

## Breakfast with Gunnebo

Stockholm November 25, 2011



**THE LEADING GLOBAL  
PROVIDER OF A SAFER  
FUTURE**

## Facts & Figures

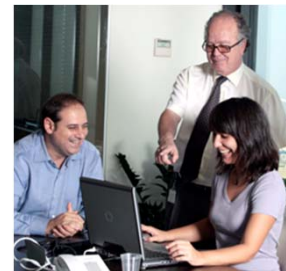
- Gunnebo has **5,300 employees**
- **Annual turnover** amounts to some **560 MEUR**
- **Sales Companies in 31 markets** in Europe, Asia, Africa, Middle East and Australia
- **Sales in a further 100 markets via partners**
- The division of net sales as of Q3 2011:
  - North Europe 30%
  - South Europe 38%
  - Rest of the World 32%
- The division of net sales as of Q3 2011:
  - Bank Security & Cash Handling 44%
  - Secure Storage, 15%
  - Entrance Control 14%
  - Global Services 22%



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## A Look in the Mirror: Gunnebo's Development

- **Phase 1**
  - 1995 – 2005
  - > 40 acquisitions
  - Growth and entrepreneurship
- **Phase 2**
  - 2006 – 2008
  - Consolidation
- **Phase 3**
  - 2009 – 2010
  - **Get It Right!**
  - Focus on **BUSINESS**



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## Get It Right: The Six "Top Five Key Programmes"

1. Cash flow
2. Improved margins
3. Management
4. Cost reductions
5. Strategic review
6. Re-financing



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## Time for Phase 4: Strategy Execution!

- Phase 1
  - 1995 – 2005
  - > 40 acquisitions
  - Growth and entrepreneurship
- Phase 2
  - 2006 – 2008
  - Consolidation
- Phase 3
  - 2009 – 2010
  - **Get It Right!**
  - Focus on **BUSINESS**
- Phase 4
  - 2011-
  - **Strategy execution**



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## Gunnebo Key Success Factors For 2011\*

- Management
  - Drive, support and control
  - Don't compromise on people
- Execution, execution, execution
- Move point of gravity from Europe to Asia/Africa/ME/AUS
  - Boost growth opportunities
  - Business development
  - Allocate resources
  - Increase LCM and sourcing
- Growth
  - Acquisitions
  - Strengthen core business
  - Geographical expansion
  - Services



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\*From CMD February 10, 2011  
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## The Strategy in Brief

- Focus on **Customers and Business**
- Build on
  - **Bank Security & Cash Handling**
  - **Secure Storage**
  - **Entrance Control**
  - **Services**
- **Global** approach
- **Services** are an integrated part of our business, they add value and are an opportunity for growth
- **R&D**

In all four areas Gunnebo has "global" positions and growth opportunities, and the underlying market drivers are in our favour.



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## Strategic Focus Includes Boosting Growth and Move Point of Gravity

- European development from **strong positions**
- Build on **strongholds in Asia**
- **China** in the equation
- **Strengthen Africa/Middle East** platform
- Decide on other BRIICA\* opportunities
- Sales efficiency & **Key Account Management**



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\* Brazil, Russia, India, Indonesia, China and Americas

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## Gunnebo Acquisition Strategy

- Strengthen core business
  - Technology
  - Bolt on acquisitions
- Geographical extension & boosting growth
  - API's physical Security Division, Australia
  - Grand Entrance, Australia
  - Alltech, South Africa
  - Gunnebo Brazil
    - Increased to 80% Share Holding in JV
  - USA, India, China, Australia, Turkey
- Strengthen the platform for BA Global Services



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## Gunnebo's Growth Outside Europe

- Shifting the point of gravity of our business to markets outside of Europe:

- 10% of Group turnover five years ago
- 32% of Group turnover YTD 2011

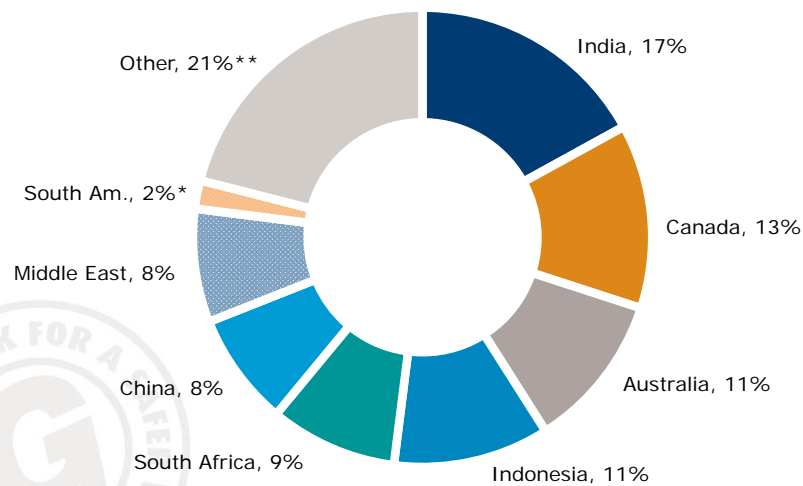
- Canada
- Brazil
- China
- Asia Pacific
  - India
  - Indonesia
  - South-East Asia
  - Australia
- Africa Middle East
  - South Africa
  - UAE



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## Sales Outside Europe End Third Quarter 2011



\* Mexico, Brazil, Colombia, Peru, French Guiana, Argentina, China

\*\* USA, Singapore, South Korea, Thailand, Taiwan, Vietnam, Nigeria, Tanzania, Botswana, Egypt, Morocco, Algeria

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## India At a Glance

- **Bigger in size than Western Europe or 40% of USA**
- **THE largest democracy in the world!**
- **29 States, 15 Official Languages**
- 7 mega cities with >70m population
- GDP growth 8-9%
- Sound financial system
- IPR Protection
- Middle class 350m people
- 300m English speaking
- 4<sup>th</sup> largest economy, soon surpassing Japan
- Young nation 50% less than 25 years old
- Huge gap in infrastructure, power and healthcare

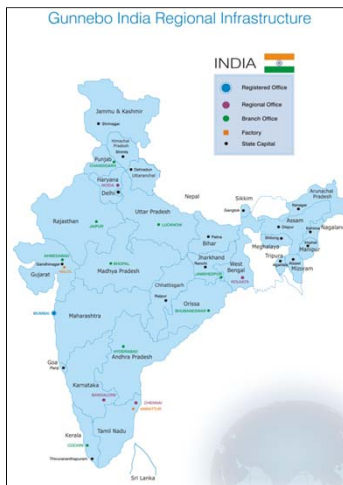


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## Gunnebo in India Since 1932

### Business

- Turnover 2011: MEUR 28 (estimated)
- Growth: 25% (estimated)
- Healthy profitability
- Growing market presence



### Resources

- Head office Thane (Mumbai)
- 3 Regional Offices & 8 Branch Offices
- Manufacturing
  - Halol
  - Ambattur
- Total Employees 813
  - Sales Company: 275
  - Production Company: 538

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## Halol Plant

- Safe Production (including ATM Safes)
  - Output in number of safes to increase by over 50%
  - Annual output about 16,000 by end 2012
  
- Total investment: Over 2,000 KEUR
  - Re-layout of the plant including a specialized production line for ATM Safes
  - Increased capacity to increase daily output of other products (FREs, Doors & Safe Deposit Lockers) to go up by ~50% by end 2012
  - 25% planned increase of production personnel
  - End 2012: Headcount to be 721



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## Key Customers

| Bank & Secure Storage | Entrance Control |  | Global Services |
|-----------------------|------------------|--|-----------------|
|                       |                  |  |                 |
|                       |                  |  |                 |
|                       |                  |  |                 |
|                       |                  |  |                 |
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|                       |                  |  |                 |
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## Market Trends & Opportunities

### Market Trends / Drivers



RBI offers incentives for branch expansion in rural areas

RBI releases guidelines for new banking licenses



7,400km of metros & subways to be constructed



700 – 900m<sup>2</sup> space to be built



Energy demand to double



Defense spending up by 10%

### Gunnebo Opportunities

Physical security & electronic security opportunity

Opportunity for Kolkata, Chennai & Ahmedabad metro

Electronic security system integration opportunities

Security solutions for power plants

Entrance control

Source : McKinsey Global Institute Report RBI circulars  
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## The Indian Retail Banking Sector

- Gunnebo Market Share: Around 21%
- Total no. of retail bank branches: Approx. 81,000\*
- Growth rate: 18%
- 3,000 – 3,500 branches opened yearly
- >70,000 ATMs
- 6,500 new ATMs are being installed every year

\*Source RBI



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## Gunnebo's Strengths on the Indian Bank Market

- Strong brand names
  - Steelage
  - Chubb safes
- Long term relationship with the banking sector
- Perceived quality of our products in the mind of the customers
- Our channel strength and spread across geography



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## Entrance Control Activities in India

- Market Size: MEUR 80
- Annual growth rate: 30%
  - Public transport
  - Oil & Gas
  - Office buildings
  - Defence
- 85 airports will become 400 in ten years' time
- Gunnebo has the right products to take on the competition!



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## Gunnebo in Indonesia Since 1972

- **Indonesian economy**

- GDP growth forecast at >5%
- Banking sector growth approx. 10% (± 1,500 new branches)

- **Current business in Indonesia**

- Sales 2011 approx. MEUR 19
- Growth rate 15%
- +40% market share in physical security
- Manufacturing in Jakarta
  - Safes & vaults
  - Fire extinguishers



- **Key customers:**

- Banks: PT. Bank Rakyat Indonesia, PT. Bank Mandiri Tbk, PT. Bank Central Asia
- Oil, Gas and Mining: PT. International Nickel Indonesia, BUT Chevron Geothermal Salak, PT. Newmont Nusa Tenggara
- Other segments: PT. Doosan Heavy Industry (Power Plan), PT. Wilmar Nabati Indonesia (Palm Oil); HM Sampoerna (Tobacco)

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## Key Customers

| Bank & Secure Storage  | Entrance Control & Fire Products   |   | Global Services  |
|--|--|---|--|
| <br>Melayani Dengan Setulus Hati  |   | <br> |   |
|   |   |   |   |
|   |   |    | <br> |
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| <br> |   | <br>HEIDELBERGCEMENT Group  |   |
|   |   |    |   |

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## The Indonesian Retail Banking Sector

- Gunnebo Market Share: Around 35%
- Total no. of retail bank branches: Approx. 15,000
- Growth rate: 15%
- 1,500 branches opened yearly
- >40,000 ATMs
- 5,000 new ATMs are being installed every year



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## Gunnebo's Strengths on the Indonesian Bank Market

- Vast network across the country to cover all banks
- Strong brand
- Trusted by customers
- Strong financial background
- Product quality



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## Gunnebo's Entrance Control Activities in Indonesia

- Annual growth rate: 15%
- Major infrastructure projects in the pipeline:
  - New power plant in Cirebon, West Java
  - New airport in Medan, North Sumatra
  - New hotels and high-rise buildings
  - Public mass transportation system – MRT (Planned for 2014)
- Growth Strategy
  - Close co-operation with consultants and architects
  - Close co-operation with business partners in completing our national product range



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## Gunnebo's Service Activities in Indonesia

- 130 technicians
- Main customers: Banks, Oil, Gas & Mining Companies, Telecommunication Companies
- Strategy:
  - Ensuring all new projects are accompanied by maintenance contract offering
- Professional sales of service offering



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## Gunnebo In China

- Head Office/Commercial Office in Shanghai
- Production and sourcing in Kunshan
- Legal platform established mid-2010
- 50 employees
- 2010 sales: MEUR 10
- 2011 forecast: MEUR 15
- Growth rate: 50%
- Current activities
  - Sales
  - Purchasing
  - Manufacturing



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## Why Do Business In China?

- The market
- Cost-efficient purchasing
- Industrial presence



Activities in China primarily aim at supporting business growth in China. Opportunity to reduce costs in other parts of the Group a bonus!

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## Activities: Sales

- Focus on Mass Transit and Bank Security & Cash Handling
  - Entrance Security: Metro gates, Tripods and Turnstiles
  - Bank Security: SafeStore Auto, Vault Doors, Safes
  - Cash Handling: ATM Safes
- Key Customers
  - Beijing Metro
  - Shanghai Metro
  - Qinshan Nuclear Power Plant
  - People's Bank of China
  - Bank of China
  - NCR
  - Hitachi



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## Activities: Co-ordinated Purchasing

- Sourcing for local production
  - 92% of production locally sourced
  - Developing quality vendor base in China
  - Focus on further localization of components
- Specific projects for Group-wide cost reductions
  - Metro flap gates & tripods
  - Turnstiles
  - Various Secure Storage products
  - Individual component and assemblies



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## Activities: Production

- Location: Kunshan, some 40km outside Shanghai
- Size: 10,000 m<sup>2</sup>
- Production of flap mechanisms for the Chinese metro market
- Preparing for production of turnstile mechanisms for Chinese and other markets
- NO production of safes
  - FOCUS is important!
  - Efficient sourcing from long-term external supplier



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## The Chinese Retail Banking Sector

- Total no. of retail bank branches: 196,000
- No. of branches being opened every year: 3,000
- No. of ATMs: 271,000
- Growth ATMs: 20%



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## The Chinese Market For Entrance Control: Metro

- Gunnebo market share: +50%
- Annual growth rate: EC business for mass transit is on project basis, thus difficult to predict annual growth rate
- Many major infrastructure projects in pipeline in the next 10 years:
  - *Around 100 new airports*
  - *9,500km metrolines*



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## Opportunities in China

- Develop Secure Storage dealer network in China
- Grow market share on the metro and entrance security arena
- Enhance offering to bank and cash handling markets
- More products for Kunshan factory
- Enhance global procurement opportunities



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## Gunnebo in South-East Asia Since 2001

### ▪ Current business in South East Asia

- Managed from Singapore
- Sales 2011: 7 MEUR (est.)
- Growth rate: 25%
- Strong market position in Secure Storage
- Covering the markets of:  
Singapore, Hong Kong & Macau, Thailand, Vietnam,  
Cambodia, Myanmar, Korea, Philippines, Maldives,  
Sri Lanka



### ▪ Key end-customers – through regional distributor & dealer network

- Banks: Development Bank of Singapore & OCBC Bank, Citibank, HongKong Bank, Deutsche Bank, Barclays Bank, Standard Chartered Bank
- Commercial Sectors : Marina Bay Sands – Casino & Jewellery & Luxury Retail Stores, Theme Parks – Sentosa Resort World & Singapore Zoo, Ministry of Finance, Ministry of Police, Hospitals, Airports.



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## Gunnebo in Brazil since 2004

### ▪ Economy

- Manufacturing, agricultural, natural resources
- 2011 GDP growth forecast: 3.2 – 3.8%

### ▪ Gunnebo's business in Brazil

- JV since Dec. 2004
- Subsidiary (80% ownership) since Nov. 2011
- Sales 2010: 14 MEUR
- 90 employees
- Strong service organisation
- Strong growth of both turnover and profitability during the last years!
- Sales in Brazil + many other South American markets



Platform for growth  
of Gunnebo's  
complete offering  
into South America

### ▪ Key Customers:

- 3 of the 4 biggest fashion retailers (C&A, Riachuelo, Marisa), Walmart, Carrefour, FNAC, Decathlon and many other national and international retail chains



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## The Brazilian Retail Bank Market

- Total no. of retail bank branches:  
Approx. 20,000
  - Growth rate: 6%
  - More than 1,200 branches opened yearly
- 175,000 ATMs
  - Growth rate: 10%
  - According to Retail Banking Research, the market for ATMs in Brazil is expected to grow 27% by 2015
  - Brazil have 60% of the numbers of ATMs in Latin America
  - 80% of Brazilian ATMs will be replaced by 2015
- Banks are investing more in IT and technical resources over the past years



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## The Brazilian Market for Entrance Control

- 2014 World Cup. Infrastructure investments around R\$ 50 billion (BEUR 20)
- 12 cities will expand or build their metro network, airports, stadiums and hotels
- 2016 Olympic Games, more than R\$ 30 billions (BEUR 12) investments in Rio de Janeiro



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**Financials: Quick review of Q3 report**

**CEO Comments**

- Operating profit in the quarter in line with our long-term improvement in results
- Operating profit and profit after tax have both improved during the year
- Divestment of Perimeter Protection
- Continued focus on our core business with higher added value
- Shifting the point of gravity of our business to markets outside of Europe:
  - 10% of Group turnover five years ago
  - 32% of Group turnover YTD 2011
- Growth outside Europe some 20%, in the region Asia/Pacific some 25%



## CEO Comments

- Continued investments in important growth markets:
  - Acquisition of South African Alltech
- Good development of our business in Germany
- The sales company in Italy is developing well and the French market is continuing to develop stably, while a continued decline is evident in Spain
- Hard to assess the uncertain market conditions in Europe, especially bearing in mind that the need for security tends not to decline but rather increase in times of uncertainty
- Thanks to our financial strength we are well-positioned to deal with the situation, and we have headroom for further growth initiatives



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What have we achieved so far in 2011?

## Activities and Deliverables in 2011

- New organisation as of Jan 1 2011 - new external reporting structure
- Start-up in China
- Factory extension and investments in production in India
- Renewed credit facilities
- Acquisition of Alltech
- Divestment of Perimeter Protection
- Investment in Brazil: JV becomes subsidiary
- Business Area Global Services up and running
- Co-ordination and focus on R&D
- Quality assurance of the industrial platform



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## Renewed Credit Facilities

- During the third quarter, Gunnebo agreed on a renewed MEUR 140 credit framework
- Ensures financing is available on market terms until the end of June 2014
- Replaces former borrowing facility in the form of bilateral loans



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## Divestment of Perimeter Protection

- Divested in September 2011 to Swedish venture capital company Procuritas Capital Investors
- The purchase sum after transaction costs and tax amounted to MSEK 268
- Group capital loss totalled MSEK -1
- Gunnebo retains 10% ownership and continues financing of MEUR 10



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## Business Area Global Services Up And Running

- Portfolio project & product management
- Spare parts pilot projects (SafePay and SSA)
- Service sales focus program
- Standardisation of processes and tools (pilot for cash handling & SSA)
- Acquisition strategy and execution

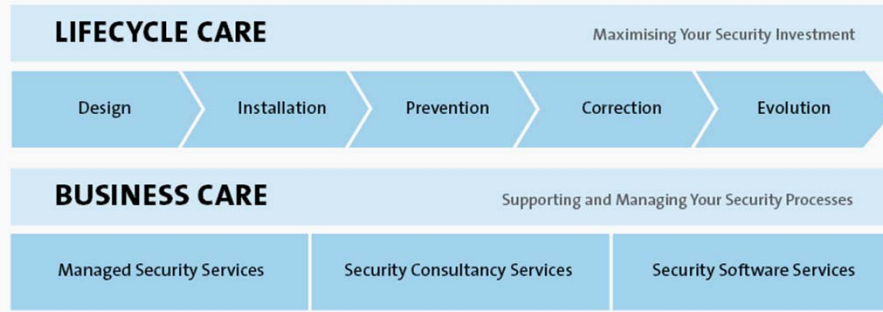


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## The Global Services portfolio

### GUNNEBO GLOBAL SERVICES

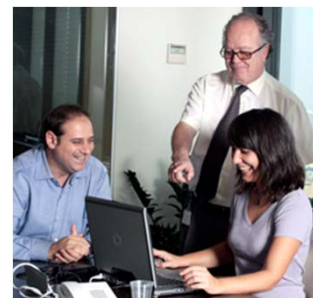


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## Co-ordination and Focus on R&D

- R&D important growth trigger
- Common process to secure business value in new initiatives
- Project Portfolio Management
- Strategic product roadmaps
- Gunnebo R&D 2012:
  - Business focus
  - Increased control
  - Strategic prioritization



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## Quality Assurance of Industrial Platform

- Quality assurance of work processes
  - Quality
  - Delivery
  - Cost
- Securing alignment and conformity of the industrial platform
- Focus:
  - Bank Security & Cash Handling
  - Secure Storage



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## Press Release: Organisational Adjustments

- **Mats Johansson appointed SVP Group Support**  
Responsible for Change Management, HR, IT and Communication & IR. The change will be made with immediate effect.
- **Per Borgvall acting SVP North Europe (as of January 1, 2012)**  
The SVP North Europe and Country Manager Germany and Austria, Thomas Heim, has decided to leave Gunnebo in January 2012. Per Borgvall will take up the position as acting SVP Region North Europe until a successor has been appointed.
- **Björn Nergård appointed SVP Operations**  
Responsible for Gunnebo's global industrial platform and includes responsibility for all production, logistics, purchasing, research and development, and environmental and quality work in the Group. The change will be made with immediate effect.

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## Gunnebo's Group Executive Team as of November 25, 2011

- **Per Borgvall**, President and CEO, SVP Region Rest of the World, and Region North Europe (as of January 1, 2012)
- **Tomas Wängberg**, SVP Business Development and Secure Storage
- **Björn Nergård**, SVP Operations
- **Christian Guillou**, SVP Bank Security & Cash Handling, SVP Region South Europe
- **Robert Hermans**, SVP Entrance Control
- **Anna Schmidt Almlöf**, SVP Global Services
- **Thomas Heim**, SVP Region North Europe (until Dec. 31, 2011)
- **Fredrik Östman**, CFO
- **Mats Johansson**, SVP Group Support

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## A Reminder: Gunnebo Key Success Factors For 2011\*

- Management
  - Drive, support and control
  - Don't compromise on people
- Execution, execution, execution
- Move point of gravity from Europe to Asia/Africa/ME/AUS
  - Boost growth opportunities
  - Business development
  - Allocate resources
  - Increase LCM and sourcing
- Growth
  - Acquisitions
  - Strengthen core business
  - Geographical expansion
  - Services



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## Press Release: Key Priorities 2012

- Growth
  - Boost growth opportunities (India, Indonesia, China, Brazil...)
  - M&A
  - Geographical expansion
  - Service Business Development
- Gross margin improvements
  - Purchasing savings
  - Price management
  - Factory efficiency
- Extension of industrial platform in China
- European sales efficiency

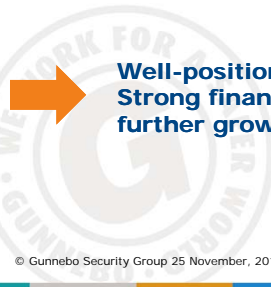


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## Strong Financial Position

- Equity ratio: 42% (35)
- Decreased net debt: MSEK 501 (952).  
Excluding pension commitments  
it amounted to MSEK 296 (731).
- Debt/equity ratio: 0.3 (0.7)
- New credit framework on market terms



**Well-positioned to deal with the situation.  
Strong financial position leaving headroom for  
further growth initiatives!**



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