-access, 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 Investor Relations and communication policies.

Information Channels

Gunnebo AB's website, www.gunnebogroup.com, contains publications, financial information, press releases and information about Gunnebo's organisation. Information about the Group's offering can be found on www.gunnebo.com.

Information to shareholders

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, the corporate website www.gunnebogroup.com as well as the Investor Relations function which is always available to answer questions about the Group's strategic direction, its offering and business performance. Shareholders can also participate at Gunnebo's Annual General Meeting.

Questions may be sent directly to info@gunnebo.com or submitted by telephone on +46 10 209 50 20. It is also possible to order printed annual reports and interim reports from the Group Head Office on +46 10 209 50 20, 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 Investor Relations Director. There is also detailed information about the Group's financial results on the Group website, www.gunnebogroup.com, and about its offering on www.gunnebo.com.

Invitation to the 2020 Annual General Meeting

Gunnebo's Annual General Meeting will be held at 4:00pm CET on Tuesday 21 April 2020 at Elite Park Avenue Hotel 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 Wednesday 15 April 2020 and must notify the AGM of attendance by no later than Wednesday 15 April 2020, preferably before 4:00pm CET, either online at www.gunnebogroup.com, by post to Gunnebo AB, Box 5181, SE-402 26 Gothenburg or by phone on +46 10 209 50 20.

Shareholders whose shares are registered in nominee names must, if they wish to exercise their right to vote at the AGM, have their shares re-registered in their own names by Wednesday 15 April 2020.

Financial Information and Reports 2020

21 April 2020

Interim Report
January–March 2020

21 April 2020

Annual General Meeting 2020

17 July 2020

Interim Report
January–June 2020

4 November 2020

Interim Report
January–September 2020

Analysts Following Gunnebo

Erik Penser

Robert Tovi
+46 8 463 8066
robert.tovi@penser.se

Annual General Meeting

Gunnebo's Annual General Meeting will be held at 4:00pm CET on Tuesday 21 April 2020 at Elite Park Avenue Hotel in Gothenburg, Sweden.

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 presuppose a smoothly functioning internal reporting system that provides fast and accurate reporting from all of 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 Director Investor Relations. 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 the NASDAQ Stockholm rules for listed companies and on Gunnebo's ability and willingness to provide clear and relevant information to the market.

Activities 2019

In 2019, Gunnebo has had an active dialogue with analysts, owners and potential investors, not least in connection to the rights issue and the acquisition of Czech Entrance Control company Cominfo. 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, including a roadshow in Stockholm in connection to the rights issue. During the year, Gunnebo has also participated in several shareholder association meetings.

In connection to the shift of President and CEO in November 2019, breakfast meetings, roadshows as well as 1-1 meetings were arranged in order to secure a good relationship between the capital market and the new President and CEO, Stefan Syrén.

After each interim report Gunnebo arranges a telephone conference to present the financial results. The call is recorded and made available on the website.

Dividend Policy

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.

Proposed Dividend

After the introduction of the new organisation by product offering, Gunnebo is ready to deliver the next phase of its development. The Group will to a greater extent develop new customer offerings and take advantage of the opportunities offered by acquisitions and divestments.

With this in mind, and considering that the company completed a new share issue of some MSEK 360 in 2019, of which MSEK 250 has been used for acquisitions, the Board estimates that a continued strengthening of the Group's balance sheet will increase the company's scope for action in the coming year. The Board therefore proposes a dividend of SEK 0.00 (0.50) per share for the financial year 2019. This divergence from the long-term dividend policy should be regarded as temporary.

In Memory of Bjarne Holmqvist – Founding Father of the Modern Gunnebo

Bjarne Holmqvist, former CEO of Gunnebo and prominent Swedish business leader, passed away in the autumn of 2019 at age 74. Bjarne will always be remembered as the one who laid the foundation of Gunnebo as we know it today.

Businessmanship was Bjarne's hallmark and he successfully pursued to grow Gunnebo and pave way for the Group's expansion globally.

Bjarne stayed on the Board until 2007, and then remained a major shareholder through his family office, Örgryte Industrier – thus, never really leaving the Gunnebo family. He will always be remembered fondly.



Bjarne Holmqvist, Gunnebo CEO 1993-2005.

The Gunnebo Share

The Gunnebo share has been listed on the 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 2019 Gunnebo had 10,945 shareholders. The percentage of foreign ownership amounted to 18.6%. This means that 81.4% of the shares were held by Swedish owners, where 14.2% were held by Swedish natural persons, and 67.2% were held by Swedish legal entities.

Share Capital and Votes

On 31 December 2019, Gunnebo had a share capital of MSEK 481 divided into 96,162,993 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 1/10 of one vote. C-shares have no dividend rights.

▷ Read more on page 72, Note 16.

Share Price

At the end of the year the Gunnebo share was trading at SEK 26.60 which is an increase of 19% during the year. During the same period, the Stockholm Stock Exchange OMX 30 Index increased by 26%. The lowest share price paid during the year was SEK 20.55 (6 February) and the highest was SEK 27.69 (20 May).

Trading and Market Value

A total of 23,637,444 shares (16,752,807) were traded in 2019 at a value corresponding to MSEK 568 (459). The average volume traded each trading day was 94,930 shares (67,011), equating to TSEK 2,281 (1,837). The market value on 30 December 2019 was MSEK 2,558.

The Gunnebo Share 2019



The Gunnebo Share 2015–2019

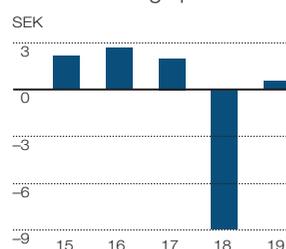


Largest shareholders, grouped	No. of shares issued	Holding, %
Stena Adactum	24,813,832	26.0
Vätterledens Invest, with associates	18,722,389	19.5
IF Skadeförsäkringar	10,157,080	10.6
Brown Brothers/Fidelity Funds	5,255,467	5.5
Ålandsbanken (In owner's place)	2,547,499	2.7
Öhman Funds	2,010,952	2.1
Unionen	2,000,000	2.1
Nordea Funds Småbolag Norden	1,552,700	1.6
Avanza Pension	1,185,834	1.2
Dimensional Fund International Small Cap	959,616	1.0
Other	26,355,357	27.7
Total ordinary shares	95,560,726	100.0
Gunnebo AB, C-shares	602,267	
Total shares issued	96,162,993	

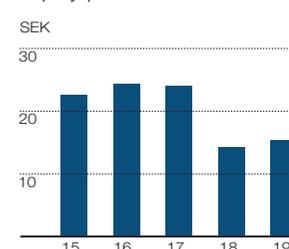
Shareholders by size	No. of shareholders	No. of outstanding shares	Holding, %
1-500	6,550	1,102,761	1.1
501-1,000	1,558	1,218,825	1.3
1,001-5,000	2,225	4,932,771	5.2
5,001-10,000	295	2,189,153	2.3
10,001-50,000	229	4,741,294	5.0
50,001-	88	81,375,922	85.1
Total	10,945	95,560,726	100.0

Changes in share capital	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
2019 New share issue	+96	481	96,162,993

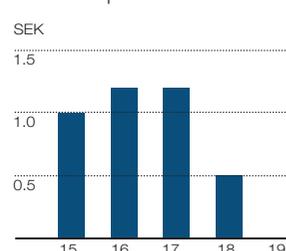
Diluted earnings per share



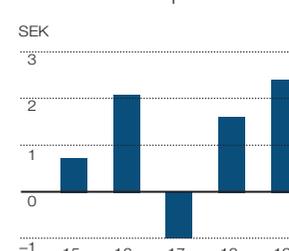
Equity per share



Dividend per share



Free cash flow per share



¹⁾ Board proposal

No. of shares	2019	2018	2017	2016	2015
Closing no. of shares, x 1,000	96,163	77,051	77,051	77,051	76,185
Average no. of shares incl. C-shares, x 1,000	82,251	77,051	77,051	76,837	76,180

Data per share	2019	2018	2017	2016	2015
Diluted earnings per share, SEK	0.55	-8.94	2.00	2.70	2.18
Equity per share, SEK	15.32	14.22	24.03	24.40	22.65
Free cash flow per share, SEK	2.41	1.62	-0.97	2.09	0.73
Dividend, SEK	0.00 ¹⁾	0.50	1.20	1.20	1.00

Share price related share data

Share price related share data	2019	2018	2017	2016	2015
Share price at year-end (last price paid), SEK	26.60	22.40	33.70	38.60	45.00
Highest price during the year (price paid), SEK	27.69	37.10	51.50	45.30	46.10
Lowest price during the year (price paid), SEK	20.55	21.45	30.60	36.80	34.70
Market value at year-end, MSEK	2,558	1,726	2,597	2,974	3,428
P/E ratio, times ²⁾	48	neg.	17	14	21
Dividend yield, % ^{1) 3)}	n.a.	2.2	3.6	3.1	2.2

¹⁾ The Board proposes a dividend of SEK 0.00 per share for the year 2019.

²⁾ Listed price on 31 December divided by diluted earnings per share.

³⁾ Dividend in relation to listed price on 31 December.

Seven-Year Review

	Continuing operations				Including discontinued operations		
	2019	2018	2017	2016	2015	2014	2013
Income statement							
Net sales	5,459	5,128	4,861	4,892	6,052	5,557	5,271
Cost of goods sold	-4,064	-3,686	-3,447	-3,462	-4,278	-3,911	-3,689
Gross profit	1,395	1,442	1,414	1,430	1,774	1,646	1,582
Other operating expenses, net	-1,203	-1,177	-1,113	-1,131	-1,454	-1,294	-1,360
Operating profit (EBIT)	192	265	301	299	320	352	222
Financial income and expenses, net	-76	-53	-54	-51	-43	-35	-75
Profit before taxes	116	212	247	248	277	317	147
Income taxes	-71	-92	-95	-92	-109	-90	-45
Net profit	45	120	152	156	168	227	102
EBITA / EBITDA							
Net sales	5,459	5,128	4,861	4,892			
Cost of goods sold excl. IAC	-4,026	-3,673	-3,433	-3,447			
Gross profit excl. IAC	1,433	1,455	1,428	1,445			
Selling and administrative expenses excl. IAC	-1,118	-1,141	-1,089	-1,104			
Other operating income and expenses, net, excl. IAC	-32	-20	14	14			
Add back: Amortisation and impairment of acquisition related intangibles	47	40	22	24			
Add back: IFRS16 leasing effect	-9	-	-	-			
EBITA	321	334	375	379			
Add back: Items affecting comparability (IAC)	-91	-29	-52	-56			
Add back: Other amortisation and depreciation	83	73	71	75			
Add back: Depreciation right of use assets plus IFRS 16 leasing effect	120	-	-	-			
EBITDA	433	378	394	398			
Key ratios, %							
Order growth	2	2	-1				
Sales growth	3	3	-1				
Gross margin excl. IAC	26.3	28.4	29.4	29.5	29.7	30.2	30.6
S&A excl. IAC in % of net sales	20.5	22.3	22.4	22.6	23.1	23.9	25.0
EBITDA margin	7.9	7.4	8.1	8.1	7.1	7.9	5.9
EBITA margin	5.9	6.5	7.7	7.7			
EBIT margin	3.5	5.2	6.2	6.1	5.3	6.3	4.2
Return on operating capital employed, MSEK	33.9	35.8	41.5	45.4			
Return on capital employed, MSEK	10.8	12.4	14.6	15.6			
Liquidity information							
Net debt incl. post-employment benefits	1,761 ¹⁾	1,714	1,407	1,208	1,212	1,039	1,088
Net debt	1,350 ¹⁾	1,339	1,003	813	850	614	727
Net debt incl. post-employment benefits/EBITDA, times	3.9 ²⁾	4.5	3.6	3.0	2.8	2.4	3.5
Net debt/EBITDA, times	3.0 ²⁾	3.5	2.5	2.0	2.0	1.4	2.4
Employees							
Average number of employees	4,226	4,363	4,258	4,481	5,518	5,629	5,656

	Continuing operations		Including discontinued operations				
	2019	2018	2017	2016	2015	2014	2013
Balance sheet							
Intangible assets	1,899	1,714	1,910	1,922	1,812	1,675	1,494
Right of use assets	243	–	–	–	–	–	–
Property, plant and equipment	322	282	345	347	358	304	304
Deferred tax assets	228	195	322	332	304	339	307
Other long-term assets	43	50	17	14	14	16	17
Inventories	754	717	902	825	777	785	691
Total customer receivables	972	1,018	1,413	1,317	1,150	1,125	1,039
Other current assets	309	311	294	312	273	225	173
Cash and cash equivalents	744	569	498	581	496	447	392
Total assets	5,514	4,856	5,701	5,650	5,184	4,916	4,417
Equity	1,464	1,087	1,866	1,890	1,747	1,694	1,463
Financial liabilities	1,842	1,908	1,504	1,403	1,353	1,067	1,126
Provision for post-employment benefits	411	375	494	484	362	425	361
Lease liabilities	248	–	–	–	–	–	–
Deferred tax liabilities	59	50	66	90	93	66	64
Accounts payable	585	594	742	739	635	660	555
Other liabilities	905	842	1,029	1,044	994	1,004	848
Total equity and liabilities	5,514	4,856	5,701	5,650	5,184	4,916	4,417
Cash flow statement							
Cash flow from operating activities before changes in working capital	222	155	271	356	305	246	218
Cash flow from changes in working capital	162	87	–200	–122	–119	25	–7
Cash flow from operating activities	384	242	71	234	186	271	211
Free cash flow							
Free cash flow	197	124	–74	159	56	223	144
Investments and depreciation							
Capital expenditure	115	137	150	106	135	78	72
Depreciation and amortisation	212 ³⁾	114	117	123	108	88	84
Share data, SEK							
Basic earnings per share	0.55	–8.95	2.00	2.71	2.18	2.98	1.29
Diluted earnings per share	0.55	–8.94	2.00	2.70	2.18	2.98	1.29
Equity per share	15.32	14.22	24.03	24.40	22.43	21.93	19.06
Free cash flow per share	2.41	1.62	–0.97	2.09	0.73	2.94	1.90
Dividend	0.00 ⁴⁾	0.50	1.20	1.20	1.00	1.00	1.00

¹⁾ Net debt includes the effect of IFRS 16 Leases effective from 1 January 2019. Comparative figures have not been restated.

²⁾ The proforma rolling 12-month EBITDA has been calculated as an indicative figure for 2019 due to the acquisition of Cominfo in July 2019.

³⁾ Depreciation and amortisation include depreciation on right of use assets, i.e. the effect of IFRS 16 Leases adopted from 1 January 2019. Comparative figures have not been restated.

⁴⁾ The Board proposes a dividend of SEK 0.00 per share for the year 2019.

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.

	2019	2018
EBITA / EBITDA		
Net sales	5,459	5,128
Cost of goods sold excl. items affecting comparability (IAC)	-4,026	-3,673
Gross profit excl. IAC	1,433	1,455
Selling and administrative expenses excl. IAC	-1,118	-1,141
Other operating income and expenses, net, excl. IAC	-32	-20
Add back: Amortisation and impairment of acquisition related intangibles	47	40
Add back: IFRS 16 Leases effect	-9	-
EBITA	321	334
Add back: Items affecting comparability	-91	-29
Add back: Other amortisation and depreciation	83	73
Add back: Depreciation right of use assets plus IFRS 16 Leases effect	120	-
EBITDA	433	378
Sales growth, %		
Reported growth in net sales	6	5
Exchange rate effects	-4	-2
Net sales from divested operations	1	0
Sales growth	3	3
Gross profit		
Net sales	5,459	5,128
Cost of goods sold (COGS)	-4,064	-3,686
Gross profit	1,395	1,442
Minus: Items affecting comparability in COGS	-38	-13
Gross profit excl. IAC	1,433	1,455
Gross margin, %	25.6%	28.1%
Gross margin excl. IAC, %	26.3%	28.4%
Selling and administrative expenses (S&A)		
Net sales	5,459	5,128
S&A	-1,180	-1,188
Minus: Items affecting comparability in S&A	-62	-47
S&A excl. IAC	1,118	-1,141
S&A in % of net sales	-21.6%	-23.2%
S&A in % of net sales excl. IAC	-20.5%	-22.3%
Items affecting comparability (IAC)		
IAC – Cost of goods sold	-38	-13
IAC – S&A	-62	-47
IAC – Other income and expenses	9	21
Total IACs	-91	-39
EBIT		
EBIT	192	265
Net sales	5,459	5,128
EBIT margin, %	3.5%	5.2%

	2019	2018
Operating capital employed		
Sum of PPE, other intangible assets, inventory, customer receivables and other short term assets less accounts payables and other short-term liabilities	1,241	1,198
Less: Tax and financial items	21	-1
Less: Group functions	4	1
Operating capital employed	1,216	1,198
Operating capital employed, average 5 quarters	1,278	1,256
Sum of Business Unit's EBITA	433	450
Return on operating capital employed, %	33.9%	35.8%
Capital employed		
Operating capital employed	1,216	1,198
Plus: Group functions	4	1
Plus: Goodwill	1,525	1,408
Plus: Right of use assets	243	-
Capital employed	2,988	2,607
Capital employed, average 5 quarters	2,967	2,687
EBITA	321	344
Return on capital employed, %	10.8%	12.4%
Equity		
Total equity	1,464	1,087
Less: Equity attributable to non-controlling interests	-	0
Equity attributable to shareholders of the Parent Company	1,464	1,087
Total number of ordinary shares end of period	95,560,726	76,448,581
Equity per share, SEK	15.32	14.22
Net debt		
Net debt	1,350 ¹⁾	1,339
Post-employment benefits	411	375
Net debt including post-employment benefits	1,761 ¹⁾	1,714
EBITDA	433	378
EBITDA (rolling 12M)	447 ²⁾	378
Net Debt / EBITDA (rolling 12M)	3.0 ²⁾	3.5
Net Debt including post-employment benefits /EBITDA (rolling 12M)	3.9 ²⁾	4.5
Free cash flow		
Net cash flow after investments, before financing	48	-170
Minus: Cash flows from acquisitions/divestments	255	294
Add back: Lease liability payments	-106	-
Free cash flow	197	124
Weighted average number of basic shares before dilution	81,648,491	76,377,724
Free cash flow per share, SEK	2.41	1.62

¹⁾ Net debt includes the effect of IFRS 16 Leases effective from 1 January 2019. Comparative figures have not been restated.

²⁾ The proforma rolling 12-month EBITDA has been calculated as an indicative figure for 2019 due to the acquisition of Cominfo in July 2019.

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, they 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, goodwill and right of use assets.

Debt/Equity Ratio

Net debt in relation to equity.

Dividend Yield

Dividend in relation to listed price on 31 December.

EBIT Margin

EBIT as percentage of net sales.

EBITA

EBIT before amortisation and impairment of acquisition related intangible assets, excluding items affecting comparability and effect of IFRS 16 Leases.

EBITA Margin

EBITA as a percentage of net sales.

EBITDA

EBIT before depreciation/amortisation and impairment of intangible assets, right of use assets and property, plant and equipment.

EBITDA Margin

EBITDA as a percentage of net sales.

Equity per Share

Equity attributable to the shareholders of the Parent Company divided by the number of shares excluding C-shares, as these have no dividend rights, at the end of the period.

Equity Ratio

Equity as a percentage of total assets.

Free Cash Flow

Cash flow from operating activities and investing activities excluding cash flows related to acquisitions and divestments, adjusted for finance lease payments.

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 Excluding IAC

Gross profit excluding IAC, as a percentage of net sales.

Items Affecting Comparability (IAC)

Items affecting comparability are defined as significant items affecting 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 (PEB)

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. PEB/EBITDA

Net debt including provisions for post-employment benefits divided by EBITDA, rolling 12 months.

Operating Capital Employed

The capital employed that is utilised 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, excluding short term taxes and financial items.

Order Intake Growth

Growth in order intake in constant currencies including organic and acquired order intake, excluding divested order intake.

Reported Growth

The change in reported nominal values, from one period to the next.

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 for the four business units, as a percentage of average operating capital employed.

Sales Growth

Growth in net sales in constant currencies including organic and acquired sales, excluding divested sales.

Contact Details

Gunnebo AB, Head Office

Box 5181
SE-402 26 Gothenburg
Visiting Address: Johan på gårdas gata 7
www.gunnebogroup.com
Tel: +46 10 209 50 20
E-mail: info@gunnebo.com
President & CEO: Stefan Syrén

Investor Relations

Tel: +46 10 209 50 99
Director, Investor Relations:
Isabelle Ljunggren

Business Units

Entrance Control

SVP: Robert Hermans
Tel: +44 1825 746 120
www.GunneboEntranceControl.com

Safe Storage

SVP: Stefan Syrén
Tel: +46 10 209 50 20
www.GunneboSafeStorage.com

Cash Management

SVP: Christian Weisser
Tel: +46 10 209 50 20
www.GunneboCashManagement.com

Integrated Security

SVP: Stefan Syrén
Tel: +46 10 209 50 20
www.solutions.gunnebo.com
www.gunnebo-gateway.com
www.GunneboIntegratedSecurity.es

Gunnebo Around the World

Gunnebo has delivery capabilities across the globe. See more information and contacts at www.gunnebogroup.com/About/Locations



Disclaimer

This report contains future-oriented information. It reflects the management's current perceptions of certain future events and the possible ensuing results. No guarantees can be given that these perceptions will prove to be correct. Actual future results may vary considerably from the information supplied in this report, partly due to changes in circumstances regarding the economy, market and competition, changed legal requirements and other political measures, variations in exchange rates, business risk assessments and other factors mentioned in this annual report.

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The Gunnebo Group operates worldwide providing innovative products, software and services to control the flow of valuables, cash and people. Gunnebo offers entrance control, safe storage, cash management and integrated security solutions to customers primarily within retail, mass transit, public & commercial buildings, industrial & high-risk sites and banking. The Group has a turnover of MSEK 5,500 and is listed on NASDAQ Stockholm.

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