

GUNNEBO AB
Press release October 23, 2000
Interim report January – September, 2000

- ❖ **Profit after financial items** increased by 35 % to MSEK 187 (139), of which items affecting comparability accounted for a net amount of MSEK 36 (10).
- ❖ **Earnings per share** rose by 40 % to SEK 6.65 (4.75). For the past 12-month period, earnings per share improved by 61 % to SEK 11.20 (6.95).
- ❖ **Invoiced sales** amounted to MSEK 3,423 (3,675). For comparable units and after adjustments for currency fluctuations, invoiced sales increased by 2 %.
- ❖ **For 2000** as a whole, the profit after net financial items is expected to amount to some MSEK 320, which is unchanged in relation to the previous forecast.
- ❖ **Following the acquisition of Chubb Safes**, Gunnebo has become the world leader in physical security.

Sales

Invoiced sales amounted to MSEK 3,423 (3,675). After adjustment for acquisitions, divestments and currency effects, invoiced sales rose by 2 %. The foreign sales ratio increased to 88 % (76).

The order intake amounted to MSEK 3,600 (3,785). The order intake for the period exceeded invoiced sales by 5 %. After adjustment for acquisitions, divestments and currency effects, the order intake rose by 3 %.

Sales have developed favourably on most European markets, with the exception of Sweden, where demand slackened slightly, and Germany, where developments have been very weak, especially for Garny and Gunnebo Troax. In the USA, sales have shown continued strength.

Gunnebo Security increased its invoiced sales to MSEK 2,575 (2,281) while Gunnebo Engineering's sales declined to MSEK 859 (1,408) following the divestment of Gnosjö-Gruppen.

Result

The consolidated operating profit after depreciation of goodwill increased to MSEK 195 (180). The improvement of the operating profit for comparable units is MSEK 29, excluding items affecting comparability. The operating profit includes net items affecting comparability of MSEK 36 (0) consisting of a capital gain of MSEK 109 on the divestment of Gnosjö-Gruppen and a provision of MSEK 94 to cover decided structuring measures within Gunnebo Security. It also includes income of MSEK 41 being the refund of surplus assets from the SPP insurance company and a MSEK 20 provision to cover early retirements.

The operating profit includes depreciation according to plan of MSEK 116 (146), of which depreciation of goodwill accounts for MSEK 25 (32).

The return on capital employed before depreciation of goodwill improved to 22.0 % (16.3) and after depreciation of goodwill to 15.0 % (11.0).

Gunnebo Security's operating profit before depreciation of goodwill amounted to MSEK 122 (121).

Gunnebo Engineering's operating profit before depreciation of goodwill was MSEK 77 (105).

The acquisition of Chubb Safes, which took place at the end of August, has so far had a marginal effect on the result.

Financial items amounted to a net cost of MSEK 8 (cost 41). This includes Gunnebo's MSEK 31 (16) interest in the earnings of associate companies, which largely comprises its 50 percent share holding in Gnosjö-Gruppen.

The profit after financial items improved to MSEK 187 (139), of which items affecting comparability amounted to MSEK 36 (10). The return on equity increased to 19.4 % (13.3).

The operating profit for the third quarter amounted to MSEK 52 (80). The divestments of Gnosjö-Gruppen and the lock activities account for some MSEK 20 of the decrease.

Acquisition of Chubb Safes

At the end of August, Gunnebo acquired Chubb Safes from Assa Abloy. Chubb Safes' annual turnover amounts to some MSEK 1,200. The company has 3,600 employees, of whom 2,500 are in Asia.

Chubb Safes is one of the world's best known brand names in physical security with strong penetration of markets in Europe, Asia and Africa. Chubb Safes is market leader in this product area in Great Britain, Canada, South Africa, India and Indonesia. The price paid for the net assets amounted to MSEK 700. The acquisition involved goodwill, including the right to the brand name Chubb Safes, of MSEK 390 upon consolidation, with a depreciation period of 20 years.

Chubb Safes has incurred losses in recent years. An extensive restructuring programme has therefore been set in motion, and a total review of the business is now being undertaken.

Production will be co-ordinated with Gunnebo Safe Production's activities and production capacity will be adjusted. In addition, several sales companies will lower their costs radically, and will be integrated with Gunnebo Security's other business activities.

In connection with this acquisition, a provision of MSEK 300 was made to cover planned structuring measures. The effect of the restructuring process at Chubb Safes and of its integration with Gunnebo Security will be reported in connection with the year-end release for 2000.

Chubb Safes has been consolidated with effect from September 1, 2000. The acquisition is estimated to only have a marginal effect on earnings per share for the current year. Substantial synergies will be generated by co-ordinating Chubb Safes with Gunnebo Security, in production, product development, and distribution. The full effect will be achieved within two to three years, once the integration process is completed.

Divestment of Gnosjö-Gruppen

At the beginning of February, 50 % of Gunnebo's shares in Gnosjö-Gruppen were sold to the Dutch company Schuttersveld N.V. The remaining future divestment of shares will be expected to be recognised in income at the end of the current year. The total capital gain on the divestment, including Gunnebo's interest in Gnosjö-Gruppen's result for 2000, is estimated to amount to MSEK 220 after tax.

The divestment of the first 50 % of the shares realised a capital gain of MSEK 109. Gnosjö-Gruppen is treated as an associate company as of January 1, 2000.

Other structural changes

In February, Gunnebo Fichet-Bauche acquired an alarm installation business from Matra Nortel Communication in Paris, with a turnover of MSEK 35. In June, Gunnebo Engineering acquired WH Scott & Son, Northern Ireland, which has an annual turnover of some MSEK 20.

The process of co-ordinating production within Gunnebo Safe Production is proceeding as planned.

Invoiced sales and operating profit per business area, MSEK

	Invoiced sales			Operating profit*			Operating margin, %*		
	Jan — Sept 2000	Sept 1999	Full year 1999	Jan — Sept 2000	Sept 1999	Full year 1999	Jan — Sept 2000	Sept 1999	Full year 1999
Gunnebo Security	2,575	2,281	3,342	122	121	200	4.7	5.3	6.0
Gunnebo Engineering	859	1,408	1,946	77	105	166	9.0	7.4	8.5
Eliminations and Group items	-11	-14	-24	21	-14	1	-	-	-
Group total	3,423	3,675	5,264	220	212	367	6.4	5.8	7.0

Financial ratios

	Jan — Sept 2000	Sept 1999	Full year 1999
Return on capital employed before depreciation of goodwill, % *	22.0	16.3	18.6
Return on capital employed, % *	15.0	11.0	12.7
Return on equity, % *	19.4	13.3	17.0
Operating margin before depreciation of goodwill, %	6.4	5.8	7.0
Operating margin, %	5.7	4.9	6.1
Capital turnover rate *	1.9	1.8	1.9
Equity ratio, %	28	26	30
Risk capital ratio, %	32	31	35

* During the past 12-month period.

Data per share

	Jan — Sept 2000	Sept 1999	Full year 1999
Earnings per share, SEK	6.80	4.90	9.80
Earnings per share after full conversion, SEK	6.65	4.75	9.40
Equity per share, SEK	63.70	56.35	61.25
Equity per share after full conversion, SEK	65.75	57.90	62.50
Cash flow per share, SEK	2.70	3.30	12.00
Number of shares at end of period, thousand	21,196	20,620	20,628
Number of shares after full conversion, thousand	21,988	21,993	21,993

Capital expenditure

The Group's fixed capital expenditure, excluding company acquisitions, amounted to MSEK 80 (136) and largely consisted of replacement and rationalisation investments.

Cash flow and financial position

Cash flow from operating activities amounted to MSEK 57 (68) and the operative cash flow after capital expenditure showed a deficit of MSEK 3 (deficit 54).

Cash flow from investment activities amounted to MSEK 252 (deficit 550).

The Group's liquid funds amounted to MSEK 315 (Dec 31, 1999: MSEK 212). The Group also has available undrawn loan facilities of some MSEK 940.

The Group's net debt amounted to MSEK 1,374 (Dec 31, 1999: MSEK 1,349).

The closing equity ratio was 28 % (30) and the risk capital ratio, including convertible loan stock, was 32 % (35). The debt-equity ratio was 1.0 (1.1).

Employees

The number of employees at the end of the period was 8,020, which may be compared with 5,425 at the end of the previous year. The number of employees abroad was 7,165 (3,540).

Data per share

Earnings per share after full conversion amounted to SEK 6.65 (4.75).

Earnings per share for the past 12-month period amounted to SEK 11.20 (6.95), an increase of 61 %.

Equity per share after full conversion amounted to SEK 65.75 (Dec 31, 1999: 62.50).

The share price has risen by 32 % since the turn of the year and was SEK 100 on October 20, 2000.

Gunnebo has 7,100 shareholders.

Forecast

The previously published forecast remains unchanged. The profit after financial items is expected to amount to some MSEK 320 (266) for the 2000 financial year as a whole.

Göteborg October 23, 2000

Bjarne Holmqvist

President and CEO

Quarterly data, MSEK

	1998				1999				2000		
	1	2	3	4	1	2	3	4	1	2	3
Invoiced sales	807	938	942	1,104	919	1,431	1,325	1,589	1,100	1,155	1,168
Operating profit	41	75	59	81	19	81	80	144	46	97	52
Operating margin, %	5.1	8.0	6.3	7.3	2.1	5.7	6.0	9.1	4.2	8.4	4.5
Profit after financial items	28	67	49	62	5	69	65	127	40	94	53

Consolidated income statement, MSEK	Jan - Sept 2000	Jan - Sept 1999	Full year 1999
Invoiced sales	3,423	3,675	5,264
Cost of goods sold	-2,362	-2,618	-3,734
Gross operating profit	1,061	1,057	1,530
Other operating costs excluding depreciation of goodwill	-841	-845	-1,163
Operating profit before depreciation of goodwill	220	212	367
Depreciation of goodwill	-25	-32	-43
Operating profit	195	180	324
Net financial items	-8	-41	-58
Profit after financial items	187	139	266
Minority interests in result	- 1	-1	-
Taxes	-43	-39	-67
Net profit	143	99	199

Consolidated balance sheet, MSEK	Sept 30, 2000	Sept 30, 1999	Dec 31, 1999
Intangible fixed assets	910	859	607
Tangible fixed assets	951	1,144	1,146
Financial fixed assets	210	72	62
Current assets	2,766	2,375	2,378
Total assets	4,837	4,450	4,193
Equity	1,350	1,162	1,263
Minority interests	16	7	6
Deferred tax liability	96	96	96
Interest-bearing provisions and liabilities	1,729	1,914	1,565
Other provisions and liabilities	1,646	1,271	1,263
Total equity and liabilities	4,837	4,450	4,193

Cash flow analysis, MSEK	Jan - Sept 2000	Jan - Sept 1999	Full year 1999
Cash flow from operating activities before change in working capital	202	196	308
Change in working capital	- 145	-128	-52
Cash flow from operating activities	57	68	256
Investments, net	- 60	-122	-125
Acquisitions and divestments of subsidiary companies	312	- 428	-204
Cash flow from investing activities	252	- 550	-329
Change in interest-bearing receivables and liabilities	- 139	566	212
Dividend	- 67	-55	-55
Cash flow from financing activities	- 206	511	157
Cash flow for the period	103	29	84
Liquid funds at beginning of year	212	133	133
Translation differences on liquid funds	-	-5	-5
Liquid funds at end of period	315	157	212

Financial information

Year-end release 2000 February 8, 2001

Annual report 2000 March, 2001

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