# Gunnebo Year-end release 2008

Göran Gezelius
President and CEO Gunnebo AB
February 6, 2009

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## CEO Comments To Fourth Quarter 2008

*" Both order intake and operating profit for the fourth quarter were on the same level as last year, despite significant concerns on the financial markets and in many areas of the industry.*

*We are seeing a downturn on some markets and among certain customers, but increases on others thanks to our strategy of offering complete security solutions to focused customer groups.*

*The framework contract signed with the European Commission to upgrade security at its offices in a hundred or so sites around the world is a good example of our capacity and business opportunities.*

*Despite the banking crisis, Gunnebo's order intake for Business Line Bank increased during the fourth quarter, partly due to some strategic orders from French banks, but orders from banks also increased in the Nordic region, the UK, Belgium and Italy."*



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## CEO Comments To Fourth Quarter 2008

- Order intake increased to MSEK 1,767 (1,711). Organically it decreased by 2%.
- Net sales amounted to MSEK 1,985 (2,010). Organically it decreased by 5%.
- The operating profit amounted to MSEK 140 (146), and the operating margin to 7.1% (7.3).
- Profit after tax amounted to MSEK 81 (44).
- Earnings per share were SEK 1.75 (0.95).
- The operating cash flow amounted to MSEK 301 (222).

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## Items affecting comparability and Currency effects

**Fourth quarter**

| MSEK | 2008 | 2007 |
|---|---|---|
| Redundancies etc (net) | -20 | -4 |
| Currency effects | +17 | 6 |
| **Total** | **-3** | 2 |

**Full year**

| MSEK | 2008 | 2007 |
|---|---|---|
| Redundancies etc (net) | -47 | -5 |
| Currency effects | -1 | 8 |
| **Total** | **-48** | 3 |

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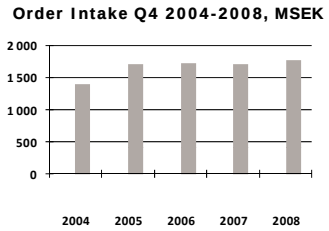
## Fourth Quarter In Brief: Order Intake

- Order intake decreased organically by 2 per cent
- Order intake increased organically for Business Lines Bank and Site Protection, while it decreased for Retail and Secure Storage



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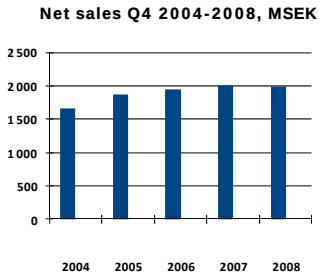
## Fourth Quarter In Brief: Net Sales

- Net sales decreased organically by 5 per cent
- Business Line Secure Storage showed organically a positive development, +5 per cent, while other Business Lines showed a decrease



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## CEO Comments To Full Year 2008

- Order intake increased to MSEK 6,965 (6,938). Organically it increased by 1%.
- Net sales amounted to MSEK 6,903 (7,025). Organically it decreased by 2%.
- The operating profit amounted to MSEK 281 (349), and the operating margin to 4.1% (5.0).
- Profit after tax amounted to MSEK 115 (128).

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## CEO Comments To Full Year 2008

- Earnings per share were SEK 2.50 (2.80).
- The operating cash flow amounted to MSEK 255 (66).
- The Board and the President propose no dividend for 2008 (2007: SEK 1.60 per share).

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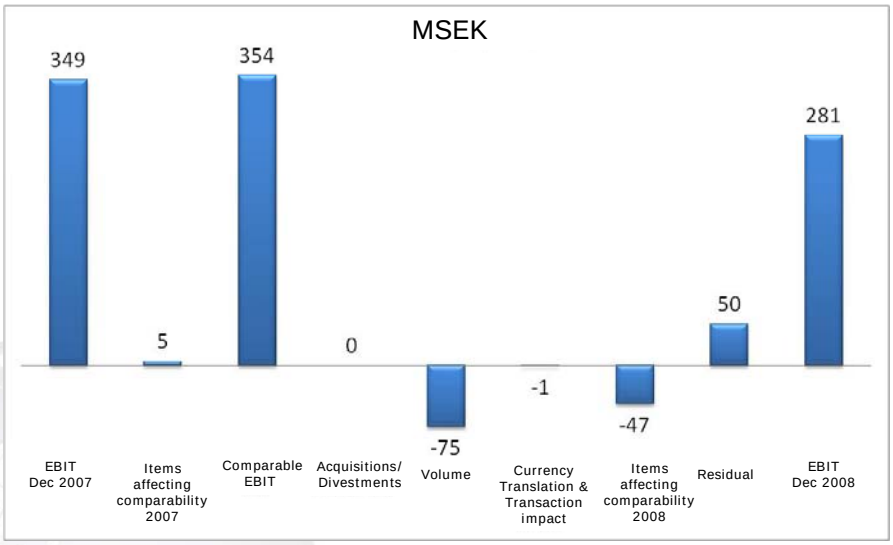
## EBIT-bridge December 2007 – December 2008



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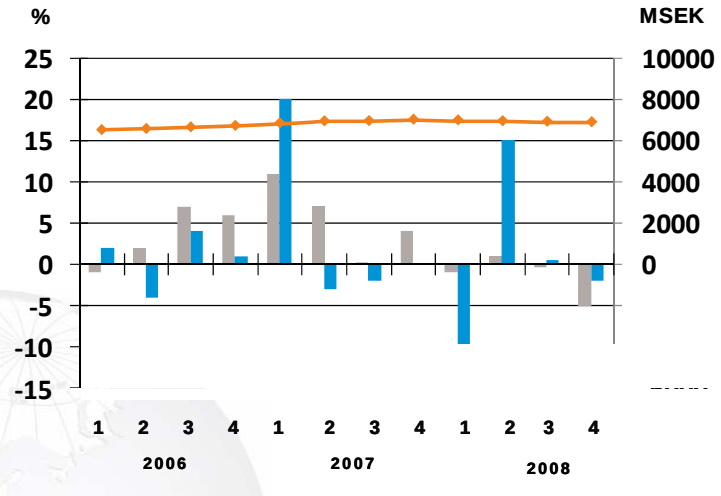
## Organic Growth, Net Sales and Order Intake



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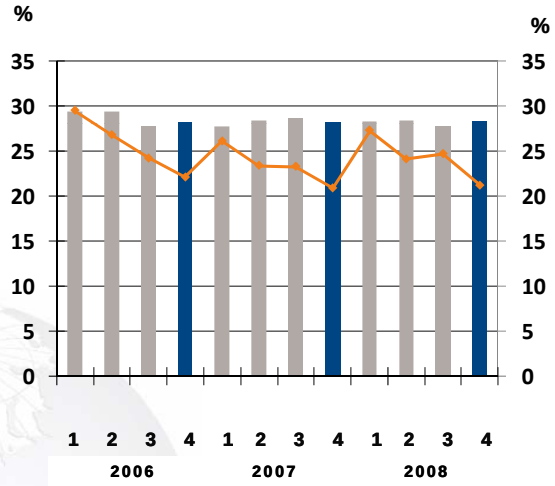
## Gross Margin And Operating Costs
Excluding items affecting comparability*




* 2006 is excluding items affecting comparability

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Gross margin
Operating costs in relation to Net Sales

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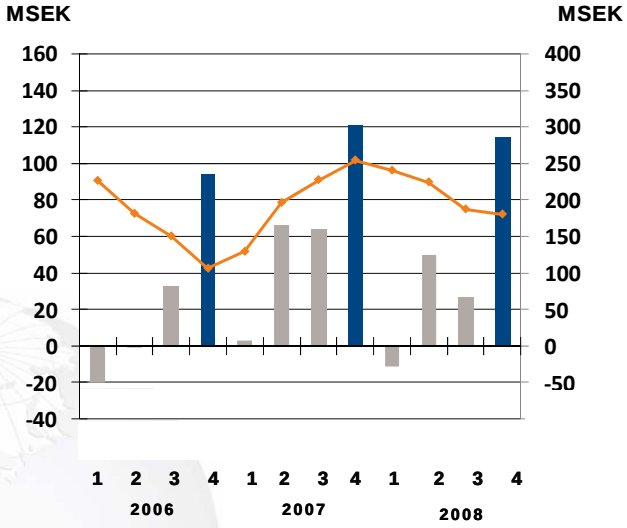
## Profit/Loss After Financial Items*




*** Exc. Items affecting comparability and goodwill depreciation**

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Quarterly values (left-hand scale)
Moving twelve months (right-hand scale)

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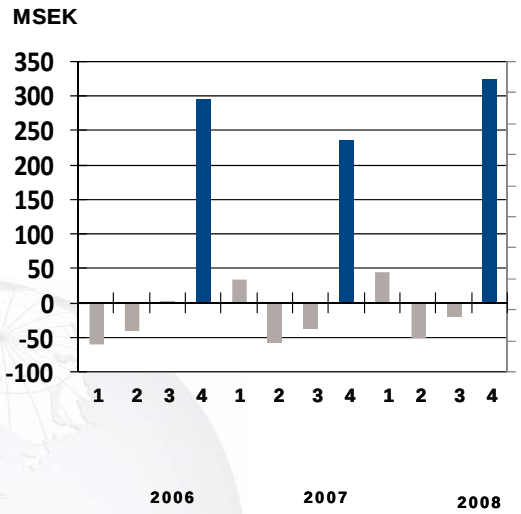
## Operating Cash Flow
Before financial items, tax and restructuring costs



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## In Brief

| | October - December | | | Full year | | |
|---|---|---|---|---|---|---|
| **MSEK** | **2008** | 2007 | Organic | **2008** | 2007 | Organic |
| Order intake | **1,767** | 1,711 | **-2** | **6,965** | 6,938 | **1** |
| Net sales | **1,985** | 2,010 | **-5** | **6,903** | 7,025 | **-2** |
| Operating profit/loss | **140** | 146 | | **281** | 349 | |
| Operating margin, % | **7.1** | 7.3 | | **4.1** | 5.0 | |
| Profit/loss after financial items | **114** | 121 | | **180** | 254 | |
| Profit/loss after tax | **81** | 44 | | **115** | 128 | |
| Earnings per share, SEK | **1.75** | 0.95 | | **2.50** | 2.80 | |
| Operating cash flow | **301** | 222 | | **255** | 66 | |



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## Business Line Bank

| | Oct-Dec | | Full year | |
|---|---|---|---|---|
| **MSEK** | **2008** | 2007 | **2008** | 2007 |
| Order intake | **601** | 554 | **2,276** | 2,327 |
| Net sales | **648** | 681 | **2,208** | 2,326 |
| Operating profit/loss | **67** | 79 | **168** | 221 |
| Operating margin, % | **10.3** | 11.6 | **7.6** | 9.5 |

- 2008: ”Wait and see”-market as a consequence of the banking crisis
- 2008: A number of major orders received during the year
- Q4: Order intake increased organically by 4%. Particularly good development in France, UK, Belgium and EU-East

Share of Group sales: 32%

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## Business Line Retail

| | Oct-Dec | | Full year | |
|---|---|---|---|---|
| **MSEK** | **2008** | 2007 | **2008** | 2007 |
| Order intake | **153** | 202 | **734** | 803 |
| Net sales | **215** | 217 | **779** | 739 |
| Operating profit/loss | **7** | 13 | **6** | -5 |
| Operating margin, % | **3.3** | 6.0 | **0.8** | -0.7 |

- Q4: Order intake
- 2008: The installed SafePay base has functioned well during the year, as have new pilot installations
- 2008: Positive full year operating profit of MSEK 6 (-5)

Share of Group sales: 11%

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## Business Line Site Protection

| | Oct-Dec | | Full year | |
|---|---|---|---|---|
| **MSEK** | **2008** | 2007 | **2008** | 2007 |
| Order intake | **726** | 670 | **2,851** | 2,755 |
| Net sales | **800** | 818 | **2,850** | 2,920 |
| Operating profit/loss | **52** | 48 | **91** | 97 |
| Operating margin, % | **6.5** | 5.9 | **3.2** | 3.3 |

- Q4: Framework contract signed with the European Commission
- Q4: Market development
- 2008: Indoor Perimeter Protection (Gunnebo Troax)

Share of Group sales: 41%

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## Business Line Secure Storage

| | Oct-Dec | | Full year | |
|---|---|---|---|---|
| **MSEK** | **2008** | 2007 | **2008** | 2007 |
| Order intake | **287** | 285 | **1,104** | 1,053 |
| Net sales | **322** | 294 | **1,066** | 1,040 |
| Operating profit/loss | **24** | 27 | **79** | 99 |
| Operating margin, % | **7.5** | 9.2 | **7.4** | 9.5 |

- Q4: Net sales +5 per cent
- 2008: Establishment of a European Distribution Centre
- 2008: Development of raw-material prices

Share of Group sales: 16%

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## Group Liquidity and Financial Position

- The Group's liquid funds at the end of the period amounted to MSEK 169 (218) and equity totalled MSEK 1,073 (1,142).
  - Translation of foreign subsidiary balance sheets had an adverse effect on equity of MSEK 79, primarily due to the stronger Swedish krona against the UK pound and some other currencies.
- Net debt amounted to MSEK 1,967 (1,746), mainly due to exchange rate fluctuations.
- A weaker Swedish krona in relation to the euro resulted in a higher balance sheet total.
- Group equity did not increase to the same extent. This resulted in a fall in the equity ratio to 20% (24%) while the debt/equity ratio increased to 1.8 (1.5).



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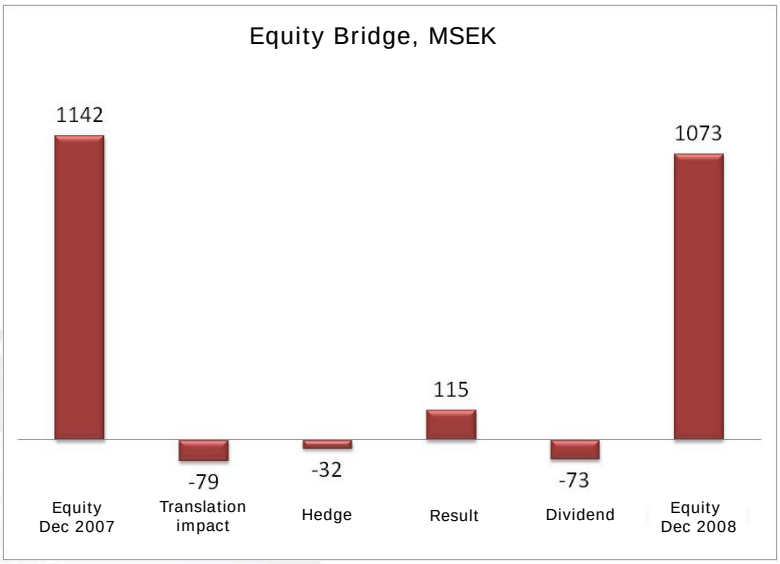
## Equity Bridge December 2007-December 2008



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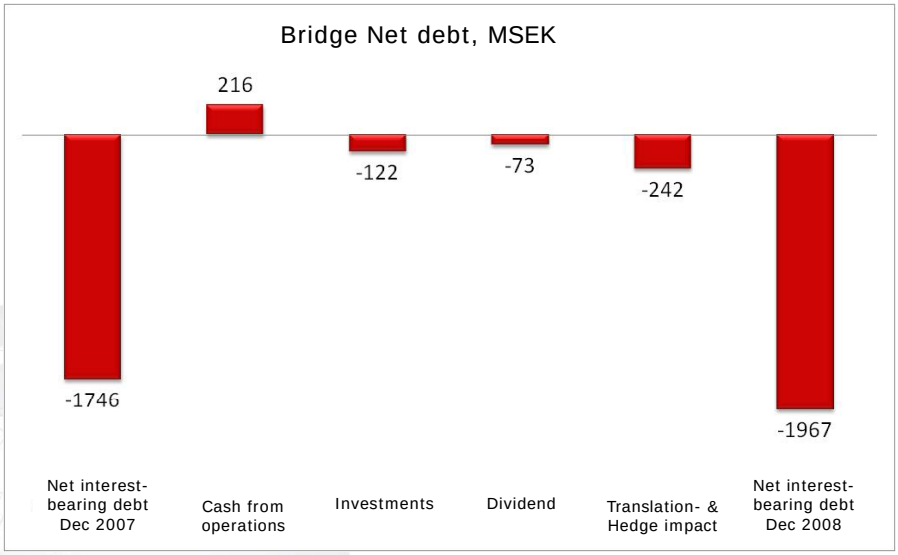
## Bridge Net Debt

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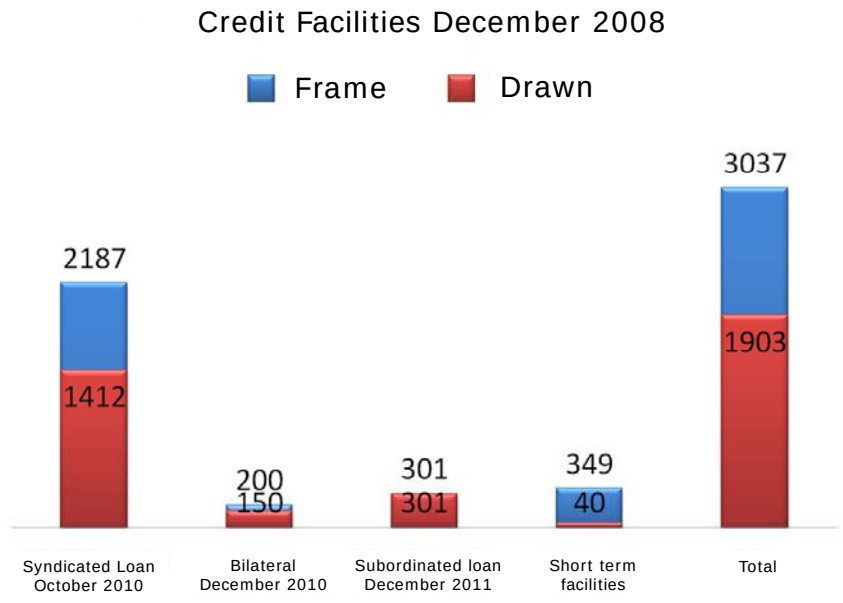
## Credit Facilities

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## Financial Targets

- Gunnebo shall earn a return on capital employed of at least 15% and an operating margin of at least 7%.
- The equity ratio shall not fall below 30%.
- The Group shall achieve organic growth of at least 5% each year.

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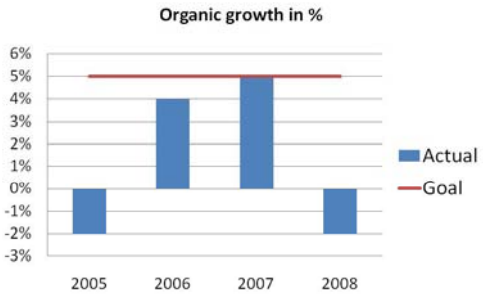
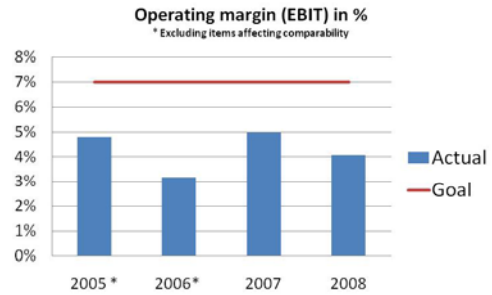
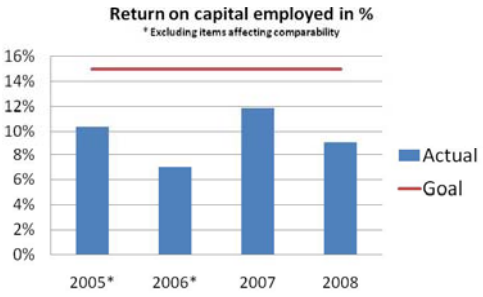
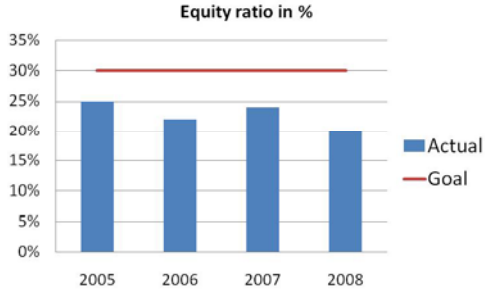
## Financial Targets

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## CEO Comments To Fourth Quarter 2008

*”Moving into the first quarter of 2009, the business landscape is irregular and difficult to interpret; investments in some areas will need to be combined with savings and cutbacks in others. Our order book at the end of 2008 is roughly the same in terms of volume as it was a year ago, and the number of outstanding tenders for major projects is considerably higher than last year, and higher than at the end of the third quarter of 2008.”*

*Göran Gezelius*
*President and CEO*

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## Operating profit/loss and operating margin

| | Oct-Dec | | | | Full year | | | |
|---|---|---|---|---|---|---|---|---|
| | **2008** | | **2007** | | **2008** | | **2007** | |
| | **MSEK** | **%** | MSEK | % | **MSEK** | **%** | MSEK | % |
| Business Line Bank | **67** | **10.3** | 79 | 11.6 | **168** | **7.6** | 221 | 9.5 |
| Business Line Retail | **7** | **3.3** | 13 | 6.0 | **6** | **0.8** | -5 | -0.7 |
| Business Line Site Protection | **52** | **6.5** | 48 | 5.9 | **91** | **3.2** | 97 | 3.3 |
| Business Line Secure Storage | **24** | **7.5** | 27 | 9.2 | **79** | **7.4** | 99 | 9.5 |
| Central items | **-10** | **-** | -21 | - | **-63** | **-** | -63 | - |
| **Group total** | **140** | **7.1** | 146 | 7.3 | **281** | **4.1** | **349** | **5.0** |



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## Consolidated income statement

| | Oct-Dec | | Full year | |
|---|---|---|---|---|
| **MSEK** | **2008** | 2007 | **2008** | 2007 |
| Net sales | **1,985** | 2,010 | **6,903** | 7,025 |
| Cost of goods sold | **-1,424** | -1,443 | **-4,957** | -5,040 |
| **Gross profit** | **561** | 567 | **1,946** | 1,985 |
| Other operating costs, net | **-421** | -421 | **-1,665** | -1,636 |
| **Operating profit/loss** | **140** | 146 | **281** | 349 |
| Net financial items | **-26** | -25 | **-101** | -95 |
| **Profit/loss after financial items** | **114** | 121 | **180** | 254 |
| Taxes | **-33** | -77 | **-65** | -126 |
| **Profit/loss for the period** | **81** | 44 | **115** | 128 |



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## Consolidated balance sheet

| | 31 December | |
|---|---|---|
| **MSEK** | **2008** | 2007 |
| Goodwill | **1,240** | 1,103 |
| Other intangible assets | **120** | 129 |
| Tangible assets | **625** | 584 |
| Financial assets | **346** | 168 |
| Inventories | **913** | 789 |
| Current receivables | **1,849** | 1,846 |
| Liquid funds | **169** | 218 |
| **Total asset** | **5,262** | 4,837 |
| Equity | **1,073** | 1,142 |
| Long-term liabilities | **2,142** | 1,604 |
| Current liabilities | **2,047** | 2,091 |
| **Total equity and liabilities** | **5,262** | 4,837 |



## Key ratios

| | Full year | |
|---|---|---|
| | **2008** | 2007 |
| Return on capital employed, % | **9.2** | 11.9 |
| Return on equity, % | **10.4** | 11.7 |
| Gross margin, % | **28.2** | 28.3 |
| Operating profit/loss before depreciation (EBITDA), MSEK | **411** | 488 |
| Operating profit/loss (EBIT), MSEK | **281** | 349 |
| Operating margin before depreciation (EBITDA), % | **6.0** | 6.9 |
| Operating margin, % (EBIT) | **4.1** | 5.0 |
| Profit margin, % (EBT) | **2.6** | 3.6 |
| Capital turnover rate, times | **2.2** | 2.3 |
| Equity ratio, % | **20** | 24 |
| Interest coverage ratio, times | **2.9** | 3.7 |
| Debt/equity ratio, times | **1.8** | 1.5 |



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